

# **FORMOSA CHEMICALS & FIBRE CORPORATION**

## **2019 ANNUAL SHAREHOLDERS' MEETING**

### **MEETING HANDBOOK**

**(Summary)**

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

**JUNE 5, 2019**

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# **FORMOSA CHEMICALS & FIBRE CORPORATION**

## **2019 ANNUAL SHAREHOLDERS' MEETING PROCEDURE**

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Ratification Items
5. Discussion Items
6. Extraordinary Motions
7. Meeting Adjourned

# FORMOSA CHEMICALS & FIBRE CORPORATION

## 2019 ANNUAL SHAREHOLDERS' MEETING

### AGENDA

Time: 2:00 p.m., Friday, June 5, 2019

Venue: 2F, International Ballroom at Sunworld Dynasty Hotel  
(No. 100 Dun Hua North Road, Taipei, Taiwan)

#### 1. Report Items

- (1) 2018 Business Report
- (2) Audit Committee' Review Report on the 2018 Financial Statements
- (3) Distribution of 2018 Employees Compensation

#### 2. Ratification Items

- (1) Please approve the 2018 Business Report and Financial Statements as required by the Company Act.
- (2) Please approve the Proposal for Distribution of 2018 Profits as required by the Company Act.

#### 3. Discussion Items

- (1) Amendment to the Procedures for Acquisition and Disposal of Assets of the Company. Please discuss and resolve.
- (2) Amendment to the Procedures for Engaging in Derivatives Transactions of the Company. Please discuss and resolve.
- (3) Amendment to the Procedures for Loaning Funds to other Parties of the Company. Please discuss and resolve.
- (4) Amendment to the Procedures for Providing Endorsements and Guarantees to other Parties of the Company. Please discuss and resolve.

## **Report Items**

1. About the Company's results of operation for fiscal year 2018, please refer to Business Report for further details (on page 4 of the Handbook,) which is hereby reported for record.
2. The Company's Audit Committee members reviewed the 2018 Business Report and Financial Statements and issued their Review Report according to the applicable laws. Please refer to Audit Committee's Review Report (on page 13 of the Handbook.)
3. The company has issued the report on compensation distributed to its employees for 2018.

The pre-tax profit prior to deducting employees' compensation distributable for 2018 is NT\$54,403,240,599. The company has no accumulated losses. Adopted by the Board Meeting on March 15, 2019, 0.1% of the profit is allocated as employees' compensation in accordance with Article 31 of the Articles of Incorporation. The total allocated amount is NT\$54,403,241 ,which shall be distributed in cash. The above is hereby reported for record.

# **FORMOSA CHEMICALS & FIBRE CORPORATION**

## **2018 Annual Report**

The company's consolidated revenue of 2018 was NT\$407,860 million, a growth of 13.8% or NT\$49,438 million compared to 2017, which was NT\$358,422 million. There were no major periodic inspections performed on production units throughout 2018 and our colleagues were working hard to improve the production performance as well as to focus on high value-added products; therefore, the sales increased NT\$8,343 million. In addition, driven by the increase in the oil price and the high production rate in the downstream as well as the demand for customers to replenish the inventory, the price-variance in the selling prices of products also climbed NT\$41,095 million. In terms of the consolidated profit margin, it was NT\$63,716 million before income tax in 2018, a decline of 4.5% or NT\$2,991 million compared to 2017, which was NT\$66,707 million, impacted primarily by the rapid drop in the oil price in the fourth quarter of 2018 that brought a wait and see aura to the market in addition to the digestion of the high-cost inventory that eroded on the profit margins from the first three quarters. This is why the revenue profit margins turned out to be reduced from those in 2017.

In 2018, despite the numerous uncertain factors such as global geopolitical clashes and Brexit that had impacts on the international economic developments, the interest raise and powerful economy recovery in the US contributed to a slowly growing global economy. The international Brent crude oil price climbed all the way from US\$66 per barrel in the beginning of the year to US\$85 per barrel in October. As the China-US trade clash surfaced, however, the price dropped again to the bottom, that is, US\$50 per barrel at the end of December. The sudden acute setback in oil prices and the China-US trade clash were a blow to the confidence on the market to result in hindered profit momentum for the operations in the fourth quarter. The company, however, continued to promote optimization and valuation of its portfolio by thoroughly enforcing recycling and re-utilization of raw materials and energy and started to introduce artificial intelligence for enhanced feed-in and production process control efficiency. The company

will keep with its robust operation.

Among the consolidated revenue of 2018, net income from the parent company accounted for NT\$217,923 million or 53.4% and that from the other subsidiaries in Ningbo, Vietnam, and Formosa Taffeta Co., Ltd., was NT\$189,936 million or 46.6%.

Among all the products of the parent company, petrochemical and plastic products remain to be the main contributors to the revenue. Together, their net income accounted for 92.4% of the parent company's revenue in 2018. Petrochemical products, in particular, totaled NT\$140,300 million and plastic products NT\$61,000 million and respectively accounted for 64.4% and 28% of the parent company's net income.

Each product is summarized as follows:

For petrochemical products, the focus was placed on continued process improvement, raw material and energy conservation, reduced processing cost, and expedited promotion of expansions overseas. In terms of aromatic hydrocarbon products, after the Aroma II plant finished updating and improving the recombination furnace convection zone and the Aroma III plant updating the recombination catalyst in 2018, energy consumption is reduced to save the cost, process stability was enhanced as well. In addition, respective plants will continue to conserve energy, reduce emissions, and improve circular economy for enhanced energy use efficiency. Archived now available big data will be utilized proactively for comprehensive application of AI technology as the main tool to help improve the process.

The production of styrene (SM) remained steady throughout 2018 and multiple water and energy conservation improvements were accomplished to effectively bring down the production cost and increase profitability. Looking into 2019, the SM-III plant is going through the periodic inspection during the second quarter; the dehydrogenation catalyst will be updated and distillation column heat integration for improved energy-saving performance will be completed, which will further enhance the production performance. Energy reduction and process AI improvement will continue this year. Meanwhile, proactive efforts will be devoted to developing the Indian and

Southeast Asian markets to avoid over-dependency on the Mainland China market and to ensure profitability.

For synthetic phenol products, besides expansion in the sales to keep full-load production, efforts were devoted to enforce the energy-saving solution to help reduce the production cost and enhance profitability in 2018. Looking into 2019, the plant in Mai-Liao, Taiwan will go through the periodic inspection in March and full-load production will be remained for the other months. It is expected that the capacity of acetone will still be in surplus. Nevertheless, service is arranged for phenol plants, which will lessen the stress brought about by surplus. In addition, in Mainland China this year, there is the issue of the levying of anti-dumping duties. Taiwan has been excluded from the said policy, which will make it more flexible for the sale of phenol products from the Mai-Liao plant. The de-bottleneck improvement project began in the Ningbo plant in Mainland China. The annual capacity of phenol is planned to increase from 300 thousand tons to 400 thousand tons. Once completed, it will enhance the operational performance and increase profits.

As far as PTA is concerned, downstream new polyester plants were commissioned one after another in 2018. With the increased demand for PTA and relatively low inventory in society, the selling price throughout the year was higher on average than that in 2017. Both the revenue and profit margins of the plants in Taiwan and Ningbo showed significant increases compared to those in 2017. In 2019, for the sales of the Taiwan plant, besides maintaining the steady supply to loyal domestic customers, efforts will be devoted to secure a bigger domestic market share. For exports, besides supplying Formosa Industries Corporation in Vietnam, continuous efforts will be devoted to expanding the number of customers processing imported materials in Southeast Asia, the Middle East, and Mainland China to ensure full-load production of two existing production lines. Although current market share of the Ningbo plant is only around 2.6%, the steady quality and lead time have been deeply trusted by customers. Plus the process overhaul project completed in 2018, the processing cost has been significantly reduced



and competitiveness is not a cause of concern. The sales will remain smooth. In 2019, besides working hard to reduce acetic acid and water consumption, new plant expansion contributing to an annual capacity of 1.5 million tons will be promoted.

As far as PIA is concerned, after constant process optimization and improved product quality, sales are currently available in 35 countries or regions around the world and it has become a mainstream brand on the market. In 2018, due to the fact that part of low melting point cotton was replaced by MPO and the increased production sizes of PIA from Korea LOTTE and Spain INDORAMA, the source of supply generally appeared to be eased on the market. Plus the undesirable downstream demand for resins and coatings, the selling price throughout the year dropped compared to that in 2017 to result in a significant decline in the revenue and profit margins compared to that in 2017. In 2019, besides the priority to develop polyester customers that are newly commissioned in Mainland China, expanding the potential quality customer base in the Middle East, Russia, and other regions where customs duties apply and competitive criteria are identical will continue to ensure steady production of PIA in Long-de and to get ready in advance for sales once Ningbo PIA is commissioned.

In terms of plastic products, the first half of 2018 continued with the economy recovery trends for the trading and manufacturing sectors in 2017. Global economic prospects are optimistic. Starting in October, however, the oil price took a downturn to impact prices of raw materials. Meanwhile, the China-US trade clash made downstream plastic pellet customers conservative; they kept their inventory low in response. As a result, the prices remained low and were supported only by rigid demand; this was the cause of the relative decline in profitability throughout the year compared to 2017. Despite the low inventories kept by downstream customers, our company held onto the opportunity by frequently visiting them and making effort to expand sales. As a result, the overall sales still grew by 2.9% compared to those in 2017. Looking into 2019, the China-US trade clash remains the focus of attention on the global market. Besides securing production and

working for full-production and full-distribution, the company needs to expedite and maximize product differentiation and market diversification and continue to put solutions into action, support customers timely in terms of technology and source of materials, and pay attention to the financial easing measures in Mainland China as well as preferred policies in automobiles and home appliances so that the impacts from the trade war may be minimized.

In 2019, various types of plastic products will continue focusing on valuation and market diversification, in PS aspect, high-value products increased from 29.4% in 2017 to 30.4% in 2018 and the goal for 2019 is 32.7%. As far as market diversification is concerned, on the other hand, it is hoped that it can drop from 47.2% at the moment to 43.2% in Mainland China and Hong Kong in 2019.

In ABS aspect, the sales of special grade pellets of the Taiwan plant in 2018 accounted for 26.8% and those of the Ningbo plant were 21.8%. In 2019, efforts will continue in the exploration of high-threshold and high value-added special products in order to maximize the ratio of sales. For the Taiwan and Ningbo plants, the goal will be 28.3% and 24%, respectively. The Taiwan plant will focus on regions excluding Mainland China and work hard to raise sales volume to 27.9% in the location in order to diversify market. In addition, increased production of PC/ABS compound pellets in Taiwan will be proactively promoted. The target will be to grow 25.8%. For the Ningbo plant, on the other hand, improved sales of PC/ABS of the electroplating grade and the flame resistant grade will be prioritized. Sales representatives will continue to understand the status of demand in depth by visiting downstream plants and jointly develop with customers the required materials and provide them with solutions to facilitate a long-term steady partnership.

In terms of PP, the company will make steady production as its top priority in 2019 by continuing to develop towards high liquidity and light-weight. For special products, in particular, it will increase to 53.5%. For medical device and contact lens male and female die materials, on the other hand, because of the extreme quality superiority, the market share will be

further enlarged. The goal will be 10% of the overall production. For regions excluding Mainland China and Hong Kong, the target sales in 2019 will be 60.7%, a growth of 10.2% from those in 2018 and the markets will mainly include Israel, other countries in the Middle East, the US, Canada, South America, Vietnam, and Japan.

For PC, the company has continued with the valuation policy to accommodate the industrial demand of each customer and sales by the specifications sold domestically or exported are adjusted. Increasing sales of special grade is a priority. In 2019, continued efforts will be devoted to steady production and supply of highly liquid, highly photo permeable light-guide, telluride copolymerization, and highly liquid weather resistant special products to reach out to the high-end market. Forty thousand tons a year will be the goal. Meanwhile, emphasis will be placed on reaching the sales out to other regions to proactively decentralize the market, including daytime running lights for automobile customers in the Netherlands and Italy, tool kit and electrical switch material customers in Israel, CD and LED lighting industry customers in Vietnam to keep the good reputation of the company on the market going and create a desirable customer relationship, ensuring steady high profitability.

Fiber and textile products were impacted by the sluggish demand from end users, the price-cutting competition from Mainland China, and more supply than demand on the market in 2018. Although the revenue and profitability were still undesirable, there have been improvements. For 2019, valuation and development of new markets will be the priorities for rayon staple fiber. Full-capacity production was secured in 2018 for nylon filament. New products and markets were explored to contribute revenue to growth and to turn from losses to gains. In the future, differential mass production of recycling environmentally friendly silk and color silk, steady production quality, and combining the brand will be the distribution focus. Also, reflective of the demand of downstream customers, an integrated distribution network will be established for the upstream, mid-stream, and downstream.

