

Common Stock Code: 1718

**CHINA MAN-MADE FIBER  
CORPORATION**

**The 2019 Annual Meeting  
of Shareholders**

**Annual Meeting Handbook**

June 5, 2019

# **Meeting Agenda of the 2019 Shareholders General Meeting of China Man-Made Fiber**

Meeting Time: 9:00 am, Wednesday, June 5, 2019

Location: No. 1, Section 3, Zhongxiao East Road, Da'an District, Taipei City (Room B425 of Hong-Yue Technology Research Building at National Taipei University of Technology)

- I. Call the Meeting to Order
- II. Chairperson Remarks
- III. Company Reports
  - (1) Present the 2018 Business Results.
  - (2) Audit Report of the Auditing Committee.
  - (3) The 2018 distribution of remuneration to employees and directors.
- IV. Proposals
  - (1) Confirm the Company's 2018 Business Report and financial report.
  - (2) Acknowledging the Company's 2018 Earnings Distribution.
- V. Discussion
  - (1) Amendment to the Operational Procedures for Acquisition and Disposal of Assets.
  - (2) Amendment to the "Rules of Procedure for Shareholder Meeting".
  - (3) Discuss the capitalization of profit to issue new shares.
- VI. Election: Elect 9 directors of the 26th term.
- VII. Questions and Motions
- VIII. Adjournment

## **Management Presentation (Company Reports)**

- I. Presenting the 2018 Business Report. (please see page 11 to 15 of this Handbook)
- II. Please review the audit report from the audit committee. (please see page 16 of this Handbook)
- III. The Company intends to allocate 1% of the 2018 profit as the employee remuneration, an amount of NT\$13,672,505, and 0.3% as directors' remuneration, an amount of NT\$4,101,751.

## **Proposals**

Proposal 1 Proposal from the Board of Directors

Subject: The Company's 2018 business and financial reports have been completed and submitted to the audit committee for review. The reports also have been audited and validated by the certified public accounts, Chin-Chuan Shih and Wen-Ya Hsu, of Deloitte Taiwan.

Explanation: Business Report (please refer to pages 11 to 15 of this Handbook).

Independent auditor's report and financial report (please refer to pages 17 to 32 of this Handbook).

Resolutions:

Proposal 2 Proposal from the Board of Directors

Subject: Acknowledging the Company's 2018 Earnings Distribution.

Explanation: The Company's 2018 distributable earnings is NT\$4,114,529,257, and cash dividends of NT\$0.1 per share and stock dividends of NT\$0.65 per share is proposed to be distributed to shareholders. For details, please see the earnings distribution table (page 33 of this Handbook).

Resolutions:

## **Discussions**

Proposal 1 Proposal from the Board of Directors

Subject: Please discuss the revision of the Company's "Procedures for Acquisition or Disposal of Assets".

Explanation: Amended In accordance with Letter Jin-Guan-Zheng-Fa-Zi No.1070341072 from the Financial Supervisory Commission on November 26, 2018. Please refer to the attachments (pages 34 to 40 of the Handbook) for a comparison table on the previous and revised articles.

Resolutions:

Proposal 2 Proposal from the Board of Directors

Subject: Proposal for amending “Rules of Procedure for Shareholder Meetings” is submitted to be resolved.

Explanation: Amended in accordance with Order Hua-Zong-Yi-Jing-Zhi-Zi No.10700083291 on August 1, 2018. Please refer to the attachments (pages 41 of the Handbook) for a comparison table on the previous and revised articles.

Resolutions:

Proposal 3 Proposal from the board of directors

Subject: Proposing to have new shares issued through capitalization of earnings in 2018, please submitted to be resolved.

- Explanation: (1) The Company for business needs plans to appropriate stock dividends of NT\$989,566,850 from the 2018 distributable earnings with 98,956,685 shares issued at the ratio of 65 shares distributed per thousand shares at NT\$10 par.
- (2) The earnings distribution is calculated in accordance with the shareholders and their respective shareholding ratio in the register of shareholders. Fractional share distribution is to be consolidated by shareholders and registered with the Company's Stock Department for stock consolidation within five days from the record date. Fractional share that is not consolidated or remains a fractional share after consolidation should be paid with an equivalent cash amount (rounded up to the dollar). Fractional shares will be purchased by persons arranged by the Chairman as authorized by the Board. In the event of the changes in the Company's capital and issuance of new shares resulting in impacts to number of shares outstanding and distribution ratio, the shareholders are to authorize the chairman to make any necessary adjustments.
- (3) The capitalization of retained earnings into new shares is pending on the final approval of the General Meeting of Shareholders and the approval of the competent authority. Once approved, the General Meeting of Shareholders is requested to authorize the Board of Directors to set the dividend day.
- (4) The terms and conditions of the capitalization of retained earnings into new shares may be subject to alteration at the request of the competent authority. The General Meeting of Shareholders is requested to authorize the Board of Directors with full power of attorney to make such alteration as per the request of the competent authority.
- (5) The shareholder's rights and obligations for the new shares are the same as those of the existing shares.

Resolutions:



## Elections

Subject: Elect 9 directors of the 26th term.

Explanation: (1) The 25th term of the Company's directors will expire on June 7, 2019. In accordance with the Company Act and the articles of incorporation of the Company, the shareholders general meeting will elect directors for the new term.

(2) 9 directors (among them, 3 are independent directors) of the 26th term shall be elected. The 3 independent directors shall form an audit committee to replace the supervisors and exercise the power of the supervisors. The term of office shall be 3 years, starting from the appointment date of June 5, 2019 to June 4, 2022, and another election will then be held in accordance with the Company's election procedures for directors.

(3) According to Article 192-1 of the Company Act and Article 22 of the Articles of Incorporation, the election of independent directors adopts a nomination system of which shareholders elect from a list of candidates for independent directors. Based on the 19th board meeting of the 25th term on April 19, 2019, the list of candidates for independent directors is as follows:

| Name         | Education Background  | Major experience   | Quantity of Shares |
|--------------|---|--|--------------------|
| Chin-Tsai Li | National Chengchi University<br>Master of Business Administration               | Independent director of the Company, general counsel and department director of the legal department of Cosmos Bank, department director of Prince Motors. | 0 Shares           |
| Te-Wei Li    | The Department of Political Science at the University of Northern Iowa          | Independent director of the Company<br>CEO of the Youth Development Foundation   | 0 Shares           |
| Li-Yeh Hsu   | Bachelor's degree from the Department of Business Management, Tatung University | Independent director of the Company, assistant general manager of Limax International Inc., researcher of J.P. Morgan Chase's Hong Kong branch             | 0 Shares           |

Election results:

# Questions and Motions

# Appendices

## 2018 Business Report of China Man-Made Fiber

### 1. Operation strategies

- (1) Reduce costs and inventory and improve operational efficiency.
- (2) Research and develop value-added products, accelerate the vertical integration of products and improve competitiveness.
- (3) Computerize the operations management, inspect various operating procedures, strengthen internal control and improve efficiency.
- (4) Strengthen marketing efforts and market development, and improve service quality and customer satisfaction.
- (5) Actively and prudently assess various investments and adjust the portfolios in a timely manner.
- (6) Control customers' credit line to reduce the occurrence of bad debts.
- (7) Pay attention to employee welfare, promote labor-management coordination, emphasize occupational safety and fulfill social responsibilities.

### 2. Business plan execution and achievement

| Item                                   | 2018       | 2017       | Difference |
|--|------------|------------|------------|
| Operating revenue                      | 20,064,863 | 16,904,870 | 3,159,993  |
| Non-operating revenue                  | 1,469,202  | 1,151,929  | 317,273    |
| Operating costs and operating expenses | 20,010,419 | 16,846,814 | 3,163,605  |
| Unrealized gain and loss of affiliates | 0          | 9,190      | (9,190)    |
| Realized gain and loss of affiliates   | 1,947      | 0          | 1,947      |
| Non-operating expenses                 | 176,117    | 392,906    | (216,789)  |
| Income before taxation                 | 1,349,476  | 807,889    | 541,587    |
| Income after taxation                  | 1,372,035  | 793,987    | 578,048    |

### 3. Financial income and expenditure, and profitability analysis

| Item                    |  | 2018  | 2017  |
|-------------------------|--|-------|-------|
| Financial structure (%) | Debt to assets ratio                         | 91.92 | 92.28 |
|                         | Return on assets (%)                         | 1.17  | 1.02  |
| Profitability analysis  | Return on equity (%)                         | 7.90  | 6.64  |
|                         | Pre-tax profits to paid-up capital ratio (%) | 33.79 | 29.43 |
|                         | Net profit rate (%)                          | 18.21 | 16.75 |
|                         | Earnings per share (NT\$)                    | 1.13  | 0.66  |

#### 4. Research and development

- (1) Motor pump G-9712B for the manufacturing process at the petrochemical plant was changed to the variable-frequency drive type to reduce power consumption and achieve carbon reduction.
- (2) Condensate pump G-9522A at the petrochemical plant was changed to the variable-frequency drive type to reduce power consumption and increase the reliability of equipment operation.
- (3) After the waste water from the manufacturing process is treated at the wastewater plant, about 1,200 tons per day of waste water is recovered and reused. The water is sent to the cooling water tower as makeup water to reduce the production cost and save water.
- (4) Continue to introduce the latest high-efficiency catalysts from abroad to increase production output and reduce raw material cost.

#### 5. Business outlook

- (1) 2019 operational objectives and prospects.

Looking back at the first half of 2018, the Company's profitability over the same period the previous year has benefited from the higher raw material prices, the steady growth of global economy and the continuing trade boom. However, the US-China trade dilemma in the second half affected the performance of the global economy, causing the decline of raw material prices and the erosion of the Company's profitability. Looking forward to this year, while the global oil price may have gradually stabilized, the uncertainties in international trades remain. It is still unknown how the US-China trade war will end, which will affect the global economy, and it is forecasted that the overall economy this year will not out-perform last year (Note 1). The prices of global raw materials may not rise sharply. It is necessary to pay attention to the future development of the US-China trade conflicts and observe the US interest rate hike and the monetary policies of key countries, the progress of Brexit and the political risks of Northeast Asia and the Middle East. The operations this year will require more rigorous observation and attitude before earning good results.

As for EG, the downstream is leaning toward being conservative due to the impact of US-China trade conflicts last year. The performance in the first quarter was not too great and the utilization of production capacity is reduced. The price of EG began to slide, opposite to the rising price of ethylene. The crude oil price shall remain rosy this year. The production of EG should increase once the supply-demand situation improves. Without the shortage experienced previously, EG products may increase, depending on the situation of the global economy and the downstream demand during the second half of the year.

As for polyester yarns, the turnaround of the global economy in the first half of last year and the rising raw material and oil prices led to the

price hike of polyester, and the downstream demand and the customers' pull in the supply chain started to show. In addition, the relatively stable exchange rates led to the stable profit in the first half of the year. However, the global oil price in the 3rd quarter went down, leading to the falling price quotes of PTA, EG and polyester and the loss in the value of inventory. The continuing US-China trade conflicts caused the decline in the end market. Clients had to stay on the sidelines and be conservative in their ordering, leading to more difficult operations in the second half. However, the revenue for the whole year was still better than the previous year. As for this year, the trends of global oil price remains to be seen, and the operational performance may be uncertain. We will actively differentiate our product line, for example, high-count processed fibers and the development of eco-friendly yarns (Note 2), to improve our revenue and profit. We should be able to get around the price disadvantage in the common specifications and products from China and the ASEAN countries, as well as avoiding the impact caused by the fluctuation in oil price.

In 2019, we expect to sell 462,290 tons of ethylene glycol (EG), 24,464 tons of ethylene oxide (EO), 19,814 tons of non-phenol (NP), 48,804 tons of partially oriented yarn (POY), 34,841 tons of spin draw yarn (SDY), 27,743 tons of draw texturized yarn (DTY) and 3,165 tons of polyester chips, for a total of 621,121 tons.

- Note 1: 1. The IMF estimates that the global economic growth this year will be 3.5%, the lowest in recent years.
2. According to EIU, the 2018 global economic growth was 2.9%, and it will be 2.7% in 2019.
  3. IHS Markit estimates that the 2019 economic growth will be 3%, down from 3.2% in 2018.

Note 2: Under the environmental protection agreement, renowned brands such as NIKE, Adidas and others have planned to raise the proportion of eco-friendly yarns used in the products for the next ten years.

(2) Subject to competition of external environment.

1. In the EG market, some new manufacturing plants started their operations in the US, gradually increasing the market output. Domestically, there is a shortage of ethylene, and the difficulty of transportation will make the competition unfavorable.
2. More and more textile firms are moving to Vietnam and other ASEAN countries. In the future, the industry and supply chain may be affected. It is necessary to pay attention to the movements of downstream clients and respond to them early.
3. Whether it is the anti-dumping duty or the regional FTA, the export of our domestic products has faced a very unfair competitive

environment. The country has experienced slow progress in signing FTA with other countries, leading to a higher tariff compared to other competitors. Furthermore, there are more countries that start to use the anti-dumping policy to protect their domestic industries other than Europe and America, such as China, India, Turkey and South Africa, and the tax rate plus tariff will greatly increase the difficulty of export for Taiwan's industry once the cases are established.

(3) Impact of regulatory environment and overall business environment.

1. The global economic recovery drives wages up. On the other hand, the increase in minimum wages will increase the labor costs, bringing more new pressures and challenges to business operations.
2. Domestic environmental awareness and the related regulations still have many restrictions on enterprises investing in new equipment. Communication with the neighboring residents often faces great resistance.
3. The overall business environment, including the acquisition of land, investment in environmental equipment and other external environment factors is what all enterprises need to face in the domestic development.
4. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed in Chile on March 8, 2018, and it becomes effective 60 days after at least six of the member states complete their domestic approval. It was expected to be completed by early or mid-2019, and the US is also considering returning to TPP conditionally. We have expressed our desire to participate in the second round of CPTPP. Among the member nations, Japan, Singapore, Malaysia and Vietnam are ranked top 10 of our trading partners. If we can join the Partnership successfully, it will help further growth and collaboration with other member countries in the region. At the same time, our textile and garment and petrochemical and plastics industries will be able to expand the export due to the lower tariff and also reduce the import cost of raw materials for the domestic operators.
5. The unilateral protectionism of the United States stresses "America First" and "Made in America", bringing spillover effects to the global supply chain. The policies adopted by the US to implement fair trade may lead to countermeasures by countries that have been sanctioned, and this proves the necessity of multilateral regional agreements. Besides the participation in the abovementioned CPTPP, companies will rely on the government to speed up the FTA and RCEP signing with other countries to facilitate the expansion of the international market, creating great benefits to Taiwan's economic growth and the

competitiveness of the domestic companies.

6. In the first three quarters of 2018, the global oil price showed an upward trend. In October, it reached a relative high point of US\$85 per barrel. Since then, the crude oil price has rapidly turned downward. Although the price as of the beginning of this year was again going up, the future trend remains to be seen. The decline of the oil price can help the midstream and downstream players in the textile industry to reduce their procurement cost of raw materials and increase their profits.
7. The market uncertainty caused by the US-China trade conflict will speed up the moves of the fabric supply chain to ASEAN (especially to Vietnam) taken by the global brand customers. Currently, the procurement strategies adopted by the global brands focus on larger firms who display vertical integration capability and have factories in Vietnam. Therefore, the sign of big textile suppliers growing bigger in 2019 will become even more prominent. For the small and medium enterprises in Taiwan who lack the capability to conduct vertical integration and overseas investments, they will certainly face even more challenges in 2019.

Chairman:  
Kuei-Shiang Wang

Manager: Ming-Shan  
Chuang

Accounting Supervisor:  
Kuo-Hua Lin



## **Audit Committee' Review Report**

The board of directors has submitted the Company's 2018 business and financial reports (including the consolidated financial reports) and profit distribution table. Among them, the financial reports (including the consolidated financial reports) have been audited and validated by the certified public accounts, Chin-Chuan Shih and Wen-Ya Hsu, of Deloitte Taiwan. The reports are to be presented in accordance with Article 14-4 of the Securities and Exchange Act.

To:

The 2019 Annual General Shareholders' Meeting

Audit Committee

Convener: Chin-Tsai Li

March 18, 2019

# China Man-Made Fiber Independent Auditor's Report

To CHINA MAN-MADE FIBER CORPORATION:

## Audit opinions

We have audited the accompanying individual balance sheet of China Man-Made Fiber Co., Ltd. as of December 31, 2018 and 2017, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and Note of the individual financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to, on the basis of my audit findings and the audit reports compiled by other certified public accountants, present fairly, in all material aspects, the financial position of China Man-Made Fiber Co., Ltd. as of December 31, 2018 and 2017, and the results of its operation and cash flows for the year then ended in conformity to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## The basis for opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. We are independent of China Man-Made Fiber Co., Ltd. Corporation in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Man-Made Fiber Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Points of attention

As stated in Note 3 of the standalone financial statements, China Man-Made Fiber has since 2018 adopted the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards and IFRIC Interpretations as endorsed by the FSC in 2018 and chosen not to re-edit the standalone financial statements during the comparison periods. We did not revise the conclusions of our audit.

## Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the individual financial statements of China Man-Made Fiber Co., Ltd. in 2018. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the individual financial statements of China Man-Made Fiber Co., Ltd. in 2018 included:

### Authenticity of specific sales revenue

Notes to key audit matters

In 2018, the sales revenue of specific products of the Chemical Fibers of China Man-Made Fiber is NT\$1,186,121 thousand, revenue of the Chemical Department to specific customers is NT\$905,081 thousand, accounting for 10% of the standalone net sales. The gross profit of the specific products and customers shows significant growth over the previous year. Therefore, the authenticity of sales revenue of specific products from the Chemical Fibers and Chemical Departments is one of the key audit items.

Please refer to Note 4 (15) of the financial statements for the accounting policies on sales revenue recognition.

Audit response

1. Understand and test the design and operating effectiveness of the internal control system of specified departments and sales revenue to customers.

2. Sampling inspection of the abovementioned sales revenue of specified departments and customers in accordance with IFRS 15, including the shipping, customs and collection documents, in order to test the authenticity of sales.
3. Sampling inspection of the circumstances of sales returns and discounts and the collection after the periods to confirm the reasonableness of revenue recognition.

Adopt the equity method to assess the impairment of discounting and advances.

Notes to key audit matters

As stated in Note 16 of the standalone financial statements, the amount of investment in Taichung Commercial Bank by China Man-Made Fiber adopting the equity method was NT\$10,688,164 thousand, accounting for 27% of the total assets. Therefore, the financial performance of Taichung Commercial Bank will significantly impact China Man-Made Fiber's number in subsidiaries, affiliates and joint ventures by equity method.

For 2018, the balance of discounting and advance and the expected credit loss from Taichung Commercial Bank are NT\$452,594,552 thousand and NT\$487,333 thousand, respectively. Taichung Commercial Bank's decision in impairment loss involves the key estimates and judgments of its management, including the default probability and loss rate, and the results of impairment loss can significantly affect Taichung Commercial Bank's financial performance. Therefore, the adoption of equity method in the expected credit loss of the discounting and advances will be key audit issues.

Audit response

1. We understand and examine the internal control related to the assessment of impairment of discount and evaluation of anticipated credit impairment of Taichung Commercial Bank.
2. Sampling inspection of each individual recognition of major expected credit loss from discounting and advances of Taichung Commercial Bank, in order to evaluate the reasonableness of collateral value.
3. For the comprehensive evaluation of the expected credit loss adopted by Taichung Commercial Bank, understand and test key parameters used in the impairment model (probability of default and loss given default) in order to evaluate the reasonableness of the expected credit loss meeting the current experience and economic situation.

#### **Other information**

The financial statements of investees included in the standalone financial statements of China Man-Made Fiber adopting the equity method have not been audited by us. They are audited by other accountants. Therefore, we refer to the audited reports of other accountants in expressing our opinions in the standalone statement regarding the investments by equity method and subsidiaries, affiliates, joint ventures and other comprehensive gains and losses. The investments adopting the equity method in the other auditors' reports for years ended December 31, 2018 and 2017 are NT\$1,228,959 thousand and NT\$1,216,290 thousand, respectively. The gains and losses from subsidiaries, affiliates and joint ventures and other sources adopting the equity method in the other auditors' reports for 2018 and 2017 are NT\$88,436 thousand and NT\$82,450 thousand, respectively. The information on investees in Note 37 of the standalone financial statements is disclosed based on the reports from other accounting auditors.

#### **Responsibilities of Management and Those in Charge with Governance of the Individual Financial Statements**

Management is responsible for the preparation and fair presentation of the individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, the management is responsible for assessing the ability of China Man-Made Fiber Co., Ltd. as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends

to liquidate China Man-Made Fiber Co., Ltd. or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Man-Made Fiber Co., Ltd.,

### **Auditor's Responsibilities for the Audit of the Individual Financial Statements**

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

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design, and perform audit procedures responsive to risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in China Man-Made Fiber Co., Ltd..
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on China Man-Made Fiber Co., Ltd. and its 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 individual financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Man-Made Fiber Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the individual statements, including related notes, whether the individual statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the China Man-Made Fiber Co., Ltd. in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the China Man-Made Fiber Co., Ltd.; also, is responsible for forming an opinion on the audit of the China Man-Made Fiber Co., Ltd..

We communicate with those in charge of 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 in charge of 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 in charge of governance, we determine those matters that were of most significance in the audit of the individual financial statements of China Man-Made Fiber Co., Ltd. of 2018 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 communications.

Deloitte & Touche

Accountant: Chin-Chuan Shih      Accountant: Wen-Ya Hsu

Securities and Futures Commission Approval No.      Securities and Futures Commission Approval No.  
Tai-Cai-Zheng (VI) Zi No. 0930128050      Tai-Cai-Zheng (VI) Zi No. 0920123784

March 22, 2019

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CHINA MAN-MADE FIBER CORPORATION  
Individual balance sheet  
December 31, 2018 and 2017

Unit: NTD thousand

| Code | Assets   | December 31, 2018    |            | December 31, 2017    |            |
|------|--|----------------------|------------|----------------------|------------|
|      |  | Amount               | %          | Amount               | %          |
|      | <b>Current assets</b>  |                      |            |                      |            |
| 1100 | Cash and cash equivalents  | \$ 2,218,749         | 6          | \$ 2,616,734         | 7          |
| 1110 | Financial assets at fair value through profit or loss- current                                       | 988,569              | 3          | 885,367              | 2          |
| 1150 | Notes receivable   | 164,312              | 1          | 223,334              | 1          |
| 1170 | Accounts receivable - non-related parties  | 2,447,236            | 6          | 1,814,969            | 5          |
| 1180 | Accounts receivable - related parties  | 109,064              | -          | 133,182              | -          |
| 1200 | Other receivables  | 29,601               | -          | 21,536               | -          |
| 1220 | Current income tax asset   | 2,958                | -          | 4,895                | -          |
| 130X | Inventory  | 2,303,352            | 6          | 1,676,447            | 5          |
| 1410 | Prepayments  | 797,830              | 2          | 939,679              | 3          |
| 1460 | Non-current assets held for sale – net   | 769,610              | 2          | -                    | -          |
| 1470 | Other current assets   | 162,928              | -          | 172,275              | -          |
| 11XX | Total current assets   | <u>9,994,209</u>     | <u>26</u>  | <u>8,488,418</u>     | <u>23</u>  |
|      | <b>Non-Current assets</b>  |                      |            |                      |            |
| 1517 | Financial assets at fair value through other comprehensive income- non-current                       | 1,677,531            | 4          | -                    | -          |
| 1523 | Available-for-sale financial assets - non-current  | -                    | -          | 997,897              | 3          |
| 1543 | Financial assets measured at cost- non-current   | -                    | -          | 112,246              | -          |
| 1550 | Investment under the equity method   | 14,544,622           | 37         | 13,190,878           | 37         |
| 1600 | Property, plant and equipment-net  | 11,286,138           | 29         | 11,357,316           | 31         |
| 1760 | Real property for investment- net  | 990,778              | 3          | 1,688,808            | 5          |
| 1780 | Intangible assets – net  | 9                    | -          | 45                   | -          |
| 1840 | Net deferred income tax assets   | 273,168              | 1          | 237,434              | 1          |
| 1990 | Other assets   | 118,155              | -          | 104,475              | -          |
| 15XX | Total non-current assets   | <u>28,890,401</u>    | <u>74</u>  | <u>27,689,099</u>    | <u>77</u>  |
| 1XXX | Total assets   | <u>\$ 38,884,610</u> | <u>100</u> | <u>\$ 36,177,517</u> | <u>100</u> |
|      | <b>Liabilities and equity</b>  |                      |            |                      |            |
|      | <b>Current liabilities</b>   |                      |            |                      |            |
| 2100 | Short-term borrowings  | \$ 6,806,669         | 17         | \$ 4,398,509         | 12         |
| 2110 | Short-term notes payable   | 449,507              | 1          | 299,479              | 1          |
| 2150 | Payable notes  | 36,420               | -          | 13,549               | -          |
| 2170 | Accounts payable - non-related parties   | 1,538,390            | 4          | 1,288,668            | 4          |
| 2180 | Accounts payable - related parties   | 343,210              | 1          | 470,089              | 1          |
| 2219 | Other payables   | 342,738              | 1          | 306,850              | 1          |
| 2320 | Long-term liability due in one year or one business cycle  | 1,036,138            | 3          | 918,938              | 2          |
| 2399 | Other current liabilities  | 44,533               | -          | 40,951               | -          |
| 21XX | Total of current liabilities   | <u>10,597,605</u>    | <u>27</u>  | <u>7,737,033</u>     | <u>21</u>  |
|      | <b>Non-current liabilities</b>   |                      |            |                      |            |
| 2540 | Long-term borrowings   | 4,827,723            | 13         | 6,473,561            | 18         |
| 2550 | Liability reserve  | 158,605              | -          | 148,934              | 1          |
| 2570 | Deferred tax liabilities   | 866,019              | 2          | 866,019              | 2          |
| 2670 | Other liabilities  | 21,150               | -          | 22,990               | -          |
| 25XX | Total non-current liability  | <u>5,873,497</u>     | <u>15</u>  | <u>7,511,504</u>     | <u>21</u>  |
| 2XXX | Total liabilities  | <u>16,471,102</u>    | <u>42</u>  | <u>15,248,537</u>    | <u>42</u>  |
|      | <b>Equity</b>  |                      |            |                      |            |
| 3110 | Common stock capital   | 15,224,105           | 39         | 14,294,934           | 39         |
| 3200 | Capital surplus  | 1,694,875            | 4          | 1,677,818            | 5          |
|      | <b>Retained earnings</b>   |                      |            |                      |            |
| 3310 | Legal reserve  | 718,272              | 2          | 638,873              | 2          |
| 3320 | Special reserve  | 1,956,409            | 5          | 2,481,347            | 7          |
| 3350 | Undistributed earnings   | 4,231,450            | 11         | 3,274,719            | 9          |
|      | <b>Other equity</b>  |                      |            |                      |            |
| 3410 | Exchange differences from the translation of financial statements of foreign operations              | ( 54,591 )           | -          | ( 41,611 )           | -          |
| 3420 | Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss | ( 129,103 )          | -          | -                    | -          |
| 3425 | Unrealized loss on available-for-sale financial assets   | -                    | -          | ( 169,191 )          | ( 1 )      |
| 3500 | Treasury stock   | ( 1,227,909 )        | ( 3 )      | ( 1,227,909 )        | ( 3 )      |
| 3XXX | Total equity   | <u>22,413,508</u>    | <u>58</u>  | <u>20,928,980</u>    | <u>58</u>  |
|      | <b>Total Liabilities and Equity</b>  | <u>\$ 38,884,610</u> | <u>100</u> | <u>\$ 36,177,517</u> | <u>100</u> |

Chairman: Kuei-Shiang Wang

Manager: Ming-Shan Chuang

Accounting Supervisor: Kuo-Hua Lin

CHINA MAN-MADE FIBER CORPORATION

Individual Income Statement  
January 1 to December 31, 2018 and 2017

Unit: NTD thousands, except Earnings Per Share (NTD)

| Code |   | 2018          |       | 2017          |       |
|------|---|---------------|-------|---------------|-------|
|      |   | Amount        | %     | Amount        | %     |
| 4000 | Operating revenue   | \$ 20,064,863 | 100   | \$ 16,904,870 | 100   |
| 5000 | Operating costs   | 19,254,167    | 96    | 16,208,924    | 96    |
| 5900 | Gross profit  | 810,696       | 4     | 695,946       | 4     |
| 5910 | Unrealized gain on the subsidiary, affiliated company and joint ventures  | 1,947         | -     | ( 9,190 )     | -     |
| 5950 | Realized gross profits  | 812,643       | 4     | 686,756       | 4     |
|      | Operating expenses  |               |       |               |       |
| 6100 | Marketing expenses  | ( 487,903 )   | ( 3 ) | ( 402,125 )   | ( 2 ) |
| 6200 | Administrative and general affairs expenses   | ( 268,349 )   | ( 1 ) | ( 235,765 )   | ( 2 ) |
| 6000 | Total operating expenses  | ( 756,252 )   | ( 4 ) | ( 637,890 )   | ( 4 ) |
| 6900 | Operating profit  | 56,391        | -     | 48,866        | -     |
|      | Non-operating revenues and expenses   |               |       |               |       |
| 7070 | Amounts of profit and/or loss of subsidiaries recognized in equity method, associates and the share of the profit or loss of joint ventures   | 1,143,227     | 6     | 989,937       | 6     |
| 7100 | Interest revenue  | 18,667        | -     | 14,783        | -     |
| 7130 | Dividend income   | 40,481        | -     | 39,565        | -     |
| 7190 | Other gains and losses  | 22,975        | -     | 19,700        | -     |
| 7230 | Foreign exchange gain (loss) – net  | 144,290       | 1     | ( 214,606 )   | ( 1 ) |
| 7235 | Gain (loss) on financial assets and liabilities at fair value through profit and loss   | 99,562        | 1     | 87,944        | 1     |
| 7610 | Losses from disposal of property or equipment   | ( 9,265 )     | -     | ( 242 )       | -     |
| 7670 | Impairment loss   | -             | -     | ( 10,954 )    | -     |
| 7510 | Financial costs   | ( 166,852 )   | ( 1 ) | ( 167,104 )   | ( 1 ) |
| 7000 | Total non-operating revenues and expenses   | 1,293,085     | 7     | 759,023       | 5     |
| 7900 | Income before tax from continuing operations  | 1,349,476     | 7     | 807,889       | 5     |
| 7950 | Income tax gains (expenses)   | 22,559        | -     | ( 13,902 )    | -     |
| 8200 | Net profits of the current year   | 1,372,035     | 7     | 793,987       | 5     |
|      | Other comprehensive profit or loss  |               |       |               |       |
|      | The items that are not re-classified as profit or loss  |               |       |               |       |
| 8311 | Reevaluation of determined benefit plan   | ( 20,965 )    | -     | ( 17,322 )    | -     |
| 8316 | Unrealized valuation of the capital gain/loss from equity instrument at fair value through comprehensive income statement as other comprehensive income                             | 23,639        | -     | -             | -     |
| 8330 | The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss  | ( 9 )         | -     | ( 6,638 )     | -     |
| 8349 | Incomes tax related to titles not subject to reclassification   | 6,824         | -     | 2,945         | -     |
|      | Items that may be re-classified subsequently under profit or loss   |               |       |               |       |
| 8310 | Unrealized valuation gains of available-for-sale financial assets   | 9,489         | -     | ( 21,015 )    | -     |
| 8362 |   | -             | -     | 67,520        | -     |
| 8380 | The proportion of other comprehensive income of subsidiaries, associates, and equity joint ventures accounted for under the equity method – may be reclassified as profit and loss. | ( 16,238 )    | -     | 31,964        | -     |
| 8360 |   | ( 16,238 )    | -     | 99,484        | -     |
| 8300 | Other comprehensive income of the current year (net amount after taxation)  | ( 6,749 )     | -     | 78,469        | -     |
| 8500 | Total amount of comprehensive income of the current year  | \$ 1,365,286  | 7     | \$ 872,456    | 5     |
|      | Earnings per share  |               |       |               |       |
| 9750 | Basic earnings per share  | \$ 1.13       |       | \$ 0.66       |       |
| 9850 | Diluted earnings per share  | \$ 1.13       |       | \$ 0.66       |       |