In addition, the profits of synthetic yarns turned from losses to gains for

Formosa Industries Corporation in Vietnam because of transfer of orders for SPP pellets from the US and Japan to Vietnam and the increased number of operating hours for the power generators in 2018; both the revenue and profit margins showed growths. In the future, in light of the increased demand on the market, expansion and investment in facilities for polyester bottle pellets are ongoing. Given the superior geographical location of Vietnam and the vast ASEAN market, the production plan will be adjusted according to the market trends and the scale will be enlarged to boost competitiveness. It is expected that Formosa Industries Corporation will continue to see robust growths in 2019.

Under its corporate beliefs in “getting to the heart of the matter” and “aiming at absolute perfection”, the company has enforced related improvements in industrial safety and environmental protection, among others and been living up to its corporate social responsibilities. In terms of industrial safety, the Long-De facility was recognized as excellent occupational safety and health institution for the third consecutive year in 2018 and accepted the “Five-Star Award for Occupational Safety and Health” from the Ministry of Labor. The acetic acid plant and the facilities in Xingang and Long-De were awarded from the Ministry of Health and Welfare the “2018 Outstanding Workplace”. In 2019, promotion of personnel, equipment, and environmental safety will continue to realize a people-oriented safe environment. By organizing PHA, JSA/SOP, MOC, and false alarm exemplary case presentation and safety supervisor and undertaker educational training programs, continuous efforts are devoted to exploring blind spots in industrial safety management and to eliminating potential industrial safety risks. Safe production with “zero occupational hazards” will be the goal.

As far as environmental protection is concerned, best available control technologies (BACTs) and energy efficiency-optimized process and pollution prevention and control equipment will continue to be adopted to reinforce related operations such as waste reduction. As of the end of 2018, the accumulated value invested in prevention and control of pollution had

reached NT\$18,087 million. In addition, believing in circular economy, the company continued to promote “energy conservation and emission reduction” to bring down carbon emissions and for sustainable utilization of water resources in honor of its corporate responsibilities in reducing greenhouse gases, fulfilling sustainable management. In 2018, the phenol plant received the “Silver Medal” for Division B of the “Energy-saving Signature Award” from the Bureau of Energy, Ministry of Economic Affairs. The PTA facility in Mai-Liao was awarded by the Water Resources Agency, Ministry of Economic Affairs for outstanding water conservation performance in the industrial division. Over the years, for the promotion of energy conservation and reduced emission, a total of NT\$10,986 million has been invested and 4,534 projects for improvements have been completed, saving a total of: 90,800 tons of water a day, 959 tons of steam per hour, and 110 mw/h of electricity per hour. The combined benefits reached NT\$10,052 million. A total of approximately 3,587,000 tons of CO<sub>2</sub> was reduced in emissions, which is equivalent to greening and forestation spanning 298,000 hectares in area.

Looking into 2019, the global economic growth will fall short of expectations and will be gradually downgraded. The tense trade relations between the US and China have taken a toll on the world. In light of the high level of dependency of foreign trade of Taiwan on Mainland China, this will impact Taiwan to quite some extent. As protectionism rises in respective countries, it is hoped that the cross-strait relations will ease and new FTAs will be signed to minimize trade barriers. In addition, subsequent developments of the China-US trade clash and impacts of events such as trends in international oil prices, exchange rate variation, and Brexit on the economy will be closely watched so that the Company can adjust its operation adequately in response to the world situation.

In Taiwan, besides continuing with the investment in de-bottleneck that helps improve the production structure and in the improvement of circular economy to better stabilize product quality and the manufacturing process, the company has personnel, equipment, and environment as its three safety

goals. The application of AI is comprehensively promoted in respective production facilities in order to reduce energy waste and bring down cost. AI will be a prerequisite tool for any enterprise that is to create greater efficacy in sluggish economy. In addition, for sustainable management, the investment projects in Louisiana, USA, and Ningbo, China will continue to help secure future developments of the company.

# **FORMOSA CHEMICALS & FIBRE CORPORATION**

## **Audit Committee' Review Report**

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, including Consolidated and Individual Financial Statements, and Proposal for Profits Distribution. The CPA firm of PWC was retained to audit Formosa Chemicals & Fibre Corporation's Financial Statements and has issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and Proposal for Profits Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Formosa Chemicals & Fibre Corporation. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Chemicals & Fibre Corporation  
Chairman of the Audit Committee:

Ruey-Long Chen

March 15, 2019

## **Ratification Items Proposal 1**

**Proposal:** For approval of the 2018 Business Report and Financial Statements as required by the Company Act.

Proposed by the Board of Directors

**Explanation:**

1. The preparation of the Company's 2018 Consolidated and Individual Financial Statements were completed. The aforementioned Financial Statements were reviewed by the Audit Committee and approved by the Board Meeting on March 15, 2019 and audited by independent auditors, Mr. Han-Chi, Wu and Mr. Chien-Hung Chou, of PWC. The aforesaid Financial Statements together with the Business Report were reviewed by the Audit Committee, which the Audit Committee's Review Report is presented.
2. For the aforementioned Business Report, please refer to page 4 through page 12 of the Meeting Handbook. As for the Financial Statements, please refer to page 60 through page 75 of the Handbook. Please approve the Business Report and the Financial Statements.

**Resolution:**



## **Ratification Items Proposal 2**

**Proposal:** For Approval of the Proposal for Distribution of 2018 Profits as required by the Company Act.

Proposed by the Board of Directors

**Explanation:**

Please refer to page 76 of the Handbook for the Statement of Profits Distribution, which has been reviewed by the Audit Committee members of Formosa Chemicals & Fibre Corporation and approved by the Board of Directors on March 15, 2019. Please approve the Statement of Profits Distribution.

**Resolution:**

## Discussion Items **Proposal 1**

**Proposal:** To amend the Articles of the Company’s “Procedures for Acquisition and Disposal of Assets of the Company”. Please discuss and resolve.

Proposed by the Board of Directors

### Explanation:

To comply with the requirements provided in the order Jin-Guan-Zheng-Fa-Zi No. 1070341072 dated November 26, 2018 by the Financial Supervisory Commission, certain articles of the Procedures for Acquisition and Disposal of Assets provided by the Company have been amended. The comparison table for articles before and after amendment is hereby attached. Please determine whether the amendments are reasonable.

Article	Article before Amendment	Article	Article after Amendment
Article 1	<p>When acquiring or disposing of the following assets, Formosa Chemicals &amp; Fibre Corporation (hereinafter referred to as the “Company”) and its subsidiaries shall follow the Procedures for Acquisition or Disposal of Assets (hereinafter referred to as the “Procedures”):</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, bank debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, asset-backed securities, etc.</li> <li>2. Real property (including land, houses and buildings, investment property, and land use rights) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. Claims of financial institutions (including receivables, bills purchased and discounted,</li> </ol>	Article 1	<p>When acquiring or disposing of the following assets, Formosa Chemicals &amp; Fibre Corporation (hereinafter referred to as the “Company”) and its subsidiaries shall follow the Procedures for Acquisition or Disposal of Assets (hereinafter referred to as the “Procedures”):</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, bank debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, asset-backed securities, etc.</li> <li>2. Real property (including land, houses and buildings, investment property) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. <u>Right-of-use assets</u></li> <li>6. Claims of financial institutions (including receivables, bills</li> </ol>

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

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

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

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

Article	Article before Amendment	Article	Article after Amendment
	more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.		thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.
Article 7	<p>In acquiring or disposing of real property <u>or</u> equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be proposed for approval in advance by the Board of Directors, <u>and</u> the same procedure shall be followed for any <u>future</u> changes to the terms and conditions of the transaction.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> <li>3. Where any one of the following circumstances</li> </ol>	Article 7	<p>In acquiring or disposing of real property, <u>equipment, or right-of-use assets thereof</u> where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a <u>domestic</u> government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be proposed for approval in advance by the Board of Directors; the same procedure shall <u>also</u> be followed for any <u>subsequent</u> changes to the terms and conditions of the transaction.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> </ol>

Article	Article before Amendment	Article	Article after Amendment
	<p>applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation of Republic of China (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have</p>		<p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation of Republic of China (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for</p>



Article	Article before Amendment	Article	Article after Amendment
	elapsed, an opinion may still be issued by the original professional appraiser.		the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
Article <u>8-1</u>	In acquiring or disposing of <u>membership cards</u> or intangible assets where the transaction amount reaches 20 percent or more of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government institution, shall obtain a CPA's opinion on the reasonableness of the transaction price prior to the date of occurrence of the event. The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.	Article <u>9</u>	In acquiring or disposing of intangible assets <u>or right-of-use assets</u> thereof or <u>membership cards</u> where the transaction amount reaches 20 percent or more of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a <u>domestic</u> government institution, shall obtain a CPA's opinion on the reasonableness of the transaction price prior to the date of occurrence of the event. The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.
Article <u>8-2</u>	The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with paragraph 2 of Article <u>26</u> , herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	Article <u>10</u>	The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with paragraph 2 of Article <u>28</u> , herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
Article <u>9</u>	Where the Company acquires or disposes of assets through court auction procedures, the	Article <u>11</u>	Where the Company acquires or disposes of assets through court auction procedures, the

Article	Article before Amendment	Article	Article after Amendment
	evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.		evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
Article <u>10</u>	Where the Company acquires or disposes of assets shall be conducted by the authorization to the Chairman by the Board of Directors in accordance with the authorization limits of the Company.	Article <u>12</u>	Where the Company acquires or disposes of assets shall be conducted by the authorization to the Chairman by the Board of Directors in accordance with the authorization limits of the Company.
Article <u>11</u>	When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the Chapter 2 and this Chapter, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Chapter 2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article <u>8-1</u> .	Article <u>13</u>	When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the Chapter 2 and this Chapter, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Chapter 2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article <u>10</u> .
Article <u>12</u>	When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the	Article <u>14</u>	When the Company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of

Article	Article before Amendment	Article	Article after Amendment
	<p>Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <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 in accordance with Article 13 through 15.</li> <li>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the</li> </ol>		<p>paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article <u>15</u> through <u>17</u>.</li> <li>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of</li> </ol>

Article	Article before Amendment	Article	Article after Amendment
	<p>necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article <u>26</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors need not be counted toward the transaction amount.</p> <p>With respect to the <u>acquisition or disposal of business-use equipment</u> between the Company and its parent or subsidiaries, the Company's Board of Directors may pursuant to Article <u>10</u> delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently proposed to and ratified by the next Board of Directors meeting.</p> <p>When a matter is proposed for discussion by the Board of Directors pursuant to paragraph 1 of this Article, the independent Directors' opinions specifically</p>		<p>the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article <u>28</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors need not be counted toward the transaction amount.</p> <p>With respect to the <u>types of transactions listed below, when to be conducted</u> between the Company and its parent or subsidiaries, <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, the Company's Board of Directors may pursuant to Article <u>12</u>, delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently proposed to and ratified by the next Board of Directors meeting:</p> <p>1. <u>Acquisition or disposal of</u></p>

Article	Article before Amendment	Article	Article after Amendment
	<p>expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>		<p><u>equipment or right-of-use assets thereof held for business use.</u></p> <p><u>2. Acquisition or disposal of real property right-of-use assets held for business use.</u></p> <p>When a matter is proposed for discussion by the Board of Directors pursuant to paragraph 1 of this Article, the independent Directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.</p> <p>The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p>
Article 13	<p>The Company shall evaluate the reasonableness of the transaction costs by the following means if it intends to acquire real property from a related party:</p> <p>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on</p>	Article 15	<p>The Company shall evaluate the reasonableness of the transaction costs by the following means if it intends to acquire real property <u>or right-of-use assets thereof</u> from a related party:</p> <p>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When acquiring real property from a related party, the Company shall evaluate the cost of the real property in accordance with <u>paragraph 1 and paragraph 2</u> and shall also engage a CPA to review the evaluation and render a specific opinion.</p>		<p>interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When acquiring real property <u>or right-of-use assets thereof</u> from a related party, the Company shall evaluate the cost of the real property <u>or right-of-use assets thereof</u> in accordance with <u>the preceding two paragraphs</u> and shall also engage a CPA to review the evaluation and render a</p>

Article	Article before Amendment	Article	Article after Amendment
			specific opinion.
Article <u>14</u>	Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article <u>12</u> , and Article <u>13</u> does not apply: <ol style="list-style-type: none"> <li>1. The related party acquired the real property through inheritance or as a gift.</li> <li>2. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</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>	Article <u>16</u>	Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article <u>14</u> , and Article <u>15</u> does not apply: <ol style="list-style-type: none"> <li>1. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift.</li> <li>2. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction.</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> <li>4. The real property right-of-use assets for business use are <u>acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></li> </ol>
Article <u>15</u>	When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of Article <u>13</u> are uniformly lower than the transaction price, the matter shall	Article <u>17</u>	When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of Article <u>15</u> are uniformly lower than the transaction price, the matter shall

Article	Article before Amendment	Article	Article after Amendment
	<p>be handled in compliance with Article <u>16</u>. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, Article 16 shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in the preceding two articles, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) <u>Completed</u> transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or</p>		<p>be handled in compliance with Article <u>18</u>. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, Article 16 shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in the preceding two articles, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) <u>Transactions</u> by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely</p>



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

Article	Article before Amendment	Article	Article after Amendment
	to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.		
Article <u>16</u>	Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with <u>Article 13 through 15</u> are uniformly lower than the transaction price, the following steps shall be taken: 1. A special earnings reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and such difference may not be distributed or used for capital increase by issuance of new shares. Where the Company uses the equity method to account for its investment in another company, then the special earnings reserve called for under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. 2. Audit Committee shall supervise the Company's execution of the aforesaid	Article <u>18</u>	Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with <u>the preceding three Articles</u> are uniformly lower than the transaction price, the following steps shall be taken: 1. A special earnings reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property <u>or right-of-use assets thereof</u> transaction price and the appraised cost, and such difference may not be distributed or used for capital increase by issuance of new shares. Where the Company uses the equity method to account for its investment in another company, then the special earnings reserve called for under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. 2. Audit Committee shall

Article	Article before Amendment	Article	Article after Amendment
	<p>matter.</p> <p>3. Actions taken pursuant to <u>subparagraph 1 and subparagraph 2</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company having set aside a special earnings reserve under the preceding paragraph may not utilize the special earnings reserve until it has recognized a loss on decline in market value of the assets it purchased 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 securities competent authority has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>		<p>supervise the Company's execution of the aforesaid matter.</p> <p>3. Actions taken pursuant to <u>the preceding two subparagraphs</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company having set aside a special earnings reserve under the preceding paragraph may not utilize the special earnings reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the securities competent authority has given its consent.</p> <p>When the Company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>
Article <u>17</u>	Any derivatives trading of the Company shall be conducted in accordance with the "Procedures for Engaging in Derivatives Transactions" of the Company, and when doing so, the	Article <u>19</u>	Any derivatives trading of the Company shall be conducted in accordance with the "Procedures for Engaging in Derivatives Transactions" of the Company, and when doing so, the Company

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

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

Article	Article before Amendment	Article	Article after Amendment
	<p>assignment of shares shall call their respective board of directors meeting on the same day, unless another act provides otherwise or the securities competent authority is notified in advance of extraordinary circumstances and grants consent.</p> <p>When the Company participates in a merger, demerger, acquisition, or assignment of shares, it shall prepare a full written record of the following information and retain the record for 5 years for reference. In addition, the information set out in the subparagraphs 1 and 2 of the following paragraph shall be reported in the prescribed format and via the Internet-based information system to the securities competent authority for recordation within two days commencing immediately from the date of passage of a resolution by the Board of Directors.</p> <ol style="list-style-type: none"> <li>1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or assignment of shares prior to disclosure of the information.</li> <li>2. Dates of material events: Including the signing of any letter of intent or</li> </ol>		<p>assignment of shares shall call their respective board of directors meeting on the same day, unless another act provides otherwise or the securities competent authority is notified in advance of extraordinary circumstances and grants consent.</p> <p>When the Company participates in a merger, demerger, acquisition, or assignment of shares, it shall prepare a full written record of the following information and retain the record for 5 years for reference. In addition, the information set out in the subparagraphs 1 and 2 of the following paragraph shall be reported in the prescribed format and via the Internet-based information system to the securities competent authority for recordation within two days commencing immediately from the date of passage of a resolution by the Board of Directors.</p> <ol style="list-style-type: none"> <li>1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or assignment of shares prior to disclosure of the information.</li> <li>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the engagement of a financial or</li> </ol>

Article	Article before Amendment	Article	Article after Amendment
	<p>memorandum of understanding, the engagement of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>Where the Company participating in a merger, demerger, acquisition, or assignment of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall enter into an agreement with such party and shall comply with the preceding paragraph of this Article.</p>		<p>legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>Where the Company participating in a merger, demerger, acquisition, or assignment of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall enter into an agreement with such party and shall comply with the preceding paragraph of this Article.</p>
Article <u>21</u>	Every person participating in or privy to the plan for merger, demerger, acquisition, or assignment of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or assignment of shares.	Article <u>23</u>	Every person participating in or privy to the plan for merger, demerger, acquisition, or assignment of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or assignment of shares.
Article <u>22</u>	When participating in a merger, demerger, acquisition, or	Article <u>24</u>	When participating in a merger, demerger, acquisition, or

Article	Article before Amendment	Article	Article after Amendment
	<p>assignment of shares, the Company shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or assignment of shares:</p> <ol style="list-style-type: none"> <li>1. Capital increase by cash injection, issuance of convertible corporate bonds, or the issuance of stock dividend, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.</li> <li>2. An action, such as a disposal of major assets that affects the company's financial operations.</li> <li>3. An event, such as a major disaster or major change in technology that affects shareholder equity or share price.</li> <li>4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or assignment of shares buys back treasury stock.</li> <li>5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or assignment of shares.</li> <li>6. Other terms/conditions that the contract stipulates may be altered and that have been</li> </ol>		<p>assignment of shares, the Company shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or assignment of shares:</p> <ol style="list-style-type: none"> <li>1. Capital increase by cash injection, issuance of convertible corporate bonds, or the issuance of stock dividend, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.</li> <li>2. An action, such as a disposal of major assets that affects the company's financial operations.</li> <li>3. An event, such as a major disaster or major change in technology that affects shareholder equity or share price.</li> <li>4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or assignment of shares buys back treasury stock.</li> <li>5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or assignment of shares.</li> <li>6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</li> </ol>



Article	Article before Amendment	Article	Article after Amendment
	publicly disclosed.		
Article <u>23</u>	<p>The contract for participation by the Company in a merger, demerger, acquisition, or assignment of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or assignment of shares, and shall also record the following:</p> <ol style="list-style-type: none"> <li>1. Handling of breach of contract.</li> <li>2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.</li> <li>3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</li> <li>4. The manner of handling changes in the number of participating entities or companies.</li> <li>5. Preliminary progress schedule for plan execution, and anticipated completion date.</li> <li>6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.</li> </ol>	Article <u>25</u>	<p>The contract for participation by the Company in a merger, demerger, acquisition, or assignment of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or assignment of shares, and shall also record the following:</p> <ol style="list-style-type: none"> <li>1. Handling of breach of contract.</li> <li>2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.</li> <li>3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</li> <li>4. The manner of handling changes in the number of participating entities or companies.</li> <li>5. Preliminary progress schedule for plan execution, and anticipated completion date.</li> <li>6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.</li> </ol>
Article <u>24</u>	After public disclosure of the information, if the Company	Article <u>26</u>	After public disclosure of the information, if the Company

Article	Article before Amendment	Article	Article after Amendment
	participating in the merger, demerger, acquisition, or assignment of shares intends further to carry out a merger, demerger, acquisition, or assignment of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or assignment of share ; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.		participating in the merger, demerger, acquisition, or assignment of shares intends further to carry out a merger, demerger, acquisition, or assignment of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or assignment of share ; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
Article <u>25</u>	Where any of the companies participating in a merger, demerger, acquisition, or assignment of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with the provisions of Article <u>20</u> , Article <u>21</u> , and Article <u>24</u> .	Article <u>27</u>	Where any of the companies participating in a merger, demerger, acquisition, or assignment of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with the provisions of Article <u>22</u> , Article <u>23</u> , and Article <u>26</u> .
Article <u>26</u>	Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the securities competent authority's designated website in the appropriate format as	Article <u>28</u>	Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the securities competent authority's designated website in the appropriate format as

Article	Article before Amendment	Article	Article after Amendment
	<p>prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1.Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or assignment of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</li> <li>4. Where <u>the type of asset acquired or disposed is</u> equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is more than NT\$1 billion.</li> <li>5.Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging</li> </ol>		<p>prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1.Acquisition or disposal of real <u>property or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or assignment of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</li> <li>4. Where equipment/machinery <u>or right-of-use assets thereof</u> for business use are <u>acquired or disposed of, and furthermore</u> the trading counterparty is not a related party, and the transaction amount is more than NT\$1 billion.</li> <li>5.Where land is acquired under an arrangement on engaging</li> </ol>

Article	Article before Amendment	Article	Article after Amendment
	<p>others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>6. An asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area where the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, provided this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements or the subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p> <p>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same</p>		<p>others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the trading counterparty is not a related party</u>, and the amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>6. An asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area where the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, provided this shall not apply to the following circumstances:</p> <p>(1) Trading of <u>domestic</u> government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements or the subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p> <p>2. The cumulative transaction amount of acquisitions and disposals of the same type of</p>

Article	Article before Amendment	Article	Article after Amendment
	<p>trading counterparty within the preceding year.</p> <p>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p>		<p>underlying asset with the same trading counterparty within the preceding year.</p> <p>3. The cumulative transaction amount of real property <u>or right-of-use assets thereof</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p>
Article <u>27</u>	When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days from the date when is the Company becomes aware of the error or omission.	Article <u>29</u>	When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days from the date when is the Company becomes aware of the error or omission.
Article <u>28</u>	The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal	Article <u>30</u>	The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal

Article	Article before Amendment	Article	Article after Amendment
	reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.		reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.
Article <u>29</u>	Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the <u>Article 26 through 28</u> , a public report of relevant information shall be made on the information reporting website designated by the securities competent authority within 2 days commencing immediately from the date of occurrence of the event: 1. Change, termination, or rescission of a contract signed in regard to the original transaction. 2. The merger, demerger, acquisition, or assignment of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information.	Article <u>31</u>	Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the <u>preceding three Articles</u> , a public report of relevant information shall be made on the information reporting website designated by the securities competent authority within 2 days commencing immediately from the date of occurrence of the event: 1. Change, termination, or rescission of a contract signed in regard to the original transaction. 2. The merger, demerger, acquisition, or assignment of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information.
Article <u>30</u>	Information required to be publicly announced and reported in accordance with the provisions of Chapter <u>6</u> on acquisitions and disposals of assets by a subsidiary of the Company that is not a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets	Article <u>32</u>	Information required to be publicly announced and reported in accordance with the provisions of <u>the preceding</u> Chapter on acquisitions and disposals of assets by a subsidiary of the Company that is not a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets

Article	Article before Amendment	Article	Article after Amendment
	of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to <u>paragraph 1 of Article 26</u> requiring a public announcement and regulatory filing <u>in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.</u>		of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to <u>the threshold</u> requiring a public announcement and regulatory filing <u>under paragraph 1 of Article 28.</u>
Article <u>31</u>	<p>The Company's controlling and monitoring procedures towards the acquisition or disposal of assets by its subsidiaries are as follows:</p> <ol style="list-style-type: none"> <li>1. The Company shall urge its subsidiaries to establish and execute their own "Procedures for Acquisition of Disposal of Assets".</li> <li>2. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall deliver a written notice to the Company of this kind of violation. The Company shall know the condition of dealing with the violation(s) and of the resulting improvements.</li> </ol>	Article <u>33</u>	<p>The Company's controlling and monitoring procedures towards the acquisition or disposal of assets by its subsidiaries are as follows:</p> <ol style="list-style-type: none"> <li>1. The Company shall urge its subsidiaries to establish and execute their own "Procedures for Acquisition of Disposal of Assets".</li> <li>2. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall deliver a written notice to the Company of this kind of violation. The Company shall know the condition of dealing with the violation(s) and of the resulting improvements.</li> </ol>
Article <u>32</u>	Should there be any violation of the procedures when the persons-in-charge of the Company deal with acquisition or disposal of assets, subsequent penalization is subject to the relevant HR policies of the Company.	Article <u>34</u>	Should there be any violation of the procedures when the persons-in-charge of the Company deal with acquisition or disposal of assets, subsequent penalization is subject to the relevant HR policies of the Company.
Article <u>34</u>	For the calculation of 10 percent of total assets under the	Article <u>35</u>	For the calculation of 10 percent of total assets under the

Article	Article before Amendment	Article	Article after Amendment
	Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.		Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.
Article <u>35</u>	After the Procedures are approved by the Board of Directors, <u>the Procedures shall be</u> submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting. The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.	Article <u>36</u>	The Procedures shall be approved by the Board of Directors <u>and</u> submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting. The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

## Resolution:



## Discussion Items Proposal 2

**Proposal:** To amend the Articles of the Company’s “Procedures for Engaging in Derivatives Transactions of the Company”, Please discuss and resolve.

Proposed by the Board of Directors

### Explanation:

To comply with the requirements provided in the order Jin-Guan-Zheng-Fa-Zi No. 1070341072 dated November 26, 2018 by the Financial Supervisory Commission, certain articles of the Procedures for Engaging in Derivatives Transactions of the Company have been amended. The comparison table for articles before and after amendment is hereby attached. Please determine whether the amendments are reasonable.