Chairman: Kuei-Shiang Wang

Manager: Ming-Shan Chuang

Accounting Supervisor: Kuo-Hua Lin

CHINA MAN-MADE FIBER CORPORATION  
Individual Statements of Changes in Shareholders' Equity  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

| Code |   | Capital stock |                 | Retained earnings |                 |                        | Other equity  |  |   | Treasury stock | Total equity  |
|------|---|---------------|-----------------|-------------------|-----------------|------------------------|---|--|---|----------------|---------------|
|      |   | Common stock  | Capital surplus | Legal reserve     | Special reserve | Undistributed earnings | Exchange differences from the translation of financial statements of foreign operations | Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss | Unrealized gain (loss) on available-for-sale financial assets |                |               |
| A1   | Balance as of January 1, 2017   | \$ 14,294,934 | \$ 1,681,992    | \$ 638,873        | \$ 2,481,347    | \$ 2,501,747           | (\$ 25,319)   | \$ -   | (\$ 284,967)  | (\$ 1,273,586) | \$ 20,015,021 |
| C7   | Changes in shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method | -             | ( 8,282 )       | -                 | -               | -                      | -   | -  | -   | -              | ( 8,282 )     |
| D1   | 2017 Profit   | -             | -               | -                 | -               | 793,987                | -   | -  | -   | -              | 793,987       |
| D3   | Other comprehensive net income in 2017 (after tax)  | -             | -               | -                 | -               | ( 21,015 )             | ( 16,292 )  | -  | 115,776   | -              | 78,469        |
| N1   | Share-based payment transaction   | -             | 4,108           | -                 | -               | -                      | -   | -  | -   | 45,677         | 49,785        |
| Z1   | Balance as of December 31, 2017   | 14,294,934    | 1,677,818       | 638,873           | 2,481,347       | 3,274,719              | ( 41,611 )  | -  | ( 169,191 )   | ( 1,227,909 )  | 20,928,980    |
| A3   | Effect of retroactive applicability   | -             | -               | -                 | -               | 286,131                | -   | ( 203,678 )  | 169,191   | -              | 251,644       |
| A5   | Balance on January, 1 2018 after adjustment   | 14,294,934    | 1,677,818       | 638,873           | 2,481,347       | 3,560,850              | ( 41,611 )  | ( 203,678 )  | -   | ( 1,227,909 )  | 21,180,624    |
|      | The 2017 appropriation and distribution of earnings   |               |                 |                   |                 |                        |   |  |   |                |               |
| B1   | Legal reserve appropriated  | -             | -               | 79,399            | -               | ( 79,399 )             | -   | -  | -   | -              | -             |
| B5   | Cash dividends  | -             | -               | -                 | -               | ( 142,949 )            | -   | -  | -   | -              | ( 142,949 )   |
| B9   | Stock dividends   | 929,171       | -               | -                 | -               | ( 929,171 )            | -   | -  | -   | -              | -             |
| B17  | Reversal of special reserve   | -             | -               | -                 | ( 524,938 )     | 524,938                | -   | -  | -   | -              | -             |
| C7   | Changes in shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method | -             | 5,532           | -                 | -               | ( 6,483 )              | -   | -  | -   | -              | ( 951 )       |
| D1   | 2018 Profit   | -             | -               | -                 | -               | 1,372,035              | -   | -  | -   | -              | 1,372,035     |
| D3   | Other comprehensive net income in 2018 (after tax)  | -             | -               | -                 | -               | ( 25,235 )             | ( 12,980 )  | 31,466   | -   | -              | ( 6,749 )     |
| M1   | Dividends distributed to the subsidiaries adjusted to the additional paid-in capital                          | -             | 14,954          | -                 | -               | -                      | -   | -  | -   | -              | 14,954        |
| M7   | Changes in the ownership equity on a subsidiary   | -             | ( 3,429 )       | -                 | -               | 199                    | -   | ( 226 )  | -   | -              | ( 3,456 )     |
| Q1   | Equity instrument investment at fair value through other comprehensive income statement                       | -             | -               | -                 | -               | ( 43,335 )             | -   | 43,335   | -   | -              | -             |
| Z1   | Balance at December 31, 2018  | \$ 15,224,105 | \$ 1,694,875    | \$ 718,272        | \$ 1,956,409    | \$ 4,231,450           | (\$ 54,591)   | (\$ 129,103)   | \$ -  | (\$ 1,227,909) | \$ 22,413,508 |

Chairman: Kuei-Shiang Wang

Manager: Ming-Shan Chuang

Accounting Supervisor: Kuo-Hua Lin



CHINA MAN-MADE FIBER CORPORATION  
Individual Statements of Cash Flow  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

| Code   |   | 2018                 | 2017                |
|--------|---|----------------------|---------------------|
|        | Cash flow from operating activities   |                      |                     |
| A10000 | Current year net profit before taxation   | \$ 1,349,476         | \$ 807,889          |
| A20100 | Depreciation expenses   | 491,588              | 543,421             |
| A20200 | Amortization expenses   | 36                   | 8,922               |
| A20400 | Gain (loss) on financial assets and liabilities at fair value through profit and loss                                     | ( 99,562 )           | ( 87,944 )          |
| A20900 | Financial costs   | 166,852              | 167,104             |
| A21200 | Interest revenue  | ( 18,667 )           | ( 14,783 )          |
| A21300 | Dividend income   | ( 40,481 )           | ( 39,565 )          |
| A21900 | Employee stock option compensation cost   | -                    | 4,232               |
| A22400 | Shareholding in profit of subsidiaries, affiliated company and joint ventures under the equity method                     | ( 1,143,227 )        | ( 989,937 )         |
| A22500 | Loss on disposal and scrapping of property, plant and equipment   | 9,265                | 242                 |
| A23200 | Gains from disposal of investment accounted for using equity method   | ( 27 )               | -                   |
| A23500 | Financial assets impairment loss  | -                    | 10,954              |
| A23900 | Unrealized gain on the subsidiary, affiliated company and joint ventures  | ( 1,947 )            | 9,190               |
|        | Net change in operating assets and liabilities  |                      |                     |
| A31110 | Held-for-sale financial assets  | -                    | 13,886              |
| A31115 | Financial assets mandatorily measured at fair value through profit or loss  | ( 21,647 )           | -                   |
| A31180 | Accounts receivable   | ( 559,140 )          | ( 313,048 )         |
| A31200 | Inventory   | ( 626,905 )          | ( 504,694 )         |
| A31230 | Prepayments   | 141,849              | 75,589              |
| A31240 | Other current assets  | 9,370                | 15,861              |
| A32180 | Payables  | 179,687              | 155,665             |
| A32230 | Other current liabilities   | 5,529                | ( 23,828 )          |
| A32200 | Employee benefit liabilities reserve  | ( 11,294 )           | ( 13,375 )          |
| A33000 | Cash generated from operating activities  | ( 169,245 )          | ( 174,219 )         |
| A33100 | Interest received   | 20,615               | 14,844              |
| A33200 | Dividends received  | 482,754              | 534,961             |
| A33300 | Interest payment  | ( 164,936 )          | ( 166,220 )         |
| A33500 | Income tax payment  | ( 4,414 )            | ( 13,068 )          |
| AAAA   | Net cash inflow from operating activities   | <u>164,774</u>       | <u>196,298</u>      |
|        | Cash flow from investing activities   |                      |                     |
| B00010 | Acquisition of financial assets at fair value through other comprehensive profit or loss                                  | ( 398,192 )          | -                   |
| B00020 | Disposal of financial assets at fair value through other comprehensive profit or loss                                     | 4,123                | -                   |
| B00030 | De-capitalization refunded monies of financial assets at fair value through other comprehensive profit or loss (decrease) | 2,922                | -                   |
| B00300 | Acquisition of available-for-sale financial assets  | -                    | ( 20,000 )          |
| B01300 | De-capitalization refunded monies of financial assets carried at cost   | -                    | 36,567              |
| B01800 | Acquisition of investment under the equity method   | ( 541,414 )          | ( 150,000 )         |
| B02700 | Acquisition of property, plant and equipment  | ( 420,675 )          | ( 373,804 )         |
| B02800 | Disposal of property, plant and equipment   | 77                   | 827                 |
| B03700 | Increase in refundable deposits   | ( 13,680 )           | -                   |
| B03800 | Decrease in Refundable deposits   | -                    | 203,516             |
| B05400 | Acquisition of investment property  | ( 80,657 )           | -                   |
| B06800 | Increase in other assets  | ( 24 )               | ( 23 )              |
| BBBB   | Net cash outflow from investing activities  | <u>( 1,447,520 )</u> | <u>( 302,917 )</u>  |
|        | Cash flow from financing activities   |                      |                     |
| C00100 | Increase of short-term loans  | 2,408,160            | 336,424             |
| C00500 | Increase (decrease) in short-term notes and bills payable   | 150,028              | ( 46 )              |
| C01600 | Proceeds from long-term loan  | 3,440,000            | 3,650,000           |
| C01700 | Re-payments of long-term borrowings   | ( 4,968,638 )        | ( 3,958,648 )       |
| C03000 | Increase in deposits received   | -                    | 76                  |
| C03100 | Decrease in guarantee deposits  | ( 1,840 )            | -                   |
| C04500 | Cash dividend released  | ( 142,949 )          | -                   |
| C04800 | Proceeds from the stock option exercised by the employees   | -                    | 45,553              |
| CCCC   | Net cash inflow from financing activities   | <u>884,761</u>       | <u>73,359</u>       |
| EEEE   | Net decrease in cash and cash equivalents   | ( 397,985 )          | ( 33,260 )          |
| E00100 | Cash and cash equivalents balance – beginning of year   | <u>2,616,734</u>     | <u>2,649,994</u>    |
| E00200 | Cash and cash equivalents balance – end of year   | <u>\$ 2,218,749</u>  | <u>\$ 2,616,734</u> |

Chairman: Kuei-Shiang Wang

Manager: Ming-Shan Chuang

Accounting Supervisor: Kuo-Hua Lin

# China Man-Made Fiber Independent Auditor's Report

To CHINA MAN-MADE FIBER CORPORATION:

## Audit opinions

We have audited the accompanying consolidated balance sheet of China Man-Made Fiber Co., Ltd. and subsidiary as of December 31, 2018 and 2017, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion based on our audit results and the audit reports offered by other accountants (please refer to other sections), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Man-Made Fiber and subsidiaries as of December 31, 2018 and 2017, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission with the effective dates.

## The basis for opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of China Man-Made Fiber Co., Ltd. Corporation in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Points of attention

As stated in Note 3 of the consolidated financial statements, China Man-Made Fiber and its subsidiaries has since 2018 adopted the amended "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms" and the International Financial Reporting Standards, International Accounting Standards and IFRIC Interpretations as endorsed by the FSC in 2018 and chosen not to re-edit the consolidated financial statements during the comparison periods. We did not revise the conclusions of our audit.

## Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of China Man-Made Fiber Co., Ltd. and its subsidiaries in 2018. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit issues for the consolidated financial statements of China Man-Made Fiber and its subsidiaries for the year ended December 31, 2018 are stated as follows:

### Authenticity of specific sales revenue

Notes to key audit matters

In 2018, the sales revenue of specific products of the Chemical Fibers of China Man-Made Fiber and its subsidiaries is NT\$1,186,121 thousand, revenue of the Chemical Department to specific customers is NT\$905,081 thousand, accounting for 5% of the total revenue. The gross profit of the specific products and customers shows significant growth over the previous year. Therefore, the authenticity of sales revenue of specific products from the Chemical Fibers and Chemical Departments of the Company and the subsidiaries is one of the key audit items.

Please refer to Note 4 (19) of the financial statements for the accounting policies on sales revenue recognition.

Audit response

1. Understand and test the design and operating effectiveness of the internal control system of specified departments and sales revenue to customers of the Company and its subsidiaries.
2. Sampling inspection of the abovementioned sales revenue of specified departments and customers in accordance with IFRS 15, including the shipping, custom and collection documents, in order to test the authenticity of sales.
3. Sampling inspection of the circumstances of sales returns and discounts and the collection after the periods to confirm the reasonableness of revenue recognition.

Assessment of the expected credit loss from discounting and advances.

Notes to key audit matters

As stated in Note 15 of the financial statements, the amounts of net value of discounting and advances of the Company in 2018 and its subsidiaries and the expected credit loss recognized in 2018 are NT\$452,594,552 thousand and NT\$487,333 thousand, respectively, accounting for 62.78% of the total assets and 1.17% of the total revenue, respectively, which is significant to the consolidated financial statements. In addition, as stated in Note 5 (2) of the financial statements, the consideration taken by the Company and its subsidiaries in determining the expected credit loss involves the key estimates and judgments of its management, including the default probability and loss rate. For these reasons, expected credit loss of discounts and loans to the customers are determined as key audit matters.

The disclosures of the accounting policies, accounting estimates, and uncertainty of assumption related to the estimation of discount and loans to customers' expected credit loss are specified in Note 4 (16) and Note 5 (2) and Note 15.

#### Audit response

1. Understand and test the internal control system adopted by the Company and its subsidiaries for assessing the expected credit loss from discounting and advances.
2. Sampling inspection of each individual recognition of major expected credit loss from discounting and advances of the Company and its subsidiaries, in order to evaluate the reasonableness of collateral value used for expected credit loss.
3. For the comprehensive evaluation of the expected credit loss adopted by the Company and its subsidiaries, understand and test key parameters used in the impairment model (probability of default and loss given default) in order to evaluate the reasonableness of the expected credit loss meeting the current experience and economic situation.

#### Discount and loan interest income

##### Notes to key audit matters

As stated in Note 36 (1) of the financial report, income from discounting and advances in 2018 for the China Man-Made Fiber Co., Ltd. and its subsidiaries is NT\$10,785,290 thousand, accounting for 25.96% of the total revenue, which is the main source of income. China Man-Made Fiber Co., Ltd. and its subsidiaries processed loan applications through an approval procedure along the line of corporate hierarchy. Applications, upon approval, will be registered into the loan system with information on the conditions of lending and related matters entered into the system manually. Loans will be released upon the final approval of the supervisors and interest income will be calculated automatically by the systems relevant to the conditions of lending on individual cases at the end of each month. China Man-Made Fiber Co., Ltd. and its subsidiaries highly rely on the computer system for the automatic calculation of interest income from discounts and loans to customers, which made the data input on the conditions of related lending cases and the computing logics for the accurate calculation of interest income from discounts and loans to customers essential. We therefore considered the interest income from discounts and loans to customers as a key audit matter.

The disclosures of the accounting policies, accounting estimates, and uncertainty of assumption related to the estimation of interest income from discount and loans to customers are specified in Note 4 (19) and Note 36 (1).

The responsive auditing process as follows:

1. Understand and examine the internal control of interest income from discount and loans to customer, including the understanding and testing of the internal control of the general computer system and the application system.
2. We checked the monthly interest income in the system, on a selective basis, with reference to the approved agreement on loans to determine the conditions of lending are congruent with the information used in the system for calculation of interest income. We also compared the interest income and the computing results from the system through a new round of calculation to examine no significant difference of the computing system of China Man-Made Fiber Co., Ltd. and its subsidiaries.

#### Other information

The financial statements of investees included in the consolidated financial statements of the China Man-Made Fiber Co., Ltd. and its subsidiaries adopting the equity method have not been audited by us. They are audited by other accountants. Therefore, we refer to the audited reports of other accountants in expressing our opinions in the consolidated statement regarding the investments by equity method and subsidiaries, affiliates, joint ventures and other comprehensive gains and losses. The investments adopting the equity method in the other auditors' reports for years ended December 31, 2018 and 2017 are NT\$1,228,959 thousand and NT\$1,228,959 thousand, respectively. The gains and losses from subsidiaries, affiliates and joint ventures and other sources adopting the equity method in the other auditors' reports for 2018 and 2017 are NT\$88,436 thousand and NT\$82,450 thousand, respectively. The information on investees in Note 51 of the consolidated financial statements is disclosed based on the reports from other accounting auditors.

We have audited and expressed an unqualified opinion and paragraphs stressing other key issues on the standalone financial statements of China Man-Made Fiber for the years ended December 31, 2018 and 2017.

#### Responsibilities of Management and Those in Charge with Governance of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The 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, Regulations Governing the Preparation of Financial Reports by Public Banks, and applicable IFRS, IAS, SIC, and IFRIC as recognized by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of China Man-Made Fiber Co., Ltd. and its subsidiaries as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate China Man-Made Fiber Co., Ltd. and its subsidiaries or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Man-Made Fiber Co., Ltd. and its subsidiaries.

#### Auditor's Responsibilities for the Audit of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered materials, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. 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 risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in China Man-Made Fiber Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on China Man-Made Fiber Co., Ltd. and its subsidiaries and its 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 disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Man-Made Fiber Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information or the entities or business activities with China Man-Made Fiber Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the China Man-Made Fiber Co., Ltd.; also, is responsible for forming an opinion on the audit of the China Man-Made Fiber Co., Ltd. and its subsidiaries.

We communicate with those in charge of 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 in charge of 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 in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries of 2018 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 communications.

Deloitte & Touche

Accountant: Chin-Chuan Shih

Accountant: Wen-Ya Hsu

Securities and Futures Commission Approval No.

Tai-Cai-Zheng (VI) Zi No. 0930128050

Securities and Futures Commission Approval No.