Article	Article before Amendment	Article after Amendment
Article 1	The “Procedures for Engaging in Derivatives Transactions” (hereinafter referred to as the “Procedures”) of Formosa Plastics Corporation (hereinafter referred to as the “Company”) was established in accordance with Article <u>17</u> of the “Procedures for Acquisition or Disposal of Assets” of the Company.	The “Procedures for Engaging in Derivatives Transactions” (hereinafter referred to as the “Procedures”) of Formosa Plastics Corporation (hereinafter referred to as the “Company”) was established in accordance with Article <u>19</u> of the “Procedures for Acquisition or Disposal of Assets” of the Company.
Article 2	Derivatives referred to herein are defined as forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, <u>and compound contracts combining the above products</u> , whose value is derived from <u>assets</u> , interest rates, foreign exchange <u>rates</u> , <u>indexes</u> or <u>other interests</u> .	Derivatives referred to herein are defined as forward contracts, options contracts, futures contracts, leverage contracts, <u>or</u> swap contracts, whose value is derived from <u>a specified interest rate</u> , <u>financial instrument price</u> , <u>commodity price</u> , foreign exchange <u>rate</u> , <u>index of prices or rates</u> , <u>credit rating or credit index</u> , or <u>other variable</u> ; or <u>hybrid contracts combining the above contracts</u> ; or <u>hybrid contracts or structured products containing embedded derivatives</u> .

Article	Article before Amendment	Article after Amendment
Article 3	Forward contracts referred to herein do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sales) contracts.	Forward contracts referred to herein do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sales) contracts.
Article 14	The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, but the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and monitoring of derivatives transactions from time to time, and periodically supervise and evaluate the derivatives transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be given to a high-level manager(s) authorized by the Board of Directors <u>for review</u> . If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the maximum loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors. There shall be independent directors attending the Board of Directors meeting and expressing their opinions.	The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, but the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and monitoring of derivatives transactions from time to time, and periodically supervise and evaluate the derivatives transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be given to a high-level manager(s) authorized by the Board of Directors. If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the maximum loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors. There shall be independent directors attending the Board of Directors meeting and expressing their opinions.

## Resolution:

## Discussion Items Proposal 3

**Proposal:** To amend the Articles of the Company’s “Procedures for Loaning Funds to other Parties of the Company”, Please discuss and resolve.

Proposed by the Board of Directors

### Explanation:

To comply with the requirements provided in the order Jin-Guan-Zheng-Shen-Zi No. 1080304826 dated March 7, 2019 by the Financial Supervisory Commission, certain articles of the Procedures for Loaning Funds to other Parties of the Company have been amended. The comparison table for articles before and after amendment is hereby attached. Please determine whether the amendments are reasonable.

Article	Article before Amendment	Article	Article after Amendment
Article 6	The tenor of the loan shall not be longer than one year <u>in the case the borrower does not have business relationship with the Company but has a short-term necessary financing facility.</u> The interest rates of the loans shall not be lower than the then current lowest lending interest rates announced by the general financial institutions.	Article 6	The tenor of the loan shall not be longer than one year. The interest rates of the loans shall not be lower than the then current lowest lending interest rates announced by the general financial institutions.
Article 8	<u>A loan to the borrower may be extended for a certain period, provided the extension of the loan has been approved by the Board of Directors. The total duration of the loan after the above-mentioned extension shall meet the requirement of Article 6. If the extension of the loan is not approved by the Board of Directors, the borrower shall repay the principal and the accrued interests in full on the due date. If the borrower fails to perform, the Company shall claim the overdue amount via legal</u>		(Article deleted)

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

Article	Article before Amendment	Article	Article after Amendment
	approval and then to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.		approval and then to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.
Article <u>12</u>	<p>Procedures for controlling and managing loans of funds to others by subsidiaries of the Company are as follows:</p> <ol style="list-style-type: none"> <li>1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Procedures for Lending Funds to other Parties in compliance with Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies, and it shall comply with the Procedures when lending funds.</li> <li>2. The subsidiaries shall compile and submit the schedule, including the details and status of fund-lending as of the end of the previous month to the Company for review by the fifth day of the current month.</li> <li>3. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall promptly notify the Company in writing of any material violation found. The Company shall know how the subsidiary deals with the violation(s), admonish the subsidiary to improve and</li> </ol>	Article <u>11</u>	<p>Procedures for controlling and managing loans of funds to others by subsidiaries of the Company are as follows:</p> <ol style="list-style-type: none"> <li>1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Procedures for Lending Funds to other Parties in compliance with Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies, and it shall comply with the Procedures when lending funds.</li> <li>2. The subsidiaries shall compile and submit the schedule, including the details and status of fund-lending as of the end of the previous month to the Company for review by the fifth day of the current month.</li> <li>3. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall promptly notify the Company in writing of any material violation found. The Company shall know how the subsidiary deals with the violation(s), admonish the subsidiary to</li> </ol>

Article	Article before Amendment	Article	Article after Amendment
	keep itself informed of the improvement process.		improve and keep itself informed of the improvement process.
Article 13	<p>The Company shall announce and report the related information of fund-lending to others in compliance with the following requirements:</p> <ol style="list-style-type: none"> <li>1. The Company <u>shall enter the previous month's loan balances of its head office and subsidiaries to the information reporting website designated by the securities competent authority by the 10th day of each month.</u></li> <li>2. The company whose loans of funds reach one of the following levels shall announce and report such event on the information reporting website designated by the securities competent authority within two days commencing immediately from the date of occurrence: <ol style="list-style-type: none"> <li>(1) <u>The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</u></li> <li>(2) <u>The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</u></li> <li>(3) <u>The amount of new loans</u></li> </ol> </li> </ol>	Article 12	<p>The Company shall announce and report the related information of fund-lending to others in compliance with the following requirements:</p> <ol style="list-style-type: none"> <li>1. The Company and subsidiaries <u>shall publicly announce and report the information of fund-lending in accordance with the relevant laws, rules and regulations.</u></li> <li>2. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report. The percentage of the aggregate balance of loans to others over net worth of the subsidiary shall be calculated as the subsidiary's balance of loans to others to the Company's net worth.</li> <li>3. The Company shall evaluate the status of its fund-lending and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</li> </ol>

Article	Article before Amendment	Article	Article after Amendment
	<p><u>of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</u></p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report <u>pursuant to subparagraphs of the preceding paragraph.</u> The percentage of the aggregate balance of loans to others over net worth of the <u>above-mentioned</u> subsidiary shall be calculated as the subsidiary's balance of loans to others to the Company's net worth.</p> <p>4. The Company shall evaluate the status of its fund-lending and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p>		
Article 14	The Procedures are approved by the Board of Directors and submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedures. The independent directors' opinions specifically expressing dissent	Article 13	The Procedures are approved by the Board of Directors and submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedures. The independent directors' opinions specifically expressing dissent

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

**Resolution:**



## **Discussion Items** **Proposal 4**

**Proposal:** To amend the Articles of the Company’s “Procedures for Providing Endorsements and Guarantees to other Parties of the Company”, Please discuss and resolve.

Proposed by the Board of Directors

### **Explanation:**

To comply with the requirements provided in the order Jin-Guan-Zheng-Shen-Zi No. 1080304826 dated March 7, 2019 by the Financial Supervisory Commission, certain articles of the Procedures for Providing Endorsements and Guarantees to other Parties of the Company have been amended. The comparison table for articles before and after amendment is hereby attached. Please determine whether the amendments are reasonable.

<b>Article</b>	<b>Article before Amendment</b>	<b>Article</b>	<b>Article after Amendment</b>
Article 4	<p>The ceiling on the total outstanding amount of making endorsements or guarantees of the Company or the Company and its subsidiaries:</p> <ol style="list-style-type: none"><li>1. The aggregate amount of making endorsements or guarantees shall not exceed 1.3 times of the net value of the Company.</li><li>2. For any one endorsee or guarantee, the amount shall not exceed 50% of the aggregate amount above.</li><li>3. The total outstanding amount of endorsement to each of the companies, which has a business relationship with the Company, shall not exceed the total transaction amount between the two parties. The foresaid “total transaction amount” shall be the total purchasing or</li></ol>	Article 4	<p>The ceiling on the total outstanding amount of making endorsements or guarantees of the Company or the Company and its subsidiaries:</p> <ol style="list-style-type: none"><li>1. The aggregate amount of making endorsements or guarantees shall not exceed 1.3 times of the net value of the Company.</li><li>2. For any one endorsee or guarantee, the amount shall not exceed 50% of the aggregate amount above.</li><li>3. The total outstanding amount of endorsement to each of the companies, which has a business relationship with the Company, shall not exceed the total transaction amount between the two parties. The foresaid “total transaction amount” shall be the total purchasing or selling amount or contract</li></ol>

Article	Article before Amendment	Article	Article after Amendment
	<p>selling amount or contract price, whichever is highest, provided that the highest amount shall in no event exceed the amount set forth in the preceding item.</p> <p>Where the Company needs to exceed the limits set out in the Procedures to satisfy its business needs, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement or guarantee. It shall also amend the Procedures accordingly and submit the same to the Shareholders Meeting for ratification. If the shareholders meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p>Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee and to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.</p>		<p>price, whichever is highest, provided that the highest amount shall in no event exceed the amount set forth in the preceding item.</p> <p>Where the Company needs to exceed the limits set out in the Procedures to satisfy its business needs, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement or guarantee. It shall also amend the Procedures accordingly and submit the same to the Shareholders Meeting for ratification. If the shareholders meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p>Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee and to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.</p>

Article	Article before Amendment	Article	Article after Amendment
Article 10	The Company <u>shall enter the previous month's balance of endorsements/guarantees of itself and its subsidiaries to the information reporting website designated by the securities competent authority by the 10th day of each month.</u>	Article 10	The Company and its subsidiaries <u>shall publicly announce and report the information of endorsements/guarantees in accordance with the relevant laws, rules and regulations.</u>
Article 11	<p><u>In addition to announcing and reporting the monthly balance of endorsements/guarantees in compliance with Article 10, in the event that the amount of the Company's endorsements/guarantees reaches one of the following levels, the Company shall announce and report such event on the information reporting website designated by the securities competent authority within two days commencing immediately from the date of occurrence:</u></p> <p>4. <u>The aggregate amount of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</u></p> <p>5. <u>The amount of endorsements/guarantees by the Company and its subsidiaries for any single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</u></p> <p>6. <u>The amount of endorsements/guarantees by the Company and its subsidiaries for any single</u></p>		(Article deleted)

Article	Article before Amendment	Article	Article after Amendment
	<p><u>enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees, long-term investment, and loans to that enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</u></p> <p>7. <u>The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</u></p>		
Article <u>12</u>	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report <u>pursuant to the subparagraphs of Article 11.</u> The percentage of the balance of endorsements/guarantees over the net worth of the Company <u>under the preceding paragraph</u> shall be calculated by the ratio of the subsidiary's balance of endorsements/guarantees to the Company's net worth.</p>	Article <u>11</u>	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report. The percentage of the balance of endorsements/guarantees over the net worth of the Company shall be calculated by the ratio of the subsidiary's balance of endorsements/guarantees to the Company's net worth.</p>
Article <u>13</u>	<p>The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide its</p>	Article <u>12</u>	<p>The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide its</p>

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

## Resolution:

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			For the years ended December 31			
			2018		2017	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(17) and 7	\$	407,859,765	100	\$ 358,421,471	100
5000 <b>Operating costs</b>	6(5)(12)(21)(22) and 7	(	354,287,425)	( 87)	( 305,225,269)	( 85)
5900 <b>Net operating margin</b>			53,572,340	13	53,196,202	15
<b>Operating expenses</b>	6(12)(21)(22) and 7					
6100 Selling expenses		(	9,192,245)	( 2)	( 8,665,339)	( 2)
6200 General and administrative expenses		(	6,030,031)	( 1)	( 5,616,799)	( 2)
6000 <b>Total operating expenses</b>		(	15,222,276)	( 3)	( 14,282,138)	( 4)
6900 <b>Operating profit</b>			38,350,064	10	38,914,064	11
<b>Non-operating income and expenses</b>						
7010 Other income	6(18) and 7		11,705,836	3	9,591,374	3
7020 Other gains and losses	6(19)		922,620	-	1,402,771	1
7050 Finance costs	6(7)(20) and 7	(	2,299,699)	( 1)	( 2,322,704)	( 1)
7060 Share of profit of associates and joint ventures accounted for under equity method	6(6)		15,037,424	4	19,121,378	5
7000 <b>Total non-operating income and expenses</b>			25,366,181	6	27,792,819	8
7900 <b>Profit before income tax</b>			63,716,245	16	66,706,883	19
7950 Income tax expense	6(23)	(	8,275,227)	( 2)	( 6,670,937)	( 2)
8200 <b>Profit for the year</b>		\$	55,441,018	14	\$ 60,035,946	17