Tai-Cai-Zheng (VI) Zi No. 0920123784

March 22, 2019

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

China Man-Made Fiber Corporation and subsidiary  
Consolidated Balance Sheet  
December 31, 2018 and 2017

Unit: NTD thousand

| Code                                | Assets   | December 31, 2018     |            | December 31, 2017     |            |
|-------------------------------------|--|-----------------------|------------|-----------------------|------------|
|                                     |  | Amount                | %          | Amount                | %          |
| <b>Current assets</b>               |  |                       |            |                       |            |
| 1100                                | Cash and cash equivalents  | \$ 18,846,662         | 3          | \$ 18,417,172         | 3          |
| 1110                                | Due from Central Bank and lend to Banks  | 31,768,897            | 4          | 30,121,642            | 4          |
| 1120                                | Financial assets at fair value through profit or loss- current                                       | 27,408,915            | 4          | 32,165,534            | 5          |
| 1180                                | Bonds and securities sold under repurchase agreements  | 9,294,168             | 1          | 11,283,082            | 2          |
| 1201                                | Notes receivable   | 3,808,900             | 1          | 3,874,144             | 1          |
| 1202                                | Accounts receivable  | 8,714,558             | 1          | 8,784,120             | 1          |
| 1203                                | Other receivables  | 3,570,369             | 1          | 3,717,883             | -          |
| 1260                                | Current income tax asset   | 5,293                 | -          | 11,468                | -          |
| 1270                                | Inventory  | 2,689,034             | -          | 2,056,542             | -          |
| 1280                                | Prepayments  | 1,031,737             | -          | 1,140,101             | -          |
| 1290                                | Non-current assets held for sale – net   | 769,610               | -          | -                     | -          |
| 1320                                | Other current assets   | 617,749               | -          | 432,953               | -          |
| 1330                                | Notes discounted and loans – net   | 452,594,552           | 63         | 430,857,960           | 62         |
| 11XX                                | Total current assets   | <u>561,120,444</u>    | <u>78</u>  | <u>542,862,601</u>    | <u>78</u>  |
| <b>Non-Current assets</b>           |  |                       |            |                       |            |
| 1415                                | The financial assets measured for the fair values through other comprehensive income- non-current    | 31,014,090            | 5          | -                     | -          |
| 1420                                | Available-for-sale financial assets - non-current  | -                     | -          | 33,000,612            | 5          |
| 1430                                | Held-to-maturity financial assets- non-current   | -                     | -          | 85,542,095            | 13         |
| 1435                                | Financial assets measured at amortized cost- non-current   | 100,462,761           | 14         | -                     | -          |
| 1450                                | Financial assets measured at cost- non-current   | -                     | -          | 324,966               | -          |
| 1470                                | Investment under the equity method   | 1,241,811             | -          | 1,220,689             | -          |
| 1500                                | Property, plant and equipment-net  | 22,428,871            | 3          | 22,382,631            | 3          |
| 1600                                | Real property for investment- net  | 1,435,382             | -          | 2,070,792             | -          |
| 1700                                | Intangible assets – net  | 192,246               | -          | 190,332               | -          |
| 1800                                | Net deferred income tax assets   | 1,073,938             | -          | 934,542               | -          |
| 1900                                | Other assets   | 1,937,399             | -          | 3,199,960             | 1          |
| 14XX                                | Total non-current assets   | <u>159,786,498</u>    | <u>22</u>  | <u>148,866,619</u>    | <u>22</u>  |
| 1XXX                                | Total assets   | <u>\$ 720,906,942</u> | <u>100</u> | <u>\$ 691,729,220</u> | <u>100</u> |
| <b>Liabilities and equity</b>       |  |                       |            |                       |            |
| <b>Current liabilities</b>          |  |                       |            |                       |            |
| 2110                                | Shot-term borrowings   | \$ 14,567,189         | 2          | \$ 11,729,448         | 2          |
| 2120                                | Short-term notes payable   | 2,357,704             | -          | 2,033,074             | -          |
| 2130                                | Bills and bonds sold under repurchase agreements   | 9,904,467             | 1          | 4,307,810             | 1          |
| 2140                                | Financial liabilities at fair value through profit or loss- current                                  | 165,360               | -          | 207,225               | -          |
| 2190                                | Due to Central Bank and other banks  | 3,378,752             | 1          | 9,518,872             | 1          |
| 2201                                | Payable notes  | 44,392                | -          | 19,626                | -          |
| 2202                                | Accounts payable   | 2,163,033             | -          | 2,056,316             | -          |
| 2204                                | Other payables   | 12,768,486            | 2          | 13,775,007            | 2          |
| 2310                                | Current Tax Liability  | 386,857               | -          | 257,114               | -          |
| 2330                                | Current portion of long-term liabilities   | 1,245,188             | -          | 1,121,122             | -          |
| 2350                                | Other current liabilities  | 438,932               | -          | 402,324               | -          |
| 2360                                | Customer deposits and remittances  | 587,720,906           | 82         | 565,854,229           | 82         |
| 21XX                                | Total of current liabilities   | <u>635,141,266</u>    | <u>88</u>  | <u>611,282,167</u>    | <u>88</u>  |
| <b>Non-current liabilities</b>      |  |                       |            |                       |            |
| 2540                                | Bonds payable  | 18,490,000            | 3          | 16,360,000            | 3          |
| 2550                                | Long-term borrowings   | 5,713,623             | 1          | 7,576,939             | 1          |
| 2600                                | Liability reserve  | 1,667,347             | -          | 1,620,915             | -          |
| 2620                                | Deposits received  | 585,515               | -          | 420,808               | -          |
| 2630                                | Deferred tax liabilities   | 1,021,567             | -          | 1,021,022             | -          |
| 2660                                | Other liabilities  | 6,836                 | -          | 47,978                | -          |
| 25XX                                | Total non-current liability  | <u>27,484,888</u>     | <u>4</u>   | <u>27,047,662</u>     | <u>4</u>   |
| 2XXX                                | Total liabilities  | <u>662,626,154</u>    | <u>92</u>  | <u>638,329,829</u>    | <u>92</u>  |
| <b>Equity of the parent company</b> |  |                       |            |                       |            |
| 3110                                | Common stock capital   | 15,224,105            | 2          | 14,294,934            | 2          |
| 3210                                | Capital surplus  | 1,694,875             | -          | 1,677,818             | -          |
| <b>Retained earnings</b>            |  |                       |            |                       |            |
| 3310                                | Legal reserve  | 718,272               | -          | 638,873               | -          |
| 3320                                | Special reserve  | 1,956,409             | -          | 2,481,347             | -          |
| 3330                                | Undistributed earnings   | 4,231,450             | 1          | 3,274,719             | 1          |
| <b>Other equity</b>                 |  |                       |            |                       |            |
| 3410                                | Exchange differences from the translation of financial statements of foreign operations              | ( 54,591 )            | -          | ( 41,611 )            | -          |
| 3425                                | Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss | ( 129,103 )           | -          | -                     | -          |
| 3420                                | Unrealized loss on available-for-sale financial assets   | -                     | -          | ( 169,191 )           | -          |
| 3500                                | Treasury stock   | ( 1,227,909 )         | -          | ( 1,227,909 )         | -          |
| 31XX                                | Total equity of the parent company   | <u>22,413,508</u>     | <u>3</u>   | <u>20,928,980</u>     | <u>3</u>   |
| 32XX                                | Non-controlling interest   | <u>35,867,280</u>     | <u>5</u>   | <u>32,470,411</u>     | <u>5</u>   |
| 3XXX                                | Total equity   | <u>58,280,788</u>     | <u>8</u>   | <u>53,399,391</u>     | <u>8</u>   |
| 4XXX                                | Total Liabilities and Equity   | <u>\$ 720,906,942</u> | <u>100</u> | <u>\$ 691,729,220</u> | <u>100</u> |

Chairman: Kuei-Shiang Wang

Manager: Ming-Shan Chuang

Accounting Supervisor: Kuo-Hua Lin

China Man-Made Fiber Corporation and subsidiary  
Consolidated Income Statement  
January 1 to December 31, 2018 and 2017

Unit: NTD thousands, except Earnings Per Share (NTD)

| Code |  | 2018                |            | 2017                |            |
|------|--|---------------------|------------|---------------------|------------|
|      |  | A m o u n t         | %          | A m o u n t         | %          |
|      | Income   |                     |            |                     |            |
| 4010 | Interest revenue   | \$ 13,082,832       | 31         | \$ 12,097,815       | 33         |
| 4050 | Income from handling fees  | 3,276,220           | 8          | 2,986,044           | 8          |
| 4060 | Shareholding in the affiliated companies and joint ventures under the equity method  | 87,046              | -          | 80,046              | -          |
| 4090 | Gains of financial assets and liabilities measured at fair value through profit or loss  | 209,626             | 1          | 589,547             | 1          |
| 4100 | Realized gain on available-for-sale financial assets   | -                   | -          | 22,980              | -          |
| 4105 | Realized gain on financial assets at fair value through other comprehensive profit or loss   | 26,752              | -          | -                   | -          |
| 4160 | Net sales revenue  | 24,213,521          | 58         | 20,675,009          | 56         |
| 4230 | Investment property gains  | 14,025              | -          | 348,672             | 1          |
| 4260 | Exchange gain  | 387,106             | 1          | -                   | -          |
| 4270 | Other income   | 252,059             | 1          | 238,213             | 1          |
| 4XX  | Total revenue  | <u>41,549,187</u>   | <u>100</u> | <u>37,038,326</u>   | <u>100</u> |
| X    |  |                     |            |                     |            |
|      | Expenses   |                     |            |                     |            |
| 5010 | Financial costs  | 4,797,670           | 12         | 4,076,588           | 11         |
| 5060 | Service charges  | 430,046             | 1          | 537,465             | 2          |
| 5090 | Bad debt expense and guaranty reserve  | 471,472             | 1          | 1,124,932           | 3          |
| 5190 | Cost of goods sold   | 22,612,538          | 54         | 19,353,963          | 52         |
| 5230 | Operating expenses   | 8,033,384           | 19         | 7,290,875           | 20         |
| 5280 | Impairment loss  | 17,813              | -          | 89,958              | -          |
| 5290 | Exchange loss  | -                   | -          | 319,544             | 1          |
| 5320 | Other expenses   | 41,502              | -          | 38,057              | -          |
| 5XX  | Total expenses   | <u>36,404,425</u>   | <u>87</u>  | <u>32,831,382</u>   | <u>89</u>  |
| X    |  |                     |            |                     |            |
| 6100 | Net profit before taxation   | 5,144,762           | 13         | 4,206,944           | 11         |
| 6200 | Income tax expenses  | 735,127             | 2          | 743,253             | 2          |
| 6500 | Net income   | <u>4,409,635</u>    | <u>11</u>  | <u>3,463,691</u>    | <u>9</u>   |
|      | Other comprehensive profit or loss   |                     |            |                     |            |
| 6651 | Exchange difference for conversion of financial statements of foreign operating institutions   | ( 3,462 )           | -          | ( 19,571 )          | -          |
| 6610 | The items that are not re-classified as profit or loss   |                     |            |                     |            |
| 6611 | Reevaluation of determined benefit plan  | ( 99,372 )          | -          | ( 33,121 )          | -          |
| 6617 | Evaluation of the capital gain from equity instrument at fair value through comprehensive income statement as other comprehensive income | 83,359              | -          | -                   | -          |
| 6649 | Incomes tax related to titles not subject to reclassification  | 37,634              | -          | 3,845               | -          |
|      |  | <u>21,621</u>       | <u>-</u>   | <u>( 29,276 )</u>   | <u>-</u>   |
| 6650 | Items that may be re-classified subsequently under profit or loss  |                     |            |                     |            |
| 6653 | Unrealized valuation gains of available-for-sale financial assets  | -                   | -          | 260,543             | 1          |
| 6659 | Capital loss of debts instrument at fair value through comprehensive income statement as other comprehensive income                      | ( 13,948 )          | -          | -                   | -          |
| 6689 | Income tax related to items possibly be reclassified   | -                   | -          | ( 7,414 )           | -          |
|      |  | <u>( 17,410 )</u>   | <u>-</u>   | <u>233,558</u>      | <u>1</u>   |
| 6600 | Other comprehensive income (post-tax profit or loss)   | <u>4,211</u>        | <u>-</u>   | <u>204,282</u>      | <u>1</u>   |
| 6700 | Total amount of comprehensive income of the current year   | <u>\$ 4,413,846</u> | <u>11</u>  | <u>\$ 3,667,973</u> | <u>10</u>  |
|      | Profit attributable to:  |                     |            |                     |            |
| 6810 | Owners of parent   | \$ 1,372,035        | 3          | \$ 793,987          | 2          |
| 6820 | Non-controlling interest   | 3,037,600           | 8          | 2,669,704           | 7          |
| 6800 |  | <u>\$ 4,409,635</u> | <u>11</u>  | <u>\$ 3,463,691</u> | <u>9</u>   |
|      | The total comprehensive income belongs to  |                     |            |                     |            |
| 6910 | Owners of parent   | \$ 1,365,286        | 3          | \$ 872,456          | 2          |
| 6920 | Non-controlling interest   | 3,048,560           | 8          | 2,795,517           | 8          |
| 6900 |  | <u>\$ 4,413,846</u> | <u>11</u>  | <u>\$ 3,667,973</u> | <u>10</u>  |
|      | Earnings per share   |                     |            |                     |            |
| 7000 | Basic earnings per share   | <u>\$ 1.13</u>      |            | <u>\$ 0.66</u>      |            |
| 7100 | Diluted earnings per share   | <u>\$ 1.13</u>      |            | <u>\$ 0.66</u>      |            |

Chairman: Kuei-Shiang Wang

Manager: Ming-Shan Chuang

Accounting Supervisor: Kuo-Hua Lin

China Man-Made Fiber Corporation and subsidiary  
Consolidated Statements of Changes in Shareholders' Equity  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

|   |  | Equity of the company |                 |               |                 |                        |   |  |   |                  |               |                          |               |  |  |
|---|--|-----------------------|-----------------|---------------|-----------------|------------------------|---|--|---|------------------|---------------|--------------------------|---------------|--|--|
|   |  | Capital stock         |                 |               |                 |                        | Retained earnings   |  |   |                  |               | Other equity             |               |  |  |
|   |  | Common stock          | Capital surplus | Legal reserve | Special reserve | Undistributed earnings | Exchange differences from the translation of financial statements of foreign operations | Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss | Unrealized gain (loss) on available-for-sale financial assets | Treasury stock   | Total         | Non-controlling interest | Total equity  |  |  |
| A1  | Balance as of January 1, 2017  | \$ 14,294,934         | \$ 1,681,992    | \$ 638,873    | \$ 2,481,347    | \$ 2,501,747           | ( \$ 25,319 )   | \$ -   | ( \$ 284,967 )  | ( \$ 1,273,586 ) | \$ 20,015,021 | \$ 30,905,692            | \$ 50,920,713 |  |  |
| C7  | Changes of the associates and joint ventures recognized under the Equity Method      | -                     | ( 8,282 )       | -             | -               | -                      | -   | -  | -   | ( 8,282 )        | -             | ( 8,282 )                |               |  |  |
| D1  | 2017 Profit  | -                     | -               | -             | -               | 793,987                | -   | -  | -   | 793,987          | 2,669,704     | 3,463,691                |               |  |  |
| D3  | Other comprehensive net income in 2017 (after tax)                                   | -                     | -               | -             | -               | ( 21,015 )             | ( 16,292 )  | -  | 115,776   | 78,469           | 125,813       | 204,282                  |               |  |  |
| D5  | 2017 Total profit and loss   | -                     | -               | -             | -               | 772,972                | ( 16,292 )  | -  | 115,776   | 872,456          | 2,795,517     | 3,667,973                |               |  |  |
| N1  | Share-based payment transaction  | -                     | 4,108           | -             | -               | -                      | -   | -  | -   | 45,677           | 49,785        | 49,785                   |               |  |  |
| O1  | Increase/ decrease in Non-controlling interest                                       | -                     | -               | -             | -               | -                      | -   | -  | -   | -                | ( 1,230,798 ) | ( 1,230,798 )            |               |  |  |
| Z1  | Balance as of December 31, 2017  | 14,294,934            | 1,677,818       | 638,873       | 2,481,347       | 3,274,719              | ( 41,611 )  | -  | ( 169,191 )   | ( 1,227,909 )    | 20,928,980    | 32,470,411               | 53,399,391    |  |  |
| A3  | Effect of retroactive applicability and recompilation                                | -                     | -               | -             | -               | 286,131                | -   | ( 203,678 )  | 169,191   | 251,644          | 297,263       | 548,907                  |               |  |  |
| A5  | Balance on January, 1 2018 after adjustment  | 14,294,934            | 1,677,818       | 638,873       | 2,481,347       | 3,560,850              | ( 41,611 )  | ( 203,678 )  | -   | ( 1,227,909 )    | 21,180,624    | 32,767,674               | 53,948,298    |  |  |
| The 2017 appropriation and distribution of earnings |  |                       |                 |               |                 |                        |   |  |   |                  |               |                          |               |  |  |
| B1  | Legal reserve appropriated   | -                     | -               | 79,399        | -               | ( 79,399 )             | -   | -  | -   | -                | -             | -                        | -             |  |  |
| B5  | Cash dividends   | -                     | -               | -             | -               | ( 142,949 )            | -   | -  | -   | ( 142,949 )      | -             | ( 142,949 )              |               |  |  |
| B9  | Stock dividends  | 929,171               | -               | -             | -               | ( 929,171 )            | -   | -  | -   | -                | -             | -                        |               |  |  |
| B17   | Reversal of special reserve  | -                     | -               | -             | ( 524,938 )     | 524,938                | -   | -  | -   | -                | -             | -                        |               |  |  |
| C7  | Changes of the associates and joint ventures recognized under the Equity Method      | -                     | 5,532           | -             | -               | ( 6,483 )              | -   | ( 226 )  | -   | ( 1,177 )        | -             | ( 1,177 )                |               |  |  |
| D1  | 2018 Profit  | -                     | -               | -             | -               | 1,372,035              | -   | -  | -   | 1,372,035        | 3,037,600     | 4,409,635                |               |  |  |
| D3  | Other comprehensive net income in 2018 (after tax)                                   | -                     | -               | -             | -               | ( 25,235 )             | ( 12,980 )  | 31,466   | -   | ( 6,749 )        | 10,960        | 4,211                    |               |  |  |
| D5  | 2018 Total profit and loss   | -                     | -               | -             | -               | 1,346,800              | ( 12,980 )  | 31,466   | -   | 1,365,286        | 3,048,560     | 4,413,846                |               |  |  |
| O1  | Increase/ decrease in Non-controlling interest                                       | -                     | -               | -             | -               | -                      | -   | -  | -   | -                | 36,818        | 36,818                   |               |  |  |
| M1  | Dividends distributed to the subsidiaries adjusted to the additional paid-in capital | -                     | 14,954          | -             | -               | -                      | -   | -  | -   | 14,954           | 14,228        | 29,182                   |               |  |  |
| M7  | Changes in the ownership equity on a subsidiary                                      | -                     | ( 3,429 )       | -             | -               | 199                    | -   | -  | -   | ( 3,230 )        | -             | ( 3,230 )                |               |  |  |
| Q1  | Equity instrument at fair value through other comprehensive income statement         | -                     | -               | -             | -               | ( 43,335 )             | -   | 43,335   | -   | -                | -             | -                        |               |  |  |
| Z1  | Balance at December 31, 2018   | \$ 15,224,105         | \$ 1,694,875    | \$ 718,272    | \$ 1,956,409    | \$ 4,231,450           | ( \$ 54,591 )   | ( \$ 129,103 )   | \$ -  | ( \$ 1,227,909 ) | \$ 22,413,508 | \$ 35,867,280            | \$ 58,280,788 |  |  |

Chairman: Kuei-Shiang Wang

Manager: Ming-Shan Chuang

Accounting Supervisor: Kuo-Hua Lin

China Man-Made Fiber Corporation and subsidiary  
Consolidated Statements of Cash Flow  
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

| Code   |  | 2018             | 2017              |
|--------|--|------------------|-------------------|
|        | Cash flow from operating activities  |                  |                   |
| A10000 | Current year net profit before taxation  | \$ 5,144,762     | \$ 4,206,944      |
|        | Profits and loss   |                  |                   |
| A20100 | Depreciation expenses  | 849,721          | 909,229           |
| A20200 | Amortization expenses  | 54,854           | 78,973            |
| A20300 | Anticipated credit impairment/provision for bad debts  | 471,472          | 1,124,932         |
| A20400 | Gain (loss) on financial assets and liabilities at fair value through profit and loss                                    | ( 209,626 )      | ( 589,547 )       |
| A20900 | Interest expenses  | 4,797,670        | 4,076,588         |
| A21200 | Interest revenue   | ( 13,082,832 )   | ( 12,097,815 )    |
| A21300 | Dividend income  | ( 116,117 )      | ( 75,320 )        |
| A21800 | Other provisions for liabilities   | ( 2,437 )        | 26,000            |
| A21900 | Employee stock option compensation cost  | -                | 4,232             |
| A22300 | Shareholding in the affiliated companies and joint ventures under the equity method                                      | ( 87,046 )       | ( 80,046 )        |
| A22500 | Loss on disposal and scrapping of property, plant and equipment  | 9,768            | 1,189             |
| A22700 | Capital gain from disposition of investment property   | ( 14,025 )       | ( 348,672 )       |
| A23100 | Gain on disposal of investments  | ( 26,752 )       | ( 22,980 )        |
| A23600 | Financial assets impairment loss   | 17,488           | 61,487            |
| A23700 | Loss in impairment of non-financial assets   | 325              | 28,471            |
| A24100 | Unrealized foreign currency exchange loss  | ( 438,123 )      | 845,584           |
| A29900 | Gain from disposition of subsidiaries  | -                | ( 1,690 )         |
| A22900 | Release of prepaid lease payments.   | 3,736            | 2,760             |
|        | Net change in operating assets and liabilities   |                  |                   |
| A91110 | Due from Central Bank and lend to Banks  | ( 746,918 )      | ( 609,388 )       |
| A91120 | Financial assets at fair value through profit and loss   | 6,728,283        | ( 7,386,974 )     |
| A91190 | Accounts receivable  | 486,630          | ( 4,346,320 )     |
| A91250 | Inventory  | ( 632,492 )      | ( 529,813 )       |
| A91260 | Prepayments  | 108,174          | 75,943            |
| A91280 | Other current assets   | 24,563           | 13,213            |
| A91290 | Discounts and loans  | ( 22,250,976 )   | ( 6,428,669 )     |
| A91320 | Other financial assets   | 38,030           | ( 35,342 )        |
| A92110 | Bills and bonds sold under repurchase agreements   | 5,596,657        | 85,552            |
| A92120 | Financial liabilities at fair value through profit and loss  | ( 889,768 )      | ( 813,642 )       |
| A92150 | Due to Central Bank and other banks  | ( 6,140,120 )    | ( 2,098,856 )     |
| A92160 | Payables   | ( 990,471 )      | 3,427,266         |
| A92280 | Other current liabilities  | 36,773           | 101,537           |
| A92290 | Customer deposits and remittances  | 21,866,677       | 26,228,479        |
| A92330 | Other financial liabilities  | ( 41,307 )       | ( 30,062 )        |
| A92310 | Employee benefit liabilities reserve   | ( 11,625 )       | ( 75,200 )        |
| A33000 | Cash inflow from operating activities  | 554,948          | 5,728,043         |
| A33100 | Interest received  | 13,143,072       | 12,191,904        |
| A33200 | Dividends received   | 191,884          | 140,989           |
| A33300 | Interest payment   | ( 4,683,191 )    | ( 3,940,863 )     |
| A33500 | Income tax payment   | ( 748,891 )      | ( 520,129 )       |
| AAAA   | Net cash inflow from operating activities  | <u>8,457,822</u> | <u>13,599,944</u> |
|        | Cash flow from investing activities  |                  |                   |
| B00010 | Acquisition of financial assets at fair value through other comprehensive profit or loss                                 | ( 553,576 )      | -                 |
| B00020 | Disposal of financial assets at fair value through other comprehensive profit or loss (including redemption at maturity) | 4,301,998        | -                 |
| B00040 | Financial assets acquired on the basis of cost after amortization  | ( 761,952,805 )  | -                 |
| B00050 | Financial assets on the basis of cost after amortization   | 45,650           | -                 |
| B00060 | Held-to-maturity financial assets based on cost after amortization   | 746,586,250      | -                 |
| B00300 | Acquisition of available-for-sale financial assets   | -                | ( 1,749,775 )     |
| B00400 | Disposition of available-for-sale financial assets   | -                | 7,336,761         |
| B00900 | Acquisition of held-to-maturity financial assets   | -                | ( 748,721,306 )   |

(Continued on next page)



(Continued from previous page)

| Code   |   | 2018           | 2017           |
|--------|---|----------------|----------------|
| B01000 | Disposition of held-to-maturity financial assets                | \$ -           | \$ 258,565     |
| B01100 | Return of capital from held-to-maturity financial assets        | -              | 676,269,904    |
| B01300 | Disposal of financial assets carried at cost                    | -              | 37,116         |
| B01800 | Acquisition of investment under the equity method               | ( 9,843 )      | -              |
| B02300 | Net cash inflow from disposition of subsidiaries                | -              | 119,009        |
| B02700 | Acquisition of property, plant and equipment                    | ( 903,176 )    | ( 773,002 )    |
| B02800 | Disposal of property, plant and equipment                       | 5,789          | 35,628         |
| B03800 | Decrease in Refundable deposits                                 | 100,716        | 248,071        |
| B04500 | Acquisition of Intangible assets                                | ( 56,595 )     | ( 56,782 )     |
| B05400 | Acquisition of investment property                              | ( 144,447 )    | ( 22,798 )     |
| B05500 | Disposition of investment property                              | 14,025         | 403,950        |
| B06800 | Decrease in other assets  | 25,228         | 60             |
| B09900 | Decrease (increase) in restricted assets                        | ( 209,359 )    | 31,871         |
| BBBB   | Net cash outflow from investing activities                      | ( 12,750,145 ) | ( 66,582,728 ) |
|        | Cash flow from financing activities                             |                |                |
| C00100 | Increase of short-term loans                                    | 2,837,741      | 1,440,505      |
| C00500 | Increase in short-term notes payable                            | 324,630        | 649,078        |
| C01400 | Issuance of financial bonds                                     | 2,130,000      | 5,500,000      |
| C01500 | Repayment of financial bonds                                    | -              | ( 1,500,000 )  |
| C01600 | Proceeds from long-term loan                                    | 3,716,000      | 4,006,000      |
| C01700 | Re-payments of long-term borrowings                             | ( 5,455,250 )  | ( 4,125,182 )  |
| C03000 | Increase in deposits received                                   | 164,707        | 31,564         |
| C04500 | Cash dividend released  | ( 142,949 )    | -              |
| C04800 | Stock option exercised by the employees                         | -              | 45,553         |
| C05800 | Change in non-controlling interest                              | 61,819         | ( 1,239,080 )  |
| CCCC   | Net cash inflow from financing activities                       | 3,636,698      | 4,808,438      |
| DDDD   | Impact of changes in exchange rate on cash and cash equivalents | ( 3,462 )      | ( 19,571 )     |
| EEEE   | Current cash and cash equivalents decrease                      | ( 659,087 )    | ( 48,193,917 ) |
| E00100 | Balance of cash and cash equivalents, beginning of period       | 43,284,182     | 91,478,099     |
| E00200 | Balance of cash and cash equivalent, end of period              | \$ 42,625,095  | \$ 43,284,182  |

Ending cash and cash equivalents adjustment

| Code   |  | December 31, 2018 | December 31, 2017 |
|--------|--|-------------------|-------------------|
| E00210 | Cash and cash equivalents on the balance sheet   | \$ 18,846,662     | \$ 18,417,172     |
| E00220 | The "Due from Central Bank and Banks" in compliance with the definition of cash and cash equivalents under IAS 7               | 14,484,265        | 13,583,928        |
| E00230 | The "bonds and securities sold under repurchase agreements" that meet the definitions of cash and cash equivalents under IAS 7 | 9,294,168         | 11,283,082        |
| E00200 | Balance of cash and cash equivalent, end of period   | \$ 42,625,095     | \$ 43,284,182     |

Chairman: Kuei-Shiang Wang

Manager: Ming-Shan Chuang

Accounting Supervisor: Kuo-Hua Lin

# CHINA MAN-MADE FIBER CORPORATION

## Statement of Retained Earnings

2018

Unit: NT\$

| Item   | Amount        |                      |
|--|---------------|----------------------|
| Opening undistributed earnings   |               | 2,648,136,823        |
| Adoption of TIFRS adjustments  |               | 286,130,675          |
| <b>Adjusted unappropriated earnings - beginning</b>  |               | <b>2,934,267,498</b> |
| Retained earnings adjusted due to investments accounted for using equity method  |               | (6,283,072)          |
| The defined benefit plans re-measured amount is recognized in the "retained earnings" account.   |               | (25,235,110)         |
| Disposal of equity instruments at fair value through other comprehensive profit and loss, the accumulated profit and loss are directly transferred to retained earnings. |               | (43,334,927)         |
| <b>Unappropriated adjusted earnings</b>  |               | <b>2,859,414,389</b> |
| Net income or loss for current period  |               | 1,372,035,924        |
| Legal reserve appropriated (10%)   |               | (137,203,592)        |
| Reversal of special reserve  |               | 20,282,536           |
| <b>Current distributable earnings</b>  |               | <b>4,114,529,257</b> |
| Distributions  |               |                      |
| Shareholder dividends – stock (NT\$0.65 per share)   | (989,566,850) |                      |
| Shareholder dividends – cash (NT\$1.0 per share)   | (152,241,053) | (1,141,807,903)      |
| <b>Closing undistributed earnings</b>  |               | <b>2,972,721,354</b> |

Chairman: Kuei-Shiang Wang

Manager: Ming-Shan Chuang

Accounting Supervisor: Kuo-Hua Lin

## China Man-Made Fiber Comparison Table for Amendments to Measures for Handling Acquisition or Disposal of Assets

| Clauses after the amendment   | Original clause  | Remark  |
|---|--|---|
| <p>Article 2 The assets referred to include the following:<br/>[1 ~ 4: (Omitted)]</p> <ol style="list-style-type: none"> <li>5. Right-of-use assets</li> <li>4. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>7. Derivatives</li> <li>8. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully</li> <li>9. Other important assets</li> </ol>   | <p>Article 2 The assets referred to include the following:<br/>[1 ~ 4: (Omitted)]</p> <ol style="list-style-type: none"> <li>5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>6. Derivatives</li> <li>7. The assets acquired or disposed of by legal merger, division, acquisition or transfer of shares</li> <li>8. Other important assets</li> </ol>  | <p>Revision based on the order of the authority</p> |
| <p>Article 3 Terms used are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</li> <li>2. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully: Refers to the acquisition or disposal of assets by merger, spins-off, or purchase in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws, or, assignment of other company’s shares by issuing stock shares in accordance with Article 156-3 of the Company Act (hereinafter referred to as “assignment of shares”)</li> <li>3. Related party and subsidiaries: It should be recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.</li> </ol> <p>[4 ~ 6: (Omitted)]</p> <ol style="list-style-type: none"> <li>7. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</li> <li>8. Securities exchange: “Domestic securities exchange” refers to Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</li> <li>9. Over-the-counter venue (“OTC venue”, “OTC”): “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</li> </ol> | <p>Article 3 Terms used are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Refers to the value of the forward contracts, options contracts, futures contracts, leveraged margin contracts, swap contracts and compound contracts of the aforementioned instruments derived from assets, interest rate, exchange rate, index or other benefits. The so-called forward contracts exclude insurance contracts, performance contracts, after-sale service contracts, long-term lease contracts and long-term purchases (sales) contracts.</li> <li>2. The assets acquired or disposed of by legal merger, division, acquisition or transfer of shares: Refers to the assets acquired or disposed of through merger, division or acquisition in accordance with the Business Merger Act, Financial Holding Company Act, Financial Institution Merger Act or any other law; or the issuance of new shares in exchange for the stock shares of other companies in accordance with Article 156 Paragraph 8 of the Company Act (hereinafter referred to as “transfer of shares”).</li> <li>3. Related party and subsidiaries: It should be recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.</li> </ol> <p>[4 ~ 6: (Omitted)]</p> | <p>Revision based on the order of the authority</p> |
| <p>Article 4 Investment quota:<br/>In addition to the assets for business use, the Company may invest in or purchase real estate and their right-of-use assets or negotiable securities for non-business use, and the amount limits are as follows:</p>   | <p>Article 4 Investment quota:<br/>In addition to the assets for business use, the Company may invest in or purchase real estate and negotiable securities for non-business use, and the amount limits are as follows:</p> <ol style="list-style-type: none"> <li>1. The total amount of the real property for non-business use</li> </ol>   | <p>Revision based on the order of the authority</p> |

| Clauses after the amendment  | Original clause  | Remark   |
|--|--|--|
| <p>1. The total amount of the real property and the right-of-use assets for non-business use shall not exceed 80% of the net value of equity of the most recent audited and validated financial reports.</p> <p>[2 ~ 3: (Omitted)]</p>   | <p>shall not exceed 80% of the net value of equity of the most recent audited and validated financial reports.</p> <p>[2 ~ 3: (Omitted)]</p>   |  |
| <p>Article 5</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide this Company with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</li> <li>2. May not be a related party or de facto related party of any party to the transaction.</li> <li>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</li> </ol> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <ol style="list-style-type: none"> <li>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</li> <li>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</li> <li>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</li> </ol> | <p>Article 5</p> <p>For the appraisal report or the opinions obtained from the CPAs, attorney, or security underwriter by the Company, the professional appraisers and their appraising personnel, CPAs, attorneys, security underwriters, and the trade parties must be not be related.</p>   | <p>Revision based on the order of the authority</p>  |
| <p>Article 6 Disposal procedures:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property, equipment and the right-of-use assets: <ol style="list-style-type: none"> <li>(1) Evaluation and operating procedures: <p>The acquisition or disposal of real property and the right-of-use assets shall be in accordance with the Company’s requirements on authorization levels and internal control system. In the event of violating the standards specified in these procedures, necessary measures shall be taken in accordance with these procedures.</p> </li> <li>(2) Procedures for determining transaction terms and authorized limits: <ol style="list-style-type: none"> <li>1. The acquisition or disposal of real property or the right-of-use assets shall refer to the announced current value, assessment of current value and the actual transaction price of the adjacent real estate. The transaction</li> </ol> </li> </ol> </li> </ol>  | <p>Article 6 Disposal procedures:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property or other fixed assets: <ol style="list-style-type: none"> <li>(1) Evaluation and operating procedures: <p>The acquisition or disposal of real property or other fixed assets shall be in accordance with the Company’s requirements on authorization levels and internal control system. In the event of violating the standards specified in these procedures, necessary measures shall be taken in accordance with these procedures.</p> </li> <li>(2) Procedures for determining transaction terms and authorized limits: <ol style="list-style-type: none"> <li>1. The acquisition or disposal of real property shall refer to the announced current value, assessment of current value and the actual transaction price of the adjacent real estate. The transaction terms and prices shall be made into analysis reports for</li> </ol> </li> </ol> </li> </ol> | <p>Revision based on the order of the authority.</p> |