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the years ended December 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (net)</b>	6(16)(23)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Actuarial losses on defined benefit plans		(\$ 165,987)	-	(\$ 658,371)	( 1)
8316 Unrealised gain on financial assets measured at fair value through other comprehensive income		( 10,354,331)	( 2)	-	-
8320 Share of other comprehensive loss of associates and joint ventures accounted for using equity method		( 6,405,415)	( 2)	( 248,319)	-
8310 <b>Other comprehensive loss that will not be reclassified to profit or loss</b>		( 16,925,733)	( 4)	( 906,690)	( 1)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 45,862)	-	( 3,985,822)	( 1)
8362 Unrealised gain on valuation of available-for-sale financial assets		-	-	18,771,483	5
8370 Share of other comprehensive income of associates and joint ventures accounted for under equity method		489,240	-	2,048,005	1
8399 Income tax relating to the components of other comprehensive income		116,104	-	385,061	-
8360 <b>Other comprehensive income that will be reclassified to profit or loss</b>		559,482	-	17,218,727	5
8300 <b>Total other comprehensive (loss) income for the year</b>		(\$ 16,366,251)	( 4)	\$ 16,312,037	4
8500 <b>Total comprehensive income for the year</b>		\$ 39,074,767	10	\$ 76,347,983	21
<b>Net income attributable to:</b>					
8610 Owners of the parent		\$ 48,769,317	12	\$ 54,410,802	15
8620 Non-controlling interest		6,671,701	2	5,625,144	2
		<u>\$ 55,441,018</u>	<u>14</u>	<u>\$ 60,035,946</u>	<u>17</u>
<b>Total comprehensive income attributable to:</b>					
8710 Owners of the parent		\$ 33,258,356	9	\$ 70,707,693	19
8720 Non-controlling interest		5,816,411	1	5,640,290	2
		<u>\$ 39,074,767</u>	<u>10</u>	<u>\$ 76,347,983</u>	<u>21</u>
<b>Basic earnings per share</b>	6(24)	Before Tax	After Tax	Before Tax	After Tax
9710 Profit for the year		\$ 10.92	\$ 9.50	\$ 11.43	\$ 10.29
9720 Non-controlling interests		( 1.60 )	( 1.14 )	( 1.34 )	( 0.96 )
9750 <b>Profit attributable to common shareholders of the parent</b>		<u>\$ 9.32</u>	<u>\$ 8.36</u>	<u>\$ 10.09</u>	<u>\$ 9.33</u>
<b>Assuming shares held by subsidiary are not deemed as treasury stock:</b>					
Profit for the year		\$ 10.87	\$ 9.46	\$ 11.38	\$ 10.24
Non-controlling interests		( 1.60 )	( 1.14 )	( 1.34 )	( 0.96 )
<b>Profit attributable to common shareholders of the parent</b>		<u>\$ 9.27</u>	<u>\$ 8.32</u>	<u>\$ 10.04</u>	<u>\$ 9.28</u>

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

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		For the years ended December 31			
		2018		2017	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(16) and 7	\$ 273,592,139	100	\$ 235,759,413	100
5000 <b>Operating costs</b>	6(5)(20)(21) and 7	( 241,080,029)	( 88)	( 202,414,042)	( 86)
5900 <b>Net operating margin</b>		32,512,110	12	33,345,371	14
5910 Unrealised profit from sales		( 539,952)	-	( 295,568)	-
5920 Realised profit from sales		295,568	-	487,873	-
5950 <b>Net operating margin</b>		32,267,726	12	33,537,676	14
<b>Operating expenses</b>	6(11)(20)(21) and 7				
6100 Selling expenses		( 4,809,461)	( 2)	( 4,493,557)	( 2)
6200 General and administrative expenses		( 3,734,928)	( 1)	( 3,434,718)	( 1)
6000 <b>Total operating expenses</b>		( 8,544,389)	( 3)	( 7,928,275)	( 3)
6900 <b>Operating profit</b>		23,723,337	9	25,609,401	11
<b>Non-operating income and expenses</b>					
7010 Other income	6(17) and 7	8,337,339	3	6,581,077	3
7020 Other gains and losses	6(18)	888,791	-	443,714	-
7050 Finance costs	6(8) and 7	( 1,023,172)	-	( 1,005,489)	-
7070 Share of profit of associates and joint ventures accounted for under equity method	6(6)	22,422,542	8	27,220,129	11
7000 <b>Total non-operating income and expenses</b>		30,625,500	11	33,239,431	14
7900 <b>Profit before income tax</b>		54,348,837	20	58,848,832	25
7950 Income tax expense	6(22)	( 5,579,520)	( 2)	( 4,438,030)	( 2)
8200 <b>Profit for the year</b>		\$ 48,769,317	18	\$ 54,410,802	23

(Continued)



**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (net)</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Actuarial gains (losses) on defined benefit plans	6(11)	( \$ 165,987)	-	( \$ 658,371)	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	( 9,154,617)	( 4)	-	-
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method		( 6,405,415)	( 2)	( 248,319)	-
8310 <b>Other comprehensive loss that will not be reclassified to profit or loss</b>		( 15,726,019)	( 6)	( 906,690)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Exchange differences on translation		( 390,286)	-	( 1,020,567)	-
8362 Available-for-sale financial assets		-	-	16,536,745	7
8380 Share of other comprehensive income of associates and joint ventures accounted for using equity method		489,240	-	1,302,342	-
8399 Income tax relating to the components of other comprehensive income	6(22)	116,104	-	385,061	-
8360 <b>Other comprehensive income that will be reclassified to profit or loss</b>		215,058	-	17,203,581	7
8300 <b>Other comprehensive (loss) income for the year</b>		( \$ 15,510,961)	( 6)	\$ 16,296,891	7
8500 <b>Total comprehensive income for the year</b>		\$ 33,258,356	12	\$ 70,707,693	30
<b>Basic earnings per share (in dollars)</b>	6(23)	Before Tax	After Tax	Before Tax	After Tax
9750 <b>Net income</b>		\$ 9.32	\$ 8.36	\$ 10.09	\$ 9.33
<b>Assuming shares held by subsidiary are not deemed as treasury stock:</b>					
<b>Basic earnings per share (in dollars)</b>					
<b>Net income</b>		\$ 9.27	\$ 8.32	\$ 10.04	\$ 9.28

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

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 31,209,809	5	\$ 29,684,599	5
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		4,496,354	1	630,396	-
1120	Current financial assets at fair	6(3)				
	value through other					
	comprehensive income		104,751,478	18	-	-
1125	Available-for-sale financial assets	12(5)				
	- current		-	-	117,617,800	20
1140	Current contract assets	6(17)	788,643	-	-	-
1150	Notes receivable, net	6(4)	15,086,776	3	10,971,286	2
1160	Notes receivable - related parties	7	4,429	-	13,006	-
1170	Accounts receivable, net	6(4)	20,920,208	4	21,653,085	4
1180	Accounts receivable - related	7				
	parties		8,471,495	1	9,049,561	2
1200	Other receivables	7	8,185,916	1	7,366,582	1
1210	Other receivables - related parties	7	11,376,802	2	13,727,806	2
130X	Inventory	6(5)	42,405,175	7	38,837,031	7
1470	Other current assets	7	7,312,461	1	4,291,251	1
11XX	Total current assets		255,009,546	43	253,842,403	44
Non-current assets						
1517	Non-current financial assets at	6(3)				
	fair value through other					
	comprehensive income		82,170,244	14	-	-
1523	Available-for-sale financial assets	12(5)				
	- non-current		-	-	43,994,286	8
1543	Financial assets carried at cost -	12(5)				
	non-current		-	-	25,093,528	4
1550	Investments accounted for under	6(6) and 7				
	equity method		114,476,472	19	112,476,716	20
1600	Property, plant and equipment	6(7) and 7	129,098,640	22	125,345,618	22
1780	Intangible assets		586	-	1,042	-
1840	Deferred income tax assets	6(23)	2,312,859	-	1,883,829	-
1900	Other non-current assets		8,432,585	2	9,689,071	2
15XX	Total non-current assets		336,491,386	57	318,484,090	56
1XXX	Total assets		\$ 591,500,932	100	\$ 572,326,493	100

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2018		December 31, 2017			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2100	Short-term borrowings	6(8)	\$	31,948,041	5	\$	23,142,134	4
2110	Short-term notes and bills payable	6(8)		12,490,543	2		1,579,763	-
2120	Financial liabilities at fair value through profit or loss - current	6(9)		774	-		-	-
2150	Notes payable			255,580	-		199,518	-
2170	Accounts payable			5,916,930	1		7,500,163	
2180	Accounts payable - related parties	7		15,898,101	3		17,949,939	3
2200	Other payables	7		12,264,130	2		10,693,867	2
2220	Other payables - related parties	7		-	-		118,800	-
2230	Current income tax liabilities			5,014,075	1		3,927,165	1
2320	Long-term liabilities, current portion	6(10)(11)		16,555,497	3		12,174,978	2
2399	Other current liabilities			5,891,945	1		5,139,667	1
21XX	Total current liabilities			106,235,616	18		82,425,994	14
Non-current liabilities								
2530	Corporate bonds payable	6(10)		27,850,000	5		34,050,000	6
2540	Long-term borrowings	6(11)		16,751,958	3		29,795,576	5
2570	Deferred income tax liabilities	6(23)		351,022	-		259,691	-
2600	Other non-current liabilities	6(12)		6,989,837	1		7,294,156	2
25XX	Total non-current liabilities			51,942,817	9		71,399,423	13
2XXX	Total liabilities			158,178,433	27		153,825,417	27
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(13)		58,611,863	10		58,611,863	10
Capital surplus								
3200	Capital surplus	6(14)		9,084,142	1		8,682,798	1
Retained earnings								
3310	Legal reserve	6(15)		56,487,920	9		51,046,840	9
3320	Special reserve			53,131,385	9		46,567,089	8
3350	Unappropriated retained earnings			84,098,904	14		84,218,728	15
Other equity interest								
3400	Other equity interest	6(16)		108,933,674	19		109,169,026	19
3500	Treasury stocks	6(13)	(	539,014)	-	(	626,468)	-
31XX	Equity attributable to owners of the parent			369,808,874	62		357,669,876	62
36XX	Non-controlling interest			63,513,625	11		60,831,200	11
3XXX	Total equity			433,322,499	73		418,501,076	73
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		\$	591,500,932	100	\$	572,326,493	100

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

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2018		December 31, 2017			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	13,078,861	3	\$	11,907,286	3
1110	Financial assets at fair value	6(2)						
	through profit or loss - current			4,016,864	1		-	-
1120	Current financial assets at fair	6(3)						
	value through other							
	comprehensive income			101,602,443	21		-	-
1125	Available-for-sale financial assets							
	- current			-	-		114,577,984	25
1150	Notes receivable, net	6(4)		390,702	-		447,542	-
1160	Notes receivable - related parties	6(4) and 7		331,826	-		239,552	-
1170	Accounts receivable, net	6(4)		7,578,823	2		8,870,535	2
1180	Accounts receivable - related	6(4) and 7						
	parties			17,772,122	4		16,211,498	4
1200	Other receivables	7		2,780,938	1		3,058,215	1
1210	Other receivables - related parties	7		11,253,442	2		11,555,292	2
130X	Inventory	6(5)		18,218,122	4		17,239,455	4
1470	Other current assets	7		2,001,794	-		1,542,192	-
11XX	Total current assets			179,025,937	38		185,649,551	41
Non-current assets								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income			19,076,660	4		-	-
1543	Financial assets carried at cost -							
	non-current			-	-		2,463,536	-
1550	Investments accounted for under	6(6)						
	equity method			215,607,318	45		207,227,496	46
1600	Property, plant and equipment	6(7)		53,141,664	11		49,534,755	11
1840	Deferred income tax assets	6(22)		2,173,083	1		1,684,419	-
1900	Other non-current assets			6,122,759	1		7,314,240	2
15XX	Total non-current assets			296,121,484	62		268,224,446	59
1XXX	Total assets		\$	475,147,421	100	\$	453,873,997	100

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 9,637,300	2	\$ 4,948,400	1
2110	Short-term notes and bills payable	6(8)	12,490,543	3	-	-
2170	Accounts payable		2,550,526	-	3,277,924	1
2180	Accounts payable - related parties	7	13,340,105	3	15,547,651	3
2200	Other payables	7	7,969,928	2	6,807,646	1
2230	Current income tax liabilities		3,726,016	1	3,015,804	1
2320	Long-term liabilities, current portion	6(9)(10)	11,888,889	2	8,416,355	2
2399	Other current liabilities		4,707,391	1	4,034,837	1
21XX	Total current liabilities		66,310,698	14	46,048,617	10
Non-current liabilities						
2530	Corporate bonds payable	6(9)	27,850,000	6	34,050,000	8
2540	Long-term borrowings	6(10)	4,833,333	1	9,722,222	2
2570	Deferred income tax liabilities	6(22)	58,857	-	88,841	-
2600	Other non-current liabilities	6(11)	6,285,659	1	6,294,441	1
25XX	Total non-current liabilities		39,027,849	8	50,155,504	11
2XXX	Total liabilities		105,338,547	22	96,204,121	21
Equity						
Share capital		6(12)				
3110	Common stock		58,611,863	12	58,611,863	13
Capital surplus		6(13)				
3200	Capital surplus		9,084,142	2	8,682,798	2
Retained earnings		6(14)				
3310	Legal reserve		56,487,920	12	51,046,840	11
3320	Special reserve		53,131,385	11	46,567,089	10
3350	Unappropriated retained earnings		84,098,904	18	84,218,728	19
Other equity interest		6(15)				
3400	Other equity interest		108,933,674	23	109,169,026	24
3500	Treasury stocks	6(12)	( 539,014)	-	( 626,468)	-
3XXX	Total equity		369,808,874	78	357,669,876	79
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		\$ 475,147,421	100	\$ 453,873,997	100