| Clauses after the amendment   | Original clause   | Remark |
|---|---|--------|
| <p>terms and prices shall be made into analysis reports for the management to review.</p> <p>2. The acquisition or disposal of equipment or their right-of-use assets shall be in any one of forms of request for quotation, price comparison, bargaining or tendering.</p> <p>3. The Company's designated authorization levels for the acquisition or disposal of real property, equipment and the right-of-use assets are as follows:<br/>[1 ~ 4: (Omitted)]</p> <p>(3) Executors:</p> <p>1. The acquisition or disposal of real property, equipment and the right-of-use assets are processed by each dedicated organizational unit in accordance with the abovementioned authorization levels.</p> <p>2. If the Company's equipment or its right-of-use assets are unusable or have a book balance of zero, the user unit shall apply for scrapping. The request shall be submitted to the general manager for approval and is processed in accordance with the "Guidelines for Examination of Profit-seeking Enterprise Income Tax".</p> <p>(4) Appraisal reports on real property, equipment and right-of-use assets:<br/>In the event that the transaction amount for acquiring or disposing of real property, equipment, or its right-of-use assets reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or its right-of-use assets held for business use.</p> <p>1. If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should be presented to the board of directors for resolutions. The changes in trading conditions should be processed the same.<br/>[2 ~ 4: (Omitted)]</p> <p>2. For the acquisition or disposal of membership cards or intangible assets with the transactions amount over 20% of the paid-in capital or NT\$300 million, except for the transactions conducted with government agencies, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.</p> <p>3. Procedures for acquisition and disposal of securities:<br/>(1) (Omitted)<br/>(2) Procedures for determining transaction terms and authorized limits<br/>[1 ~ 4: (Omitted)]</p> <p>5. In order to control the risk of short-term gain or loss on investments, an amount of NT\$200 million by the end of each quarter is set as the position for open interest of short-term investments in the capital market. The status of each quarter is reported to the board for review.</p> | <p>the management to review.</p> <p>2. Acquisition or disposal of other fixed assets should be processed in accordance with inquiry, comparison, negotiation or tender.</p> <p>3. The Company's designated authorization levels for the acquisition or disposal of real property or other fixed assets are as follows:<br/>[1 ~ 4: (Omitted)]</p> <p>(3) Executors:</p> <p>1. The acquisition or disposal of real property or other fixed assets are processed by each dedicated organizational unit in accordance with the abovementioned authorization levels.</p> <p>2. If the Company's other fixed assets are unusable or have a book balance of zero, the user unit shall apply for scrapping. The request shall be submitted to the general manager for approval and is processed in accordance with the "Guidelines for Examination of Profit-seeking Enterprise Income Tax".</p> <p>(4) Appraisal reports on real property or other fixed assets:<br/>The Company's acquisition or disposal of real estate or equipment, except for the transactions conducted with government agencies, commissioned to build by land owner, commissioned to build by lessee, or acquisition or disposal of operating equipment and the transaction amount exceeding 20% of the paid-in capital or NT\$300 million, should be with the appraisal report collected from the professional appraisers before the date of occurrence in accordance with the following requirements:</p> <p>1. If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should be presented to the board of directors for resolutions. The changes in trading conditions should be processed the same.<br/>[2 ~ 4: (Omitted)]</p> <p>2. For the acquisition or disposal of membership cards or intangible assets with the transactions amount over 20% of the paid-in capital or NT\$300 million, except for the transactions conducted with government agencies, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.</p> <p>3. Procedures for acquisition and disposal of securities:<br/>(1) (Omitted)<br/>(2) Procedures for determining transaction terms and authorized limits<br/>[1 ~ 4: (Omitted)]<br/>[(3)-(4): (Omitted)]</p> <p>4. (Omitted).</p> |        |

| Clauses after the amendment  | Original clause   | Remark  |
|--|---|---|
| <p style="text-align: center;">[(3)~(4): (Omitted)]</p> <p>4. (Omitted).</p>   |   |   |
| <p>Article 7</p> <p>Procedures for handling transactions with the related parties:</p> <ol style="list-style-type: none"> <li>1. (Omitted).</li> <li>2. When acquiring or disposing of real property or its right-of-use assets or other assets with a related party through purchase or swap at an amount reaching twenty percent (20%) of paid-in capital or the percent (10%) of the total assets or exceeding NTS\$300 million, the Company shall prepare the following documentation and submit it to the Audit Committee and the Board of Directors for approval prior to signing the transaction contract and disbursing the payment, except for trading domestic bonds or bonds under repurchase and resale agreements, or subscription or buy back of domestic money market funds issued by security investment trust funds.</li> </ol> <p>[(1)~(2): (Omitted)]</p> <ol style="list-style-type: none"> <li>(3) With respect to the acquisition of real property or the right-of-use assets from a related party, information regarding the reasonableness of the preliminary transaction terms shall be assessed.</li> </ol> <p>[(4)~(7): (Omitted)]</p> <p>The transactions amount referred to above should be calculated in accordance with Article 31 Section 2 of “Regulations Governing the Acquisition or Disposition of Assets by Public Companies”. Also, the alleged “within one year” meant for the one year prior to the date of occurrence excluding the part that had already been resolved in the board meeting and accepted by the Audit Committee.</p> <p>With respect to the following transactions between the Company and the parent company, subsidiaries, or between the subsidiaries of which 100% of the issued shares or total capital are directly or indirectly owned by the Company, the board of directors may, according to Article 6, delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <ol style="list-style-type: none"> <li>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</li> <li>(2) Acquisition or disposal of real property or right-of-use assets thereof held for business use.</li> </ol> <p>[Omitted]</p> <ol style="list-style-type: none"> <li>3. The Company should assess the reasonableness of the transaction costs for the acquisition of real property or right-of-use assets from the related party in accordance with the following methods:</li> </ol> <p>[(1)~(2): (Omitted)]</p> <ol style="list-style-type: none"> <li>4. For the combined purchase or lease of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above.</li> <li>5. The cost of the real estate acquired by the Company from the related party should be assessed in accordance the preceding paragraph; also, a CPA should be commissioned to review and express an opinion.</li> <li>6. When the Company acquires real property or the right-of-use assets from related parties and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding Subparagraph 2 above, and the preceding Subparagraphs 3 to 5 do not apply: <ol style="list-style-type: none"> <li>(1) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.</li> <li>(2) Related party’s contracting for the acquisition of real estate or its right-of-use assets is over five</li> </ol> </li> </ol> | <p>Article 7</p> <p>Procedures for handling transactions with the related parties:</p> <ol style="list-style-type: none"> <li>1. (Omitted).</li> <li>2. When acquiring or disposing of real property or other assets with a related party through purchase or swap at an amount reaching twenty percent (20%) of paid-in capital or the percent (10%) of the total assets or exceeding NTS\$300 million, the Company shall prepare the following documentation and submit it to the Audit Committee and the Board of Directors for approval prior to signing the transaction contract and disbursing the payment, except for trading domestic bonds or bonds under repurchase and resale agreements, or subscription or buy back of domestic money market funds issued by security investment trust funds.</li> </ol> <p>[(1)~(2): (Omitted)]</p> <ol style="list-style-type: none"> <li>(3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.</li> </ol> <p>[(4)~(7): (Omitted)]</p> <p>The transactions amount referred to above should be calculated in accordance with Article 30 Section 2 of “Regulations Governing the Acquisition or Disposition of Assets by Public Companies”. Also, the alleged “within one year” meant for the one year prior to the date of occurrence excluding the part that had already been resolved in the board meeting and accepted by the Audit Committee.</p> <p>With respect to the for-business equipment acquired or disposed of between the Company and the subsidiaries, the board of directors may, according to Article 6, delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>[Omitted]</p> <ol style="list-style-type: none"> <li>3. The Company should assess the reasonableness of the transaction costs for the acquisition of real property from the related party in accordance with the following methods:</li> </ol> <p>[(1)~(2): (Omitted)]</p> <ol style="list-style-type: none"> <li>4. The transaction cost of the same underlying land and building purchased can be assessed in accordance with any of the cost methods listed in the preceding paragraph.</li> <li>5. The cost of the real estate acquired by the Company from the related party should be assessed in accordance the preceding paragraph; also, a CPA should be commissioned to review and express an opinion.</li> <li>6. When the Company acquires real property from related parties and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding Subparagraph 2 above, and the preceding Subparagraphs 3 to 5 do not apply: <ol style="list-style-type: none"> <li>(1) The related party acquired the real property thereof through inheritance or as a gift.</li> <li>(2) Related party’s contracting for the acquisition of real estate is over five years from the date of the trade contract signed.</li> <li>(3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</li> </ol> </li> </ol> | <p>Revision based on the order of the authority</p> |

| Clauses after the amendment   | Original clause  | Remark  |
|---|--|---|
| <p>years from the date of the trade contract signed.</p> <p>(3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>(4) The real property right-of-use assets for business use are acquired by the company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</p>   |  |   |
| <p>Article 8</p> <p>If the assessment result is lower than the transaction price in accordance with Section 3 and Section 4 referred to above, the Company is to have it processed in accordance with Article 9. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations.</p> <p>1. Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:</p> <p>(1) The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) The transaction terms and the area of premises on other floors in the same property or in the neighborhood in transactions completed by other unrelated parties within the previous year are similar as assessed based on the reasonable price difference by floor or by location in accordance with property transaction or lease practices.</p> <p>2. Where the company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>The alleged "successful trade" in the neighborhood referred to above meant for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged "similar floor area" meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged "within one year" meant for the one year prior to the date of occurrence for the acquisition of real estate.</p> | <p>Article 8</p> <p>If the assessment result is lower than the transaction price in accordance with Section 3 and Section 4 referred to above, the Company is to have it processed in accordance with Article 9. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations.</p> <p>1. Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:</p> <p>(1) The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) The successful trade of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with the similar floor area; also, the trade conditions are assessed to be equivalent in accordance with the reasonable floors or regional spread in general practice of real estate trade.</p> <p>(3) The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real estate lease.</p> <p>2. Public Company evidences that the trade terms of acquiring the real estate from the related parties are similar to the successful trade of the unrelated party in the neighborhood within one year with the similar floor area.</p> <p>The alleged "successful trade" in the neighborhood referred to above meant for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged "similar floor area" meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged "within one year" meant for the one year prior to the date of occurrence for the acquisition of real estate.</p> | <p>Revision based on the order of the authority</p> |
| <p>Article 9</p> <p>If the assessment result of the acquisition of real estate from the related party is lower than the transaction price in accordance with Paragraph 3~6 of Article 7 and Article 8, the Company is to have the following matters processed:</p> <p>1. A special reserve shall be set aside with respect to paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property or its right-of-use assets, without being distributed or used for capital increase or issuance of bonus shares. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated</p>  | <p>Article 9</p> <p>If the assessment result of the acquisition of real estate from the related party is lower than the transaction price in accordance with Paragraph 3~6 of Article 7 and Article 8, the Company is to have the following matters processed:</p> <p>1. A special reserve should be appropriated based on the difference between the real estate trade price and the assessed cost in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article</p>  | <p>Revision based on the order of the authority</p> |

| Clauses after the amendment   | Original clause   | Remark  |
|---|---|---|
| <p>proportionally to the appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act.</p> <p>2. The Audit Committee shall have it handled in accordance with Article 218 of the Company Act.</p> <p>3. The results of handling according to the preceding two subparagraphs shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.</p> <p>The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>With acquiring real property or its right-of-use assets from a related party, this Company shall comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>  | <p>41 Paragraph 1 of the Securities and Exchange Act.</p> <p>2. The Audit Committee shall have it handled in accordance with Article 218 of the Company Act.</p> <p>3. The process in Paragraph 1 and Paragraph 2 should be reported in the shareholders' meeting; also, the detailed transaction contents should be disclosed in the annual report and prospectus.</p> <p>The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>The acquisition of real estate by the Company from the related party that is evidenced not in compliance with general business practices should be handled in accordance with the two sections referred to above.</p>  |   |
| <p>Article 15</p> <p>When any one of the following circumstances occurs during asset acquisition or disposal, this Company shall disclose to the public related information over the website designated by the Financial Supervisory Commission in the format specified for respective types of information within two days after event occurrence.</p> <p>1. The acquisition or disposal of real estate from and to the related party or right-of-use assets, or the acquisition or disposal of assets other than real estate from and to the related party for an amount exceeds 20% of the paid-in capital, 10% of the total assets, or NT\$300 million. However, domestic bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises is not subject to such requirements.</p> <p>2. Handling merger, division, acquisition or transfer of shares;</p> <p>3. Losses from derivatives trading reaching the limit on aggregate losses specified in these Procedures or losses on individual contracts.</p> <p>4. Acquisition or disposal of equipment or its right-of-use assets for business operations from an unrelated party at a transaction amount meets any one of the following criteria:</p> <p>(1) Public companies with paid-in capital of less than NT\$10 billion and amount of transaction exceeds NT\$500 million.</p> <p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</p> <p>6. The real property is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the</p> | <p>Article 15</p> <p>When any one of the following circumstances occurs during asset acquisition or disposal, this Company shall disclose to the public related information over the website designated by the Financial Supervisory Commission in the format specified for respective types of information within two days after event occurrence.</p> <p>1. The Company has acquired or disposed of property or assets other than property from or to the related parties for an amount exceeding 20% of the paid-in capital, 10% of the total assets or NT\$300 million. The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises.</p> <p>2. Handling merger, division, acquisition or transfer of shares;</p> <p>3. Derivative trading losses amounting to the total contract loss limit or individual contract loss limit defined in the handling procedures.</p> <p>4. The assets acquired or disposed of fall within the category of business equipment, and the counterparties in the transactions are not related parties and the amount of transactions meet any of the following requirements:</p> <p>(1) Public companies with paid-in capital of less than NT\$10 billion and amount of transaction exceeds NT\$500 million.</p> <p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million</p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. However, the following conditions are not subject to this restriction:</p> <p>(1) Bond trade</p> <p>(2) Investment is the principal business with trading of</p> | <p>Revision based on the order of the authority</p> |



| Clauses after the amendment   | Original clause   | Remark  |
|---|---|---|
| <p>transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. However, the following conditions are not subject to this restriction:</p> <p>(1) Domestic bond trade.</p> <p>(2) As a professional investor, conduct trading of negotiable securities on securities exchanges or securities brokerage firms, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</p> <p>The transaction amount referred to above is calculated in accordance with the following methods:</p> <ol style="list-style-type: none"> <li>1. The amount of each transaction;</li> <li>2. The cumulative amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year;</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or its right-of-use assets in the same development project within the same year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>[Omitted]</p> | <p>securities in domestic and overseas stock exchanges or OTC stock markets, or, subscription of common shares and corporate bonds without involving general bank debentures in the domestic primary market, or, securities dealers subscribing to securities for underwriting, acting as a supervisor to recommend listing of securities in emerging markets in accordance with the requirements of Gre Tai Securities Market.</p> <p>(3) The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises.</p> <p>The transaction amount referred to above is calculated in accordance with the following methods:</p> <ol style="list-style-type: none"> <li>1. The amount of each transaction;</li> <li>2. The cumulative amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year;</li> <li>3. The cumulative amount of the property acquired or disposed (amount accumulated separately) of the same underlying development project within one year;</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>[Omitted]</p> |   |
| <p>Article 16-1</p> <p>The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Article 15, 16 on behalf of the non-public subsidiary.</p> <p>The paid-in capital or total asset of this Company shall apply to subsidiaries in the preceding paragraph required to report acquisition or disposal of assets based on the paid-in capital or total asset under Article 15, Section 1, Paragraph 5.</p>   | <p>Article 16-1</p> <p>The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Article 15, 16 on behalf of the non-public subsidiary.</p> <p>Article 15, Section 1, Paragraph 5 referred to above regarding the announcement and reporting standard of reaching the limit of 20% of paid-in capital or 10% of the total assets that is applicable to the subsidiary is based on the Company's paid-in capital or total assets.</p>  | <p>Revision based on the order of the authority</p> |
| <p>Article 16-2</p> <p>For the calculation of 10% of total assets under the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the total assets stated in the most recent standalone financial report or individual financial report prepared under the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" shall be used.</p> <p>When the shares of this Company have no par value or the par value is other than NT\$10 per share, the transaction restriction at twenty percent (20%) of the Company's paid-in capital in Regulations Governing the Acquisition or Disposition of Assets by Public Companies shall be calculated at ten percent (10%) of the equity attributed to owners of the parent company. The transaction restriction for a paid-in capital at NT\$10 billion in these Procedures shall be calculated at NT\$20 billion of the parent company.</p>   | <p>Article 16-2</p> <p>For the calculation of 10% of total assets under the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the total assets stated in the most recent standalone financial report or individual financial report prepared under the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" shall be used.</p> <p>If the Company has issued shares without face value or at face values other than NT\$10 per share, the 20% requirement on paid-up capital, as specified in the Regulations Governing the Acquisition or Disposition of Assets by Public Companies, shall be calculated instead at 10% of equity attributable to parent company shareholders.</p>  | <p>Revision based on the order of the authority</p> |