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

## Equity attributable to owners of the parent

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent														
Retained Earnings						Other Equity Interest								
		Share capital - Common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges	Treasury stocks	Total	Non-controlling interest	Total equity
Notes														
For the year ended December 31, 2018														
Balance at January 1, 2018		\$ 58,611,863	\$ 8,682,798	\$ 51,046,840	\$ 46,567,089	\$ 84,218,728	(\$ 2,052,251)	\$ -	\$ 111,213,200	\$ 8,077	(\$ 626,468)	\$ 357,669,876	\$ 60,831,200	\$ 418,501,076
Effect of retrospective application and retrospective restatement		-	-	-	-	5,114,398	-	125,624,639	( 111,213,200)	-	-	19,525,837	65,223	19,591,060
Balance at January 1 after adjustments		58,611,863	8,682,798	51,046,840	46,567,089	89,333,126	( 2,052,251)	125,624,639	-	8,077	( 626,468)	377,195,713	60,896,423	438,092,136
Profit for the year		-	-	-	-	48,769,317	-	-	-	-	-	48,769,317	6,671,701	55,441,018
Other comprehensive income (loss) for the year 6(16)		-	-	-	-	( 188,215)	239,000	( 15,537,804)	-	( 23,942)	-	( 15,510,961)	( 855,290)	( 16,366,251)
Total comprehensive income		-	-	-	-	48,581,102	239,000	( 15,537,804)	-	( 23,942)	-	33,258,356	5,816,411	39,074,767
Appropriations of 2017 earnings 6(15)														
Legal reserve		-	-	5,441,080	-	( 5,441,080)	-	-	-	-	-	-	-	-
Special reserve		-	-	-	6,564,296	( 6,564,296)	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 41,028,304)	-	-	-	-	-	( 41,028,304)	-	( 41,028,304)
Dividends paid to subsidiaries to adjust capital surplus 6(14)		-	58,076	-	-	-	-	-	-	-	-	58,076	-	58,076
Changes in the net interest of associates recognised under the equity method 6(14)		-	( 22,638)	-	-	-	-	-	-	-	-	( 22,638)	-	( 22,638)
Expired cash dividends reclassified to capital surplus 6(14)		-	2,178	-	-	-	-	-	-	-	-	2,178	-	2,178
Expired dividends paid from capital surplus 6(14)		-	( 532)	-	-	-	-	-	-	-	-	( 532)	-	( 532)
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	( 4,729,511)	( 4,729,511)
Shares returned from reduction in consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	( 12,536)	( 12,536)
Adjustments in treasury stocks due to changes in proportion to its ownership interests in consolidated subsidiaries		-	-	-	-	-	-	-	-	-	87,454	87,454	-	87,454
Changes in ownership interests in subsidiaries 6(14)		-	364,260	-	-	( 105,892)	-	-	-	-	-	258,368	488,282	746,650
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	( 675,752)	-	675,955	-	-	-	203	( 1,128,807)	( 1,128,604)
Increase in non-controlling interest-disposal of ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	2,183,363	2,183,363
Balance at December 31, 2018		\$ 58,611,863	\$ 9,084,142	\$ 56,487,920	\$ 53,131,385	\$ 84,098,904	(\$ 1,813,251)	\$ 110,762,790	\$ -	(\$ 15,865)	(\$ 539,014)	\$ 369,808,874	\$ 63,513,625	\$ 433,322,499

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

FORMOSA CHEMICALS & FIBRE CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

		Retained Earnings					Other Equity Interest					
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain on available-for-sale financial assets	Hedging instrument gain on effective hedge of cash flow hedges	Treasury stocks	Total
<u>For the year ended December 31, 2017</u>												
Balance at January 1, 2017		\$ 58,611,863	\$ 8,622,642	\$ 46,663,535	\$ 41,927,550	\$ 72,560,103	\$ 988,624	\$ -	\$ 90,933,647	\$ 43,174	(\$ 360,572 )	\$ 319,990,566
Profit for the year		-	-	-	-	54,410,802	-	-	-	-	-	54,410,802
Other comprehensive income (loss) for the year	6(15)	-	-	-	-	( 906,690 )	( 3,040,875 )	-	20,279,553	( 35,097 )	-	16,296,891
Total comprehensive income		-	-	-	-	53,504,112	( 3,040,875 )	-	20,279,553	( 35,097 )	-	70,707,693
Appropriations of 2016 earnings	6(14)											
Legal reserve		-	-	4,383,305	-	( 4,383,305 )	-	-	-	-	-	-
Special reserve		-	-	-	4,639,539	( 4,639,539 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 32,822,643 )	-	-	-	-	-	( 32,822,643 )
Stocks of the parent company purchased by the subsidiary and recognised as treasury stocks		-	-	-	-	-	-	-	-	-	( 265,896 )	( 265,896 )
Stocks of the parent company disposed by the subsidiary and recognised as treasury stock transaction	6(13)	-	8	-	-	-	-	-	-	-	-	8
Dividends paid to subsidiaries to adjust capital surplus	6(13)	-	43,842	-	-	-	-	-	-	-	-	43,842
Changes in the net interest of associates recognised under the equity method	6(13)	-	1,350	-	-	-	-	-	-	-	-	1,350
Expired cash dividends reclassified to capital surplus	6(13)	-	12,002	-	-	-	-	-	-	-	-	12,002
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount		-	2,954	-	-	-	-	-	-	-	-	2,954
Balance at December 31, 2017		\$ 58,611,863	\$ 8,682,798	\$ 51,046,840	\$ 46,567,089	\$ 84,218,728	(\$ 2,052,251 )	\$ -	\$ 111,213,200	\$ 8,077	(\$ 626,468 )	\$ 357,669,876

(Continued)



**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

		Retained Earnings					Other Equity Interest					
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain on available-for-sale financial assets	Hedging instrument gain on effective hedge of cash flow hedges	Treasury stocks	Total
For the year ended December 31, 2018												
Balance at January 1, 2018		\$ 58,611,863	\$ 8,682,798	\$ 51,046,840	\$ 46,567,089	\$ 84,218,728	(\$ 2,052,251 )	\$ -	\$ 111,213,200	\$ 8,077	(\$ 626,468 )	\$ 357,669,876
Effects of retrospective application and retrospective restatement		-	-	-	-	5,114,398	-	125,624,639	( 111,213,200 )	-	-	19,525,837
Balance at January 1 after adjustments		58,611,863	8,682,798	51,046,840	46,567,089	89,333,126	( 2,052,251 )	125,624,639	-	8,077	( 626,468 )	377,195,713
Profit for the year		-	-	-	-	48,769,317	-	-	-	-	-	48,769,317
Other comprehensive income (loss) for the year	6(15)	-	-	-	-	( 188,215 )	239,000	( 15,537,804 )	-	( 23,942 )	-	( 15,510,961 )
Total comprehensive income		-	-	-	-	48,581,102	239,000	( 15,537,804 )	-	( 23,942 )	-	33,258,356
Appropriations of 2017 earnings	6(14)											
Legal reserve		-	-	5,441,080	-	( 5,441,080 )	-	-	-	-	-	-
Special reserve		-	-	-	6,564,296	( 6,564,296 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 41,028,304 )	-	-	-	-	-	( 41,028,304 )
Dividends paid to subsidiaries to adjust capital surplus	6(13)	-	58,076	-	-	-	-	-	-	-	-	58,076
Changes in the net interest of associates recognised under the equity method	6(13)	-	( 22,638 )	-	-	-	-	-	-	-	-	( 22,638 )
Expired cash dividends reclassified to capital surplus	6(13)	-	2,178	-	-	-	-	-	-	-	-	2,178
Expired dividends paid from capital surplus	6(13)	-	( 532 )	-	-	-	-	-	-	-	-	( 532 )
Adjustments in treasury stocks due to changes in proportion to its ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	87,454	87,454
Changes in ownership interests in subsidiaries	6(13)	-	364,260	-	-	( 105,892 )	-	-	-	-	-	258,368
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	( 675,752 )	-	675,955	-	-	-	203
Balance at December 31, 2018		\$ 58,611,863	\$ 9,084,142	\$ 56,487,920	\$ 53,131,385	\$ 84,098,904	(\$ 1,813,251 )	\$ 110,762,790	\$ -	(\$ 15,865 )	(\$ 539,014 )	\$ 369,808,874

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

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31,	
	Notes	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 63,716,245	\$ 66,706,883
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(21)	14,431,281	14,472,479
Amortisation	6(21)	4,404,062	3,353,928
Net gain on financial assets and liabilities at fair value through profit or loss	6(19)	( 217,379 )	( 4,156 )
Interest expense	6(20)	2,299,699	2,322,704
Interest income	6(18)	( 678,987 )	( 544,054 )
Dividend income	6(18)	( 9,633,949 )	( 7,464,957 )
Share of profit or loss of associates accounted for under the equity method		( 15,037,424 )	( 19,121,378 )
Impairment loss (Gain on reversal of impairment loss) on property, plant and equipment	6(7)(19)	313,855	( 3,090 )
Gain on disposal and scrap of property, plant and equipment	6(19)	( 843,722 )	( 840,582 )
Gain on disposal of investments	6(19)	-	( 2,177,153 )
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets - current		( 297,011 )	-
Notes receivable		( 4,115,490 )	( 3,933,535 )
Notes receivable - related parties		8,577	( 1,363 )
Accounts receivable		732,877	( 3,624,110 )
Accounts receivable - related parties		578,066	( 1,693,126 )
Other receivables		( 808,302 )	( 2,245,762 )
Inventories		( 3,960,364 )	3,316,295
Other current assets		( 3,021,210 )	1,117,815
Other non-current assets		( 40,236 )	( 157,561 )
Changes in operating liabilities			
Notes payable		56,062	2,648
Accounts payable		( 1,583,233 )	( 1,025,821 )
Accounts payable - related parties		( 2,051,838 )	4,564,429
Other payables		559,066	2,590,521
Other current liabilities		752,278	2,255,339
Accrued pension liabilities		( 365,335 )	( 303,144 )
Cash inflow generated from operations		45,197,588	57,563,249
Interest received		662,438	574,670
Dividends received		24,442,383	21,910,714
Interest paid		( 2,331,390 )	( 2,390,222 )
Income tax paid		( 7,379,703 )	( 6,418,252 )
Net cash flows from operating activities		60,591,316	71,240,159

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in other receivables-related parties		\$ 2,351,004	\$ 6,113,254
Acquisition of available-for-sale financial assets		( 2,442,128 )	-
Proceeds from disposal of financial assets at fair value through profit or loss		926,098	-
Shares returned from reduction in financial assets at fair value through other comprehensive income		5,780	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		771,198	-
Acquisition of available-for-sale financial assets		-	( 4,134,669 )
Proceeds from disposal of available-for-sale financial assets		-	6,326,172
Acquisition of financial assets measured at cost		-	( 2,327,575 )
Cash refund from capital reduction in financial assets measured at cost		-	23,549
Proceeds from disposal of financial assets measured at cost		-	69,754
Acquisition of investments accounted for under the equity method		( 2,011,490 )	( 3,862,100 )
Acquisition of property, plant and equipment	6(25)	( 18,444,308 )	( 11,881,773 )
Proceeds from disposal of property, plant and equipment		1,406,983	1,011,698
Acquisition of intangible assets		( 130 )	( 432 )
Increase in non-current assets		( 3,188,941 )	( 6,802,015 )
Net cash flows used in investing activities		( 20,625,934 )	( 15,464,137 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in short-term borrowings		8,805,907	( 3,004,616 )
Increase in short-term notes and bills payable		10,910,780	80,299
(Decrease) increase in other payables-related parties		( 118,800 )	61,322
Increase in long-term borrowings		2,861,228	12,554,576
Payment of long-term borrowings		( 12,207,924 )	( 21,387,832 )
Payment of bonds payable		( 5,700,000 )	( 6,750,000 )
Increase (decrease) in other non-current liabilities		8,749	( 1,068 )
Increase in guarantee deposits		52,267	30,860
Payment of cash dividends	6(25)	( 41,009,931 )	( 32,814,574 )
Payment of cash dividends - non-controlling interest		( 4,729,511 )	( 4,464,858 )
Changes in ownership interests in subsidiaries		734,114	-
Changes in non-controlling interest		2,183,363	-
Cash dividends paid from capital surplus		( 532 )	-
Net cash flows used in financing activities		( 38,210,290 )	( 55,695,891 )
Effect of foreign exchange translations		( 229,882 )	( 787,443 )
Net increase (decrease) in cash and cash equivalents		1,525,210	( 707,312 )
Cash and cash equivalents at beginning of year		29,684,599	30,391,911
Cash and cash equivalents at end of year		\$ 31,209,809	\$ 29,684,599

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

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
		AMOUNT	AMOUNT
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 54,348,837	\$ 58,848,832
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(20)	5,875,223	6,174,980
Amortization	6(20)	3,808,155	2,958,283
Net gain on financial assets and liabilities at fair value through profit or loss	6(18)	( 215,870 )	-
(Gain) loss on inventory valuation	6(5)	( 1,221 )	57,144
Interest expense	6(19)	1,023,172	1,005,489
Interest income	6(17)	( 432,743 )	( 372,408 )
Gain on disposal of investments	6(17)	( 7,010,822 )	( 5,093,307 )
Share of profit or loss of associates accounted for under the equity method		( 22,422,542 )	( 27,220,129 )
Impairment loss (Gain from recovery) on property, plant and equipment	6(7)(18)	313,855	( 3,090 )
Gain on disposal and scrap of property, plant and equipment	6(18)	( 5,981 )	( 802,769 )
Gain from disposal of investments	6(18)	-	( 1,865,492 )
Realised loss (gain) from sales		244,384	( 192,305 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		56,840	( 111,704 )
Notes receivable-related parties		( 92,274 )	( 109,846 )
Accounts receivable		1,291,712	( 3,034,894 )
Accounts receivable-related parties		( 1,560,624 )	( 1,787,281 )
Other receivables		( 104,192 )	( 68,655 )
Inventory		( 977,446 )	4,524,287
Other current assets		( 459,602 )	276,423
Other non-current assets		18,803	( 83,426 )
Changes in operating liabilities			
Accounts payable		( 727,398 )	56,420
Accounts payable-related parties		( 2,207,546 )	3,792,972
Other payables		675,931	476,000
Other current liabilities		672,554	1,851,226
Accrued pension liabilities		( 232,158 )	( 295,430 )
Cash inflow generated from operations		31,879,047	38,981,320
Interest received		426,472	377,025
Dividends received		25,618,054	22,295,853
Interest paid		( 1,044,268 )	( 1,040,786 )
Income tax paid		( 5,271,852 )	( 4,305,070 )
Net cash flows from operating activities		51,607,453	56,308,342

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
		AMOUNT	AMOUNT
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in other receivables-related parties		\$ 301,850	\$ 7,821,676
Financial assets at fair value through profit or loss		772,909	-
Acquisition of available-for-sale financial assets		-	( 3,200,000 )
Proceeds from disposal of available-for-sale financial assets		-	5,802,118
Acquisition of investments accounted for under the equity method		( 8,266,061 )	( 11,557,783 )
Proceeds from disposal of investments accounted for under the equity method		79,640	-
Acquisition of property, plant and equipment	6(24)	( 9,306,445 )	( 4,664,663 )
Proceeds from disposal of property, plant and equipment		7,978	892,848
Increase in deferred expenses		( 2,647,852 )	( 6,462,690 )
Decrease (increase) in guarantee deposits paid		12,089	( 13,943 )
Net cash flows used in investing activities		( 19,045,892 )	( 11,382,437 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in short-term borrowings		4,688,900	( 2,041,700 )
Increase in short-term notes and bills payable		12,490,543	-
Increase in long-term borrowings		800,000	-
Payment of long-term borrowings		( 2,716,355 )	( 4,530,950 )
Payment of bonds payable		( 5,700,000 )	( 6,750,000 )
Increase in other non-current liabilities		57,389	12,927
Payment of cash dividends	6(24)	( 41,009,931 )	( 32,814,574 )
Expired dividends paid from capital surplus		( 532 )	-
Net cash flows used in financing activities		( 31,389,986 )	( 46,124,297 )
Effect of foreign exchange translations		-	( 2,333 )
Net increase (decrease) in cash and cash equivalents		1,171,575	( 1,200,725 )
Cash and cash equivalents at beginning of year		11,907,286	13,108,011
Cash and cash equivalents at end of year		<u>\$ 13,078,861</u>	<u>\$ 11,907,286</u>

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

**Formosa Chemicals & Fibre Corporation**  
**Statement of Profits Distribution**  
**For the year of 2018**

Unit : NT\$

Items	Amount	Items	Amount	Explanation
<b>Available for Distribution:</b>		<b>Distribution Items:</b>		
(1) Unappropriated retained earnings of previous years	31,185,048,260	(1) Appropriation of legal reserve (10% of the after-tax profit )	4,876,931,707	1. Registered capital of the company is NT\$58,611,862,910; outstanding shares entitled to cash dividends distribution are 5,861,186,291.
Plus: First applicable to IFRS9 & IFRS15 of Unappropriated earnings adjustment at the beginning of current year	5,114,398,315	(2) Appropriation of Special surplus reserve	7,040,540,500	2. The Company plans to distribute dividends of \$6.2 per share for current year (among which, \$3.19 will be distributed as dividends and \$3.01 will be distributed as bonus); all of which are cash dividends.
(2) Net profit after tax of current year	48,769,317,071	(3) Distribution of dividends in cash ( \$6.2 per share)	36,339,355,004	3. The Company distributes dividends and bonus, all of which are from net profit after tax of 2018.
Minus: Other comprehensive income reclassified to unappropriated retained earnings of current year	-188,214,655	(4) Unappropriated retained earnings carried forward to next year	35,842,076,651	4. While the distribution of cash dividends to each individual shareholder is less than 1 dollar, the distribution will be rounded to the nearest dollar.
Minus: Adjustments	-781,645,129			5. Other comprehensive income reclassified to unappropriated retained earnings of current year, all of which are adjustment for actuarial pension valuation.
				6. Adjustments are changes in equity interests in subsidiaries and the disposal of equity instruments at fair value through other comprehensive income.
<b>Total</b>	<b>84,098,903,862</b>	<b>Total</b>	<b>84,098,903,862</b>	

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000356

To the Board of Directors and Shareholders of Formosa Chemicals & Fibre Corporation

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Formosa Chemicals & Fibre Corporation and its subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

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

### ***Assessment of loss allowance for accounts receivable***

#### Description

Refer to Note 4(10) for accounting policy on accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, and Note 6(4) for details of loss allowance for accounts receivable. As of December 31, 2018, the Group's accounts receivable amounted to NT\$29,391,703 thousand, net of loss allowance in the amount of NT\$252,085 thousand.

The Group assessed expected credit impairment loss on accounts receivable based on historical experience, forward-looking information and known reason or existing objective evidences. For those accounts which are considered uncollectible, the Company recognised impairment with a credit to accounts receivable. Management evaluates the reasonableness of estimated provision periodically. As the estimation of loss allowance is subject to management's judgement and business indicators, the amount of provision is based on the collectability of accounts receivable, and considering that accounts receivable and loss allowance are material to the financial statements, we consider the loss allowance for accounts receivable a key audit matter.



### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained the overdue aging report used when management assessed the expected credit impairment loss, assessed whether the logic of data source was consistently applied, and tested its accuracy with proper documents.
2. Assessed the reasonableness of estimates used by management in calculating expected credit impairment loss and obtained supporting documents, including forward-looking information, disputed accounts, overdue accounts, subsequent collection, and other indications that would show the customer would be unable to repay on schedule.
3. Performed subsequent collection test in order to verify the adequacy of loss allowance provided for accounts receivable.

### ***Evaluation of inventories***

#### Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for detailed information on allowance for inventory valuation losses. As of December 31, 2018, the balances and allowance for inventory valuation losses were NT\$43,919,852 thousand and NT\$1,514,677 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of petrochemical plastic products, fibers weaving and cords. As the price of petrochemical plastic products is subject to the fluctuations in international crude oil price, and the textile market is competitive, there is a higher risk for inventory valuation loss. The Group recognises inventories at the lower of cost and net realisable value, and the net realisable value is calculated based on average price less selling expenses. Since the net realisable value used in inventory valuation involves subjective judgement and high uncertainty in estimation, and the allowance for inventory valuation losses is material to the financial statements, we considered the allowance for inventory valuation losses as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realisable value.
2. Understood the Group's warehousing control procedures. Reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the classification of inventory and internal control over inventory.
3. Checked the method in calculating the net realisable value of inventory and assessed the reasonableness of allowance for valuation loss.

### ***Other matter – audits of the other independent accountants***

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for under equity method) of NT\$153,033,742 thousand and NT\$148,098,437 thousand, both constituting 26% of consolidated total assets as of December 31, 2018 and 2017, respectively, operating income of NT\$37,429,243 thousand and NT\$29,987,682 thousand, constituting 9% and 8% of consolidated total operating income for the years then ended, respectively, and comprehensive income of NT\$12,222,715 thousand and NT\$21,612,354 thousand, constituting 31% and 28% of consolidated total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein insofar as it relates to the amounts included in the financial statements relative to the subsidiary and investee companies, is based solely on the audit reports of the other independent accountants.

### ***Other matter – parent company only financial statements***

We have audited the parent company only financial statements of Formosa Chemicals & Fibre Corporation as of and for the years ended December 31, 2018 and 2017, and have expressed an unqualified opinion on such financial statements.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

### ***Auditor’s responsibilities for the audit of the consolidated financial statements***

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

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

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 to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2019

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

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

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000398

To the Board of Directors and Shareholders of FORMOSA CCCMICALS C FIBRE CORPORATION

### ***Opinion***

We have audited the accompanying parent company only balance sheets of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the *Other Matter –Audits of the Other Independent Accountants* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

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

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of FORMOSA CHEMICALS & FIBRE CORPORATION in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Key audit matters***

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

### **Assessment of loss allowance for accounts receivable**

#### **Description**

Refer to Note 4(9) of parent company only financial statements for accounting policy on accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, and Note 6(4) for details of loss allowance for accounts receivable. As of December 31, 2018, the Company's accounts receivable amounted to NT\$25,350,945 thousand, net of loss allowance in the amount of NT\$160,397 thousand.

The Company assessed expected credit impairment loss on accounts receivable based on historical experiences, forward-looking information and known reason or existing objective evidences. For those accounts which are considered uncollectible, the Company recognised impairment with a credit to accounts receivable. Management evaluates the reasonableness of estimated provision periodically. As the estimation of loss allowance is subject to management's judgement and business indicators, the amount of provision is based on the collectability of accounts receivable, and considering that accounts receivable and loss allowance are material to the financial statements, we consider the loss allowance for accounts receivable a key audit matter.

#### **How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained the overdue aging report used when management assessed the expected credit impairment loss, assessed whether the logic of data source was consistently applied, and tested its accuracy with proper documents.
2. Assessed the reasonableness of estimates used by management in calculating expected credit impairment loss and obtained supporting documents, including forward-looking information, disputed accounts, overdue accounts, subsequent collection, and other indications that would show the customer would be unable to repay on schedule.
3. Performed subsequent collection test in order to verify the adequacy of loss allowance provided for accounts receivable.

## **Evaluation of inventories**

### Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for detailed information on allowance for inventory valuation losses. As of December 31, 2018, the inventory and allowance for inventory valuation losses were NT\$18,872,430 thousand and NT\$654,308 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of petrochemical plastic products, fibers weaving and cords. Because the price of petrochemicals plastic products is subject to the fluctuations in international crude oil prices, and the textile market is competitive, there is a higher risk of inventory valuation loss. The Company recognises inventories at the lower of cost and net realisable value, and the net realisable value is calculated based on average price less selling expenses. Since the net realisable value used in inventory valuation involves subjective judgement and high uncertainty in estimation, and the allowance for inventory valuation loss is material to the financial statements, we considered the allowance for inventory valuation losses as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realisable value;
2. Understood the Company's warehousing control procedures. Reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the classification of inventory and internal control over inventory.
3. Checked the method in calculating the net realisable value of inventory and assessed the reasonableness of allowance for valuation loss.

### ***Other matter – audits of the other independent accountants***

We did not audit the financial statements of certain investments accounted for under the equity method. Investments accounted for under the equity method amounted to NT\$117,816,823 thousand and NT\$117,260,942 thousand, constituting 25% and 26% of total assets as of December 31, 2018 and 2017, respectively and comprehensive income was NT\$12,678,194 thousand and NT\$21,209,107 thousand, constituting 38% and 30% of total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been



furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

***Responsibilities of management and those charged with governance for the parent company only financial statements***

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Company’s financial reporting process.

***Auditor’s responsibilities for the audit of the parent company only financial statements***

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

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

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

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

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

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

Wu, Han-Chi

Chou, Chien-Hung

for and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2019

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

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

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

1. Amounts of employees' cash compensation, stock compensation, and Directors' compensation:	
Employees Cash Compensation	NT\$ 54,403,241
Employees Stock Compensation	NT\$ 0
Directors Cash Compensation	NT\$ 0
2. Share amount of the employees' stock compensation and the percentage of the share amount to that of all stock dividends capitalization:	
Share amount of employees' stock compensation	0 share
Percentage of the share amount to that of all stock dividends capitalization	0%

The above-listed amount of employees' cash compensation is consistent with the proposed amount adopted by the Board of Directors of the Company.