## China Man-Made Fiber Comparison Table for Amendments to Rules of Procedure for Shareholders Meetings

| Clause     | Provisions after amendment   | Provisions before amendment   | Remark  |
|------------|--|---|---|
| Article 3: | <p>The Company's meeting of shareholders shall be convened by the Board, unless otherwise provided by law.</p> <p>The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins 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 Market Observation Post System (MOPS). The Handbook for the shareholders meeting and other supplementary information shall be made into electronic version and uploaded to the Market Observation Post System before the specified deadline. The Handbook for the shareholders meeting and other supplementary information shall be prepared before the specified deadline, and they shall be made available to the shareholders at any time, displayed at the Company and distributed to the shareholders attending the meeting.</p> <p>[Paragraph 3 Omitted]</p> <p>Matters pertaining to election or discharge of directors, alteration of the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized in the causes or subjects to be described, and the essential contents shall be explained in the notice to convene a meeting of shareholders and shall not be brought up as extemporaneous motions. The essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the Company, and such website shall be indicated in the above notice.</p> <p>Shareholders who have over 1% shareholdings in the Company's total number of shares issued may propose to the Company in writing to convene the Annual Meeting of Shareholders. But it is limited to one proposal and the additional proposals will not be included in the meeting agenda. The board shall list proposals from shareholders as motions unless they meet any one of the conditions in Subparagraph 4 of Article 172-1 of the Company Act.</p> <p>[Paragraph 6~8 Omitted]</p> | <p>The Company's meeting of shareholders shall be convened by the Board, unless otherwise provided by law.</p> <p>The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS). The Handbook for the shareholders meeting and other supplementary information shall be made into electronic version and uploaded to the Market Observation Post System before the specified deadline. The Handbook for the shareholders meeting and other supplementary information shall be prepared before the specified deadline, and they shall be made available to the shareholders at any time, displayed at the Company and distributed to the shareholders attending the meeting.</p> <p>[Paragraph 3 Omitted]</p> <p>The election or dismissal of directors, supervisors, amendments to the Company Corporate Charter (Articles of Incorporation), dissolution, merger, division or the clauses of Paragraph 1, Article 185 of the Company Act, the matters stated in Article 26-1 and Article 43-6 of Securities and Exchange Act shall be stated in the reasons for convening the meeting not in the motion.</p> <p>Shareholders who have over 1% shareholdings in the Company's total number of shares issued may propose to the Company in writing to convene the Annual Meeting of Shareholders. But it is limited to one proposal and the additional proposals will not be included in the meeting agenda. In addition, the Board may have the proposals of shareholders that fall under the circumstances stated in Article 172.1 Paragraph 4 of the Company Act excluded from meeting discussions.</p> <p>[Paragraph 6~8 Omitted]</p> | <p>In conjunction with amendments of the laws and the establishment of the Audit Committee by the Company in June, 2016 as the replacement of supervisors, the word "supervisors" is removed.</p> |
| Article 6  | <p>[Paragraph 1~4 Omitted]</p> <p>The Company shall have the Agenda Handbook, annual reports, attendance card, statement slip, ballots, and other meeting materials delivered to the shareholders presented; also, the ballot will be distributed to the directors for the election of directors, if any.</p> <p>[Paragraph 6~7 Omitted]</p>   | <p>[Paragraph 1~4 Omitted]</p> <p>The Company should have the annual meeting handbook, annual reports, attendance pass, speech slip, voting ballots, and other meeting materials delivered to the attending shareholders; also, the electoral ballots should be distributed for the election of directors and supervisors, if applicable.</p> <p>[Paragraph 6~7 Omitted]</p>  | <p>In conjunction with amendments of the laws and the establishment of the Audit Committee by the Company in June, 2016 as the replacement of supervisors, the word "supervisors" is removed.</p> |
| Article 14 | <p>When the shareholders meeting elect directors, the election shall take place in accordance with the applicable election rules established by the Company and the result of the election shall be announced on site, including the list of elected directors and the weights received.</p> <p>[Paragraph 2 Omitted]</p>  | <p>The election of directors and supervisors held at the meeting of shareholders should be arranged in accordance with the Company's election specifications and with the election results announced immediately at the meeting place, including the list of elected directors and supervisors and the weights received.</p> <p>[Paragraph 2 Omitted]</p>   | <p>Same as above.</p>   |

## Directors' Shareholdings

1. All directors minimum shareholding and the shareholdings listed in the registry of shareholders:

| Title    | Shareholdings | Shareholdings registered in the registry of shareholders | Remark |
|----------|---------------|--|--------|
| Director | 34,307,842    | 86,965,664   |        |

Note: Ex-transfer date on April 7, 2019

2. All Directors shareholding list:

| Title                                       | Name  | Quantity of Shares | Ratio of Shareholding |
|---|---|--------------------|-----------------------|
| Chairman                                    | Pan Asia Oil & Chemical Corporation<br>Representative: Kuei-Hsien Wang  | 47,303,844         | 3.11%                 |
| Vice Chairman                               | China Man-Made Fiber Investment<br>Representative: Ming-Shan Chuang     | 39,661,820         | 2.61%                 |
| Managing Director<br>(Independent director) | Chin-Tsai Li  | 0                  | 0                     |
| Independent director                        | De-Wei Li   | 0                  | 0                     |
| Independent director                        | Li-Yeh Hsu  | 0                  | 0                     |
| Director                                    | Pan Asia Oil & Chemical Investment<br>Representative: Gui-Fong Wang     | 47,303,844         | 3.11%                 |
| Director                                    | Pan Asia Oil & Chemical Investment<br>Representative: Ming-Hsiung Huang | 47,303,844         | 3.11%                 |
| Director                                    | China Man-Made Fiber Investment<br>Representative: Yung-Ta Liu          | 39,661,820         | 2.61%                 |
| Director                                    | Chung Chien Investment Co., Ltd.<br>Representative: Kuo-Ching Chen      | 39,661,820         | 2.61%                 |

## **“Articles of Incorporation” of China Man-Made Fiber Co., Ltd.**

### Chapter 1 General rules

1. The Company is organized as China Man-Made Fiber Corporation in accordance with the provisions of the Company Act.
2. The Company’s scope of business is shown on the left:
  - (1) Manufacturing, processing and buying and selling of man-made fiber, cellophane, polyamine fiber, polyester fiber, chemicals and the raw materials.
  - (2) Development, manufacturing and buying and selling of machinery used for the above products.
  - (3) Manufacturing and buying and selling of ethylene glycol, ethylene oxide, nonylphenol, ethylene, liquefied petroleum gas and the related petrochemical industry products.
  - (4) Commission construction firms to build residential and commercial buildings to be rented or for sale.
  - (5) Distribution, sorting and storage of various products.
  - (6) Operate supermarkets which sell fresh food, vegetables, fish, meat, cooking garnishes and spices and seasonings.
  - (7) Manufacturing and sales of steam and industrial and commercial electricity by cogeneration (electricity shall not be sold to energy users).
  - (8) Agency, distribution and contract bidding for installation of cogeneration and pollution control equipment.
  - (9) Manufacturing and sales of oxygen, liquid oxygen, nitrogen, liquid nitrogen, air argon, liquid argon, carbon dioxide and compressed air.
  - (10) F212011 Gas station.
  - (11) D201021 Gas station.
  - (12) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval
3. The head office and the factory of the Company are located in Dashe District of Kaohsiung City, and the Company may establish branches or other factories in other parts of the country upon the board’s approval depending on the actual needs.

4. (Deleted)

### Chapter 2 Stock shares

5. The total capital of the Company is NT\$16.8 billion divided into 1.68 billion shares, with a face value of NT\$10 per share. The board is authorized to issue the unissued shares in separate batches.
6. The Company’s shares shall be signed or sealed by more than three directors after the approval for registration and numbered in accordance with Article 162 of the Company Act, and they are issued after certified by the competent authority or its approved institution.

Shares may be exempted from being printed in accordance with the provisions of the Company Act.
7. The company's share administration practices shall comply with "Printing Specifications for the Certificates of Publicly Traded Shares".
8. (Deleted)
9. (Deleted)
10. (Deleted)
11. (Deleted)
12. (Deleted)
13. The Company shall not handle any requests for transfers of shares within 60 days prior to the shareholders general meeting and 30 days prior to the extraordinary general meeting or within 5 days before the record date for the distribution of dividends, bonuses or other interests.

### Chapter 3 Shareholders Meetings

14. The Company holds general meetings and extraordinary general meetings.
  - A. General meetings are convened by the board within six months after the end of each fiscal year.

- B. Extraordinary general meetings are convened in the event that the Company has important matters to present upon resolution by the board or when the audit committee deems it necessary, or if shareholders who have more than 3% of the total issued shares for more than one year request the board in writing to convene the meetings.
15. Shareholders shall be notified of the convening of the shareholders general meetings at least 30 days before the meetings and shall be notified of the convening of the extraordinary general meetings at least 15 day before the meetings, and the notifications shall be publicly announced.
  16. Except otherwise regulated by The Company Act, a shareholders meeting resolution is passed when more than half of all outstanding shares are represented in the meeting, and is approved by more than half of all voting rights represented during the meeting.
  17. When the number of the attending shareholders does not constitute the quorum prescribed in the preceding article but represents one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those in attendance. A notice of such tentative resolution shall be given to each of the shareholders, and a shareholders meeting reconvened within one month. In the abovementioned meeting of shareholders, if the tentative resolution is again adopted by a majority of those in attendance who represent one-third or more of the total number of issued shares, such tentative resolution shall be deemed to be a resolution under the preceding article.
  18. Shareholders are entitled to one vote per share; except for those subject to restrictions or the non-voting matters illustrated in Article 179 Paragraph 2 of the Company Law.
  19. A shareholder may appoint a proxy to attend a shareholders meeting on his/her/its behalf by executing a power of attorney stating therein the scope of power authorized to the proxy. In addition to the provisions of the Company Act, the appointment shall be handled in accordance with the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” promulgated by the authority.
  20. The Chairman of the board shall chair the shareholders meeting. If the Chairman is absent, the vice Chairman will be appointed to chair the meeting on behalf of the Chairman. If the Chairman and the vice Chairman are absent at the same time, a managing director shall be appointed to chair the meeting, and the meeting shall be handled in accordance with the Company’s Rules of Procedure for Shareholders Meetings.
  21. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and, together with the attendance record and power of attorney of proxy, kept by the board at the Company office and distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be distributed in the form of public announcement.

#### Chapter 4 Directors and the Board of Directors

22. The Company’s board has seven to nine directors who determine the number of directors of the board. The directors are elected by the shareholders meeting, from those who have disposing capacity. Candidates who receive the same number of votes will be determined by lot.

There shall be no less than three independent directors among the directors. The election adopts a nomination system of which shareholders elect from a list of candidates for independent directors and shall be handled in accordance with Article 192 of the Company Act.

The remuneration of the independent directors is determined by the authorized board, depending on the extent of their participation in the Company’s operations and contribution, and the pay standard in the same industry.
23. Directors serve a term of three years and may continue to serve if re-elected. If the number of directors has a shortfall and a by-election is not held to fill the vacancies, those who also receive the majority of votes in the prior election may serve on the board if necessary.
24. The Board of Directors exercises the following authorities:
  - (1) Preparation of business plan
  - (2) Review and approval of important articles and contracts.
  - (3) Appointment and dismissal of high-ranking personnel.
  - (4) Establishment and abolition of branches.
  - (5) Preparation of budget and final accounts.
  - (6) The proposed earnings distribution
  - (7) The proposed capital increase or decrease
  - (8) Decision to issue new shares.

(9) Preparation of investments in other businesses.

(10) Resolutions reached on the other important matters

24-1. The Company's board may establish a compensation committee or other functional committees for the needs of business operations.

25. The Company may have three managing directors, elected from a board meeting which has more than two-thirds of the directors in attendance and upon the approval of more than half of those in attendance. By adopting the same practice, one of the managing directors is elected as the chairman and another is elected as the vice chairman.

Among the managing directors elected by the board, there shall not be less than one independent director.

26. The Chairman, vice chairman and managing director preside over the general affairs of the Company, and the Chairman is the representative of the Company.

27. The board meeting is convened by the Chairman who also chairs the meeting. When the Chairman is absent, the vice chairman will be appointed to chair the meeting. When both the Chairman and vice chairman are absent, they will be represented by the managing director.

The convening of the board meeting shall be accompanied by proper reasons, and each director shall be notified in writing, email or fax no later than 7 days prior to the scheduled meeting. Board meetings may be called in case of emergency, and the notice shall also be sent in the form of a letter, email or fax.

28. The resolutions of the board meeting, unless otherwise required by the Company Act, shall be subject to the approval by more than half of the directors in attendance of the meeting of which more than half of the directors attend.

Directors may appoint other directors to vote for resolutions if they cannot attend the meeting in person.

29. During the adjournment of a meeting, the Chairman may convene a managing directors meeting at any time to carry out the Company's business operations.

30. The board of directors of the Company has one secretary to handle matters related to the board.

#### Chapter 5 Audit Committee

31. The Company shall form an audit committee consisting of all independent directors in accordance with Article 14-4 of the Securities and Exchange Act. The term of the members shall be the same as the independent directors and the number of members shall not be less than three people, and at least one of the members shall have accounting or financial expertise.

Members of the Audit Committee, the exercise of powers, and other compliance matters should be handled in accordance with the relevant laws and regulations or the Company Corporate Charter (Articles of Incorporation). The organizational rules are to be prescribed by the Board separately.

32. (Deleted)

33. (Deleted)

34. (Deleted)

#### Chapter 6 Employees

35. The Company has one general manager and a few assistant general managers, department directors, managers and plant supervisor. Their appointment shall be subject to the approval by more than half of the directors in attendance of the meetings of which more than half of the directors attend.

36. The general manager shall handle all the Company's matters in accordance with the orders of the board and the Chairman, and the general manager may be assisted by a number of assistant general managers and other department managers depending on the needs of the Company's business. The managers' authority, unless otherwise specified by regulations, allows them to manage the Company's affairs and provide signature within the scope of authorization.

37. Deleted.

38. The appointment of other professional staff of the Company will be subject to the approval by the general manager.

#### Chapter 7 Accounting

39. The fiscal year of the Company is from January 1 to December 31. After the year-end settlement, the board provides reports to the audit committee for review and then submits them to the shareholders meeting for recognition.

40. If the Company is profitable in the fiscal year, it shall allocate 1% to 5% of the profit as the remuneration of employees in the form of stocks or cash as resolved by the board. Employees of subsidiaries are also entitled to receive remuneration, provided that they meet the criteria specified by the board of directors. Up to 0.3% (inclusive) of the aforementioned profit may be distributed as director remuneration at the discretion of the board of directors. The proposal for distributing the remuneration to employees, directors and supervisors shall be submitted to the shareholders' meeting. However, if the Company still has accumulated losses, the amount shall be retained for compensation, and then appropriated as remuneration to employees, directors and supervisors based on the percentages mentioned above.
- 40-1. If there is profit, the Company pays taxes and makes up for the accumulated losses in accordance with the law before allocating 10% as an earnings reserve. However, the legal reserve shall not be allocated once it reaches the amount of the Company's paid-in capital. The rest will be recognized or reversed as special earnings reserve. The reversed special earnings reserve is consolidated into undistributed surplus before being distributed. If there is a balance, it is consolidated into the accumulated undistributed earnings in the previous year. The board may propose a profit distribution proposal, depending on the actual situation, and request the shareholders meeting to determine the distribution of dividends to shareholders.

The Company's dividend policy is in line with the current and future development plans and considers the investment environment, long-term financial planning and shareholders' equity. The annual dividend distribution is mainly in the form of cash and it may be distributed in the form of stock. However, the proportion of stock dividends is not higher than 95% of the total dividends.

#### Chapter 8 Appendix

41. The investments by Taiwan's expatriates overseas and foreigners in the Company are subject to the relevant laws and regulations.
42. The internal organization and the specific work procedures are determined by the board.
43. The Company may provide mutual guarantee to business partners. The total amount committed to investees is not limited to 40% of the paid-in capital.
44. Any outstanding matters of these Articles of Incorporation shall be administered according to the Company Act.
45. These Articles of Incorporation were established at the originator meeting in accordance with the law on March 10, 1955; The 1st amendment was made on August 29, 1957; The 2nd amendment was made on July 2, 1958; The 3rd amendment was made on November 27, 1961; The 4th amendment was made on April 13, 1962; The 5th amendment was made on April 23, 1963; The 6th amendment was made on November 29, 1963; The 7th amendment was made on December 4, 1964; The 8th amendment was made on February 17, 1965; The 9th amendment was made on December 30, 1965; The 10th amendment was made on May 23, 1967; The 11th amendment was made on October 23, 1967; The 12th amendment was made on December 26, 1967; The 13th amendment was made on May 20, 1969; The 14th amendment was made on June 2, 1971; The 15th amendment was made on March 23, 1973; The 16th amendment was made on March 19, 1974; The 17th amendment was made on May 9, 1975; The 18th amendment was made on September 24, 1976; The 19th amendment was made on April 15, 1977; The 20th amendment was made on April 17, 1978; The 21st amendment was made on April 20, 1979; The 22nd amendment was made on April 23, 1980; The 23rd amendment was made on April 21, 1981; The 24th amendment was made on January 15, 1983; The 25th amendment was made on June 18, 1983; The 26th amendment was made on June 21, 1986; The 27th amendment was made on June 24, 1988; The 28th amendment was made on June 24, 1989; The 29th amendment was made on June 15, 1991; The 30th amendment was made on June 13, 1992; The 31st amendment was made on June 18, 1994; The 32nd amendment was made on June 24, 1995; The 33rd amendment was made on June 15, 1996; The 34th amendment was made on June 20, 1998; The 35th amendment was made on June 23, 2000; The 36th amendment was made on June 21, 2002; The 37th amendment was made on June 25, 2004; The 38th amendment was made on June 28, 2005; The 39th amendment was made on June 19, 2009; The 40th amendment was made on June 13, 2012; The 41st amendment was made on June 19, 2013; The 42nd amendment was made on June 9, 2015; The 43rd amendment was made on June 8, 2016; The 44th amendment was made on June 8, 2017;

## China Man-Made Fiber Rules of Procedure for Shareholders Meetings

The amendment was resolved in the shareholder's meeting on June 19, 2013

Article 1 The rules for compliance are stipulated in accordance with Article 5 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" for establishing the Company's excellent meeting of shareholders governance system, substantiating supervisory function, and enhancing management functions.

Article 2 The Rules of Procedure for Shareholder Meetings is processed in accordance with the Rules, unless otherwise provided by law or Company Corporate Charter (Articles of Incorporation).

Article 3 Unless otherwise provided by law, shareholders' meetings of the Company shall be convened by the board of directors.

The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS). The Handbook for the shareholders meeting and other supplementary information shall be made into electronic version and uploaded to the Market Observation Post System before the specified deadline. The Handbook for the shareholders meeting and other supplementary information shall be prepared before the specified deadline, and they shall be made available to the shareholders at any time, displayed at the Company and distributed to the shareholders attending the meeting.

The reasons for convening the meeting should be stated in the notice and announcement. The notice with the consent of the counterparty can be issued electronically.

The election or dismissal of directors, supervisors, amendments to the Company Corporate Charter (Articles of Incorporation), dissolution, merger, division or the clauses of Paragraph 1, Article 185 of the Company Act, the matters stated in Article 26-1 and Article 43-6 of Securities and Exchange Act shall be stated in the reasons for convening the meeting not in the motion.

Shareholders who have over 1% shareholdings in the Company's total number of shares issued may propose to the Company in writing to convene the Annual Meeting of Shareholders. But it is limited to one proposal and the additional proposals will not be included in the meeting agenda. The board of directors may not have the proposals presented by shareholders that fall in the scope of Article 172-1 Section 4 of the Company Act included for discussion.

The Company shall announce the proposals admitted, the premises and the admission period before the stock stop-transfer date prior to the Annual Meeting of Shareholders is convened; also, the admitting period may not be less than 10 days.

Motion proposed by shareholders is limited to three hundred words. A proposed motion of more than three hundred words will not be included in the proposal. The proposing shareholders must attend the Annual Meeting of Shareholders in person or by proxy and must participate in the proposal discussion.

The Company shall have the proposing shareholder notified about the proposal results before the date of the meeting notice and must have the proposals in compliance with this provision included in the meeting notice. The Board shall state the reasons for not including the proposal of shareholders in the meeting agenda.

Article 4 Shareholders may use the power of attorney prepared by the Company to appoint a proxy to attend each session of the Shareholders Assembly by specifying the scope of authorization.

It is limited to one proxy per shareholder and one proxy only that should be served to the Company five days prior to the meeting of shareholders. When the proxy is issued in duplicate, whichever is served first shall prevail. The proxy referred to above that was announced to be revoked is not subject to this restriction.

After serving the proxy to the Company, the shareholders who wish to attend the meeting of the shareholders in person or to vote in writing or by electronic means shall notify the Company in writing to revoke the proxy two days prior to the meeting of the shareholders. If the proxy is not revoked before the deadline, the vote by proxy shall prevail.

Article 5 The place of meeting of shareholders should be at the Company's or any suitable location or for shareholders to attend the meeting conveniently; also, the meeting of shareholders shall not be started before 9:00 or after 15:00.

Article 6 The Company shall specify in the meeting notice the time for shareholder sign-in, the sign-in location and other matters.

The shareholders' meeting admission time referred to above should be at least thirty minutes before the meeting in session; it should be clearly indicated at the admission place and with the adequate and qualified personnel to handle it.

The shareholders or their representatives (hereinafter referred to as the "shareholders") shall attend the shareholders' meeting with the evidence of the attendance card, attendance register, or other attendance documents; the proxy solicitors should bring proof of identity with them for examination.

The company will provide an attendance log to record shareholders' attendance; alternatively, shareholders may present their attendance cards to signify their presence.

The Company should have the annual meeting handbook, annual reports, attendance pass, speech slip, voting ballots, and other meeting materials delivered to the attending shareholders; also, the electoral ballots should be distributed for the election of directors and supervisors, if applicable.

Shareholders should attend the meeting of shareholders with the presentation of the attendance pass, attendance card or other attendance documents. Proxy solicitors should have identity documents with them for examination.



When the government or juridical person is a shareholder, the shareholder attending the meeting by proxy is not limited to one representative. The juridical person that has attended the meeting of shareholder by proxy can authorize only one representative to attend the meeting.

- Article 7 The Chairman of the Board of Directors shall chair the shareholders' meeting when the Board of Directors convenes it. If the Chairman is on leave or unable to exercise powers, the meeting is to be chaired by the Vice Chairman. If there is no Vice Chairman appointed, the Vice Chairman is also on leave, or unable to exercise powers, the Chairman is to have one general director designated to exercise powers. If there is not a general director appointed, one director shall be designated to chair for the meeting. If the Chairman does not have a representative designated to exercise power, the representative is to be elected among the general directors or directors.

If the shareholders' meeting is convened by any authorized party other than the Board of Directors, the convener will act as the meeting chairman. If there are two or more conveners, they shall appoint one among themselves to chair the meeting.

The Company may assign the appointed attorney, CPA, or responsible personnel to attend the meeting of the shareholders.

- Article 8 The Company should have the entire meeting of shareholders taped in audio or video recording and stored for at least one year. However, for the litigation filed by the shareholders in accordance with Article 189 of the Company Act, it should be reserved until the end of the proceedings.

- Article 9 The attendance to the session of the Shareholders' Meeting shall be based on the quantity of outstanding shares being represented. The shareholding attendance is based on the attendance registry or the signature cards submitted, plus the votes exercised in writing or by electronic means.

The Chairman shall call the meeting to order at the meeting time. If the shareholding of the attending shareholders is not more than half of the total number of shares issued, the Chairman may announce the meeting postponed, which is limited to two postponements and for less than one-hour in total. If the shareholding of the attending shareholders remaining do not constitute more than one third of the total number of shares issued after the two postponements, the Chairman may announce to have the meeting aborted.

If the shareholdings of the attending shareholders are not more than half of the total number of shares issued after two postponements but more than one third of the total number of shares issued, a pseudo-resolution can be resolved in accordance with Paragraph 1, Article 175 of the Company Act; also, shareholders should be informed regarding the pseudo-resolution with another meeting of shareholders to be convened within one month.

If the shareholdings of the attending shareholders are more than one half of the total number of shares issued before the end of the meeting, the Chairman may have the pseudo-resolution presented again in the next meeting of the shareholders for resolution in accordance with Article 174 of the Company Act.

- Article 10 If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting is conducted in accordance with the agenda and it may not be changed without the resolutions reached in the shareholders' meeting.

If the meeting of shareholders is convened by an authorized person other than the Board, the provision referred to above is applicable.

The Chairman may not have the meeting adjourned at his discretion before the proposals (including motions) resolved in the two agendas referred to above. If the Chairman has the meeting adjourned in violation of the Rules of Procedure for Shareholder Meetings, the other Board members shall promptly assist the attending shareholders in accordance with the legal procedures to have one shareholder elected as the Chairman with the majority votes of the attending shareholders to continuously chair the meeting.

The Chairman must give the proposal or the amendment and motion proposed by the shareholders an opportunity to be explained and discussed sufficiently until it is ready for balloting and then stop the discussion for balloting.

- Article 11 Shareholders who wish to speak during the meeting must produce a Speak Request Form detailing the topics and the shareholder's name and account number (or the attendance ID serial). The order of shareholders' comments will be determined by the meeting chairman.

Attending shareholders who have speech slips submitted but not speak shall be deemed as silent shareholders. If there is a discrepancy found between the text of the speech and the speech slip submitted, the contents of the speech shall prevail.

Each shareholder may not speak more than twice on the same motion for 5 minutes each time without the consent of the Chairman. However, the Chairman may have the speaking shareholders who violate the rules or speak beyond the scope of those issues silenced.

Attending shareholders may not interfere with the speaking shareholders without the consent of the Chairman and the speaking shareholders. The Chairman will have the violating shareholders stopped.

If the juridical person shareholder has more than two representatives assigned to attend the meeting of shareholders, only one of the two representatives may speak on the same proposal.

The Chairman may reply to the speaking shareholders personally or by the designated personnel.

- Article 12 Votes in shareholders' meetings shall be calculated based on the number of shares.

For the resolutions in the meeting of shareholders, the shares of the shareholders without votes are not included in the

calculation of outstanding shares.

Shareholders who have a conflict of interest with the proposals that are detrimental to the Company's interests shall not vote, and cannot vote by proxy on behalf of the other shareholders.

The shares without votes referred to above are not included in the calculation of the attending shareholders' votes.

Except for Trust agencies or stock agencies approved by the securities regulatory authorities, the votes of the representative delegated by two or more shareholders shall not exceed 3% of the total votes representing the total number of shares issued; also, the votes exceeding the threshold shall not be counted.

Article 13 Shareholders are entitled to one vote per share, except for shares that are subject to voting restrictions or situations outlined in Paragraph 2, Article 179 of The Company Act.

Voting rights may be exercised in writing or using the electronic method (pursuant to Paragraph 1, Article 177-1 of the Company Act: the Company allows shareholders to exercise voting rights in writing or through the electronic method during shareholder meetings.) Instructions for exercising voting rights in writing or through the electronic method shall be stated clearly in writing on the meeting advice. Shareholders who have their votes cast in writing or by electronic means are deemed as attending the meeting in person. However, in respect of the motion and the amendment of the original proposal in the shareholders' meeting it is deemed as a waiver; therefore, the Company is advised to avoid proposing motion or the amendment of the original proposal.

For the votes exercised in writing or by electronic means referred to above, the intention should be delivered to the Company two days prior to the meeting of shareholders. For the intention expressed in duplicate, whichever is delivered first shall prevail. The intention referred to above that was announced to be revoked is not subject to this restriction.

Shareholders after exercising their votes in writing or by electronic means wish to attend the meeting of shareholders in person shall have the intension of exercising votes in writing or by electronic means revoked the same way of exercising their votes two days prior to the meeting commencement date. For overdue revocations, the votes exercised in writing or by electronic means shall prevail. If the vote is exercised in writing or by electronic means and a representative is to attend the meeting of shareholders by proxy, the votes exercised by the representative in person shall prevail.

For the resolution of proposals, unless otherwise provided in the Company Act and the Company Corporate Charter (Articles of Incorporation), the consent of a majority vote of the attending shareholders shall prevail. The motion resolved by the Chairman's consulting the attending shareholders without dissent is deemed as passed and with the same effect as voting.

When there is an amendment or alternative for the same motion, the Chairman shall have the order of vote, including the original proposal, determined accordingly. If one of the motions has been passed, the other motions shall be deemed as rejected without the need for further resolution.

Chairman is to appoint the scrutineers and counting officers who must be shareholders. The vote counting process of the shareholder's balloting or election should be held openly at the meeting venue. The balloting result should be announced immediately at the meeting, including statistical weights, and it should be documented for record.

Article 14 If directors or supervisors are elected in the shareholders' meeting, the election shall be governed by applicable election rules established by the Company and the results of the election shall be announced on site, including the list of elected directors and supervisors and the number of votes received.

Electoral ballots referred to above shall be sealed and signed by the scrutineers and reserved for at least one year. However, for the litigation filed by the shareholders in accordance with Article 189 of the Company Act, it should be reserved until the end of the proceedings.

Article 15 Shareholder resolutions shall be recorded in minutes, affixed with the signature or seal of the chairman of the meeting and distributed to each shareholder within 20 days from the meeting. The preparation and distribution of the minutes of shareholders' meeting can be processed electronically.

The Company's minutes of shareholders' meeting referred to above can be distributed by posting it on the MOPS.

The minutes of meeting should be prepared in accordance with the year, month, date, place, name of the Chairman, the resolution method, meeting procedure and the results, and shall be permanently reserved throughout the duration of the Company.

Article 16 The Company must have the statistics of the number of shares by soliciting and by proxy prepared in the prescribed format and has it disclosed openly at the meeting venue on the meeting date.

For the resolutions reached in the meeting of shareholders that involved laws and regulations or the material information defined by the Taiwan Stock Exchange Corporation, the Company shall, within the specified time, have the information uploaded to MOPS.

Article 17 The staff responsible for organizing the meeting of shareholders shall wear identification badges or armbands.

The Chairman may direct disciplinary personnel or security personnel to help keep the meeting place in order. The disciplinary personnel or security personnel that help keep the meeting place in order should wear an armband with "Marshal" affixed or an identification card.

When the meeting place is equipped with amplifying equipment, the Chairman may stop shareholders who do not use the speaking device provided by the Company from speaking.

The Chairman may instruct the disciplinary personnel or security personnel to have shareholders who violate the Rules of Procedure for Shareholder Meetings, disobey the instructions of the Chairman, intervene in the meeting proceedings and fail to comply with the disciplinary act escrowed to leave the meeting place.

Article 18 the chairman may announce breaks during the meeting. In case of any event of force majeure, the chairman may rule to suspend the meeting and announce the time at which to continue the meeting depending on the situation.

If the meeting place cannot be used continuously before the proposals (including motions) resolved in the agendas scheduled, it can be resolved to be continued in the meeting of shareholders to find another venue for the meeting.

The meeting of shareholders may, in accordance with Article 182 of the Company Act, resolve to have the meeting postponed or resumed in five days.

Article 19 These rules shall take effect once approved during a shareholder meeting. The same applies to all subsequent revisions.

## China Man-Made Fiber Board Election Procedures

The amendment was resolved in the shareholder's meeting on June 19, 2015

- Article 1 The election, re-election and by-election of the directors of the board shall be handled in accordance with these Procedures.
- Article 2 The Company adopts the cumulative single balloting system in the election of Directors. Holders of each share (unless the law specified otherwise) are entitled to the number of votes equivalent to the number of seats for the Directors or Supervisors to be elected. Shareholders may concentrate their votes on a particular candidate or distribute the votes to different candidates.
- Article 3 During the polling, the chairperson assigns a number of people to take the positions of monitoring the voting, calling out votes and recording votes.
- Article 4 The directors shall be elected from the candidates who have more weighted votes (calculated according to the voting rights) based on the specified seats. If two or more share the same amount of rights and exceed the number of seats available, they will be determined by lot, and those who are not in attendance will be drawn by the Chairman.
- Non-independent directors and independent directors should be elected together for the respective number of seats.
- Article 5 The voting ballots are prepared by the board, and the number of voting rights are stamped to the ballots in accordance with the attendance certificates.
- Article 6 If the elected person is a shareholder, the voter shall fill in the name and shareholder number of the elected in the ballot. If the nominee is not a shareholder, please fill in the name and personal ID number.
- Article 7 Ballots that are not made in accordance with Article 5 shall be nullified.
- Article 8 The elected becomes invalid in the event of any one of the conditions below:
1. Handwriting on the ballot is blurred and cannot be identified.
  2. Casting of blank ballot into the ballot box.
  3. The shareholder's account name and number of the candidate who is a shareholder differs from the Shareholder Registry, or, the name and ID Card number of the candidate who is not a shareholder is found with nonconformity.
  4. Name of the elected or the shareholder number (personal ID number) are not filled in.
  5. Two or more candidates were marked on the same ballot.
- Article 9 Polling starts as soon as the voting process is completed. The results of polling are announced by the chairperson of the meeting.
- Article 10 The Board is to issue an elected notice to the elected directors.
- Article 11 Any outstanding matters of these Procedures shall be administrated according to the Company Act, the Articles of Incorporation and the relevant regulations.
- Article 12 These procedures will be implemented after being approved in the shareholders' meeting, same as the amendment.