**Effect upon Business Performance and Earnings Per Share of the Company by the Stock Dividend Distribution Proposed at the 2019 Annual Shareholders' Meeting:**

Not applicable since the Company does not propose the stock dividend distribution at the 2019 Annual Shareholders' Meeting and does not required preparing financial forecast information.

# **Articles of Incorporation of Formosa Chemicals & Fibre Corporation**

Amended by the Annual Shareholders' Meeting on June 15, 2018

## **Chapter 1 General Provisions**

Article 1: The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be "Formosa Chemicals & Fibre Corporation".

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

1. A201010 Afforestation business
2. A202040 Logging business
3. C301010 Yarn Spinning Mills
4. C302010 Knit Fabric Mills
5. C305010 Printing, Dyeing, and Finishing Mills
6. C501010 Timbering industry
7. C601010 Paper mills
8. C801010 Basic Industrial Chemical Manufacturing
9. C801020 Petrochemical Manufacturing
10. C801030 Precision chemical materials manufacturing
11. C801100 Synthetic Resin & Plastic Manufacturing
12. C801120 Manmade Fiber Manufacturing
13. C801990 Other Chemical Materials Manufacturing
14. C802080 Manufacturing of environmental use medicine.
15. C802090 cleaning preparations manufacturing.
16. C802100 Cosmetics Manufacturing.
17. C901990 Non-metallic mineral products
18. CB01010 Machinery and Equipment Manufacturing
19. CC01080 Electronic Parts and Components  
Manufacturing
20. D101050 Steam and Electricity Paragenesis
21. E502010 Fuel Pipe Construction
22. E599010 Pipe Lines Construction
23. E601010 Electric Appliance Construction
24. E603010 Cable Construction
25. E603040 Fire Fighting Equipment Construction

26. E603050 Cybernation Equipment Construction
27. E603090 Illumination Equipment Construction
28. E603100 Electric Welding Construction
29. E603110 Cold work engineering
30. E603120 Sand Spurting Construction
31. E604010 Machinery Installation Construction
32. E605010 Computing Equipment Installation
33. E901010 Painting engineering
34. E903010 Eroding and Rusting Construction
35. EZ02010 Hoisting engineering
36. EZ05010 Apparatus and Gauge Installation
37. EZ15010 Warming and Cooling Maintenance Construction
38. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company shall have its head office in Changhua County. The Board of Directors may decide to set up subsidiaries, plants and branch offices at various locations within and without the territory of the Republic of China as necessary. Their establishment or change or abolishment shall be managed upon the resolutions of the Board of Directors.

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

### **Chapter 2 Shares**

Article 5: The total capital of the Company shall be in the amount of 58,611,862,900 New Taiwan Dollars, divided into 5,861,186,290 shares, at a par value of 10 New Taiwan Dollars per share, issued in full.

Article 6: The Company may be exempted from printing any share certificates in accordance with relevant regulations.

However, those shares shall be registered in a centralized securities depository enterprise.

Article 7: (deleted)

Article 8: (deleted)

Article 9: The shareholders shall submit their seal specimen to the Company for record. Afterward, the shareholders shall receive the dividend or exercise their rights in writing against the specimen kept by the Company.

In the event that the seal specimen is lost or stolen, the shareholders shall fill out the application of lost seal with detailed share certificate numbers and shares and submit the same along with identity documents and copies, new seal specimen and share certificates to the Company for registration. The new seal card will be replaced upon approval and will be effective on the next day of completed registration. When preceding replacement of seal specimen is entrusted to others or managed by communication, the individual shareholder shall also have the seal certificate issued by the Householder Registration Office enclosed; while the application shall be enclosed by the corporate shareholders.

Article 10: No transfer of share certificates shall be permitted within 60 days prior to regular shareholders' meeting, 30 days prior to a special shareholders' meeting, or within 5 days prior to the record day on which a dividend, bonus, or any other benefit is scheduled to be paid by the Company.

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

Article 11: The shareholders' meetings of the Company are divided into two types as follows:

Regular meetings shall be convened by the Board of Directors within 6 months after the close of each fiscal year.

Special meetings shall be convened pursuant to Company Act as necessary.

Article 12: The notice and announcement of regular shareholders' meeting shall be given to shareholders within 30 days in

advance, while the notice and announcement of the special shareholders' meetings shall be given to shareholders within 15 days in advance. The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Article 13: The Chairman of the Board of Directors shall preside over the shareholders' meetings. In the Chairman's absence, the Vice Chairman shall act on his behalf. In the absence of in case that the Vice Chairman is unable to exercise rights for causes, the Chairman of the Board of Directors shall designate one Managing Director to act on his behalf.

Article 14: Each share of stock owned by shareholders shall be entitled for one vote, except for those shares without voting rights as set forth in Article 179, paragraph 2 of the Company Act.

Article 15: If a shareholder is unable to attend a meeting, who may sign and show the proxy with extinct scope of authorization issued and appoint a representative to attend it. Except for the trust business or stock affairs agency as approved by the competent securities authority, the voting rights of a shareholder representing two and more shareholders shall not exceed 3% of total shares issued and the voting shares exceeding the percentage will be excluded from the calculation. After the proxy is delivered to the Company, the shareholder shall give written notice of proxy cancellation at least two days before the meeting if the shareholder intends to attend the meeting in person or to exercise voting rights in writing or via electronic method. For cancellation beyond the deadline, the voting rights exercised by the proxy shall prevail.

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



Article 17: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting. The electronic method may be adopted for the production and distribution of meeting minutes. The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at least one year. If, however, a minutes files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation. The minutes shall be drafted in both the Chinese language and the English language. The distribution of preceding meeting minutes may be replaced by the announcement made on the MOPS.

#### **Chapter 4 Directors**

Article 18: The Company shall have 11 to 15 directors, to be elected at the shareholders' meeting from the nominees listed in the roster of candidates under the candidate nomination system. The total number of shares held by the directors of the Company shall follow the rules promulgated by the competent securities authority. The Company shall have three independent directors among the directors above. The matters regarding method of nomination and other matters shall be conducted in accordance with the Company Act and related regulations of competent securities authority. The Company shall have the Audit Committee organized by all independent directors in accordance with Article 14-4 of

the Securities Exchange Act. For matters regarding the competence and related events, the Company shall follow the Securities Exchange Act and other relevant laws and regulations.

Article 19: The terms of office of directors shall be three years and they shall be eligible for re-election. Where the term of office expires before the closing date of the General Meeting of Shareholders in the last fiscal year of such term, the term of office shall be extended to the closing date of such General Meeting.

Article 20: When the number of Directors falls short by one-third of the total number of Directors elected, the Company shall convene a meeting for election of Directors within 60 days. In respect of a Director who is elected to fill a vacancy, the term of office of such Director shall not exceed the term that remained when the person who has ceased to be a Director ceased to hold.

Article 21: The directors constitute the Board of Directors and shall elect at least three Managing Directors, which shall not more than one-third of total number of the directors. At least one of the Managing Directors shall be an independent director. Meanwhile, the Managing Directors shall elect among them a Chairman and a vice Chairman by way of preceding election. The Chairman shall represent the Company.

The directors shall attend meeting in person. Except for regulations provided otherwise by the Company Act for directors living abroad, if any Director of the Board of the Company cannot attend the meeting for causes, he may issue a written proxy to other directors for attending the meeting. However, a director may accept the appointment to act as the proxy with extinct extent of authorization of one other director only. In case a meeting of the Board of Directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting

shall be deemed to have attended the meeting in person.

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

Article 22: Directors shall participate in the resolution of company operational guidelines and other important issue. The Chairman of the Board of Directors shall preside of the meeting of the Board of Directors. In the absence of the Chairman, the Board of Directors shall act according to the preceding paragraph.

Determine the procurement and disposition of important properties of the Company is not include in the aforesaid other important issue.

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

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

Article 23: The resolutions of the Board of Directors of the Company shall be adopted by a majority vote of the shareholders' present, who represent more than one-half of the total number of voting shares.

Article 24: (deleted)

Article 25: (deleted)

Article 26: (deleted)

Article 27: The Board of Directors is authorized to determine the compensation of directors according to their degree of participation and contribution with normal standard in the same industry.

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

### **Chapter 5 Managers**

Article 28: The Company may have managers. The employment, discharge and compensation shall be managed in accordance with Article 29 of the Company Act.

Article 29: Managers enforce the resolutions of the Board of Directors. A managerial personnel of a company shall not concurrently act as a managerial personnel of another company, nor shall he/she operate, for the benefit of his/her own or others, any business which is the same as that of the company employs him/her, unless otherwise concurred in by the Board of Directors.

### **Chapter 6 Accounting**

Article 30: The fiscal year of the Company shall be from January 1 to December 31 every year. After the close of each fiscal year, the Board of Directors shall prepare following statements and records and submit the same to the general meeting of shareholders for ratification:

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

Article 31: When allocating the net profits for each fiscal year, the Company shall set aside 0.05% to 0.5% of the balance of pre-tax profit prior to deducting employees compensation as compensation of employees. However, the Company's accumulated losses shall have been covered.

The resolution of employees compensation pursuant to

Article 235-1 of the Company Act.

Article 32: Where there is surplus of the annual final account, when allocating the net profits for each fiscal year, the Company shall first pay its income tax and offset its prior years' accumulated losses and set aside 10% legal capital reserve and special earning reserve as necessary followed by the dividend. For remaining surplus incorporated with the accumulated earning in previous years, the Board of Directors shall prepare the proposal concerning the appropriation of net profits and submit the same to the shareholders' meeting for resolution.

Preceding special earning reserves include:

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

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

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

### **Chapter 7 Additional provision**

Article 34: These Articles of Incorporation were adopted on Oct.28, 1964. The 1st Amendment was on May 10, 1966, 2nd Amendment on May 31, 1967, 3rd Amendment on Jan. 30,

1968, 4th Amendment on Sept. 29, 1969, 5th Amendment on July 30, 1970, 6th Amendment on Aug. 20, 1971, 7th Amendment on May 20, 1972, 8th Amendment on June 30, 1973, 9th Amendment on June 26, 1974, 10th Amendment on June 20, 1975, 11th Amendment on June 15, 1976, 12th Amendment on June 15, 1977, 13th Amendment on June 15, 1978, 14th Amendment on June 15, 1979, 15th Amendment on June 16, 1980, 16th Amendment on June 15, 1981, 17th Amendment on June 15, 1982, 18th Amendment on June 16, 1983, 19th Amendment on June 15, 1984, 20th Amendment on May 23, 1985, 21st Amendment on May 25, 1986, 22nd Amendment on Mar. 8, 1987, 23rd Amendment on May 12, 1988, 24th Amendment on May 20, 1989, 25th Amendment on May 11, 1990, 26th Amendment on May 14, 1991, 27th Amendment on May 14, 1992, 28th Amendment on May 10, 1994, 29th Amendment on May 12, 1995, 30th Amendment on May 22, 1996, 31st Amendment on May 28, 1997, 32nd Amendment on June 12, 1998, 33rd Amendment on May 12, 1999, 34th Amendment on May 10, 2000, 35th Amendment on May 10, 2001, 36th Amendment on June 7, 2002, 37th Amendment on May 29, 2003, 38th Amendment on May 28, 2004, 39th Amendment on June 10, 2005, 40th Amendment on June 16, 2006, 41st Amendment on June 8, 2007, 42nd Amendment on June 6, 2008, 43rd Amendment on June 19, 2009, 44th Amendment on June 18, 2010, 45th Amendment on June 15, 2012, 46th Amendment on June 17, 2013, 47th Amendment on June 16, 2014, 48th Amendment. The articles in related with addition of Audit Committee and deletion of Supervisors will be applied upon the expiry of the term of office of Supervisors selected in the shareholders' meeting on June 15, 2012. The 49th Amendment on June 16, 2015, 50th Amendment on June 7, 2016, 51th Amendment on June 15, 2018.

# **Rules of Procedure for Shareholders' Meetings of Formosa Chemicals & Fibre Corporation**

Amended by the Annual Shareholders' Meeting on June 7, 2016

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

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

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

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

To convene a shareholders' meeting, the Company shall prepare a meeting handbook. The Company shall prepare electronic versions of a shareholders' meeting notice and proxy forms, and

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

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

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

A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at an annual shareholders' meeting. Such proposals,



however, are limited to one item only, and no proposal containing more than one item will be included in the Meeting Agenda. In addition, when the circumstances of any subparagraph of paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the Agenda.

Prior to the book closure date before an annual shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

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

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

Article 4: For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the power authorized to the proxy.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company no later than 5 days prior to the Shareholders' Meeting date. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to revoke the previous proxy appointment.

After a proxy form has been delivered to the Company, if the

shareholder intends to attend the meeting in person or to exercise voting rights in writing or by way of electronic transmission, a written notice of proxy rescission shall be submitted to the Company no later than 2 days prior to the meeting date. If the rescission notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5: The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 6: The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

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

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders'

meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

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

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

It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman, that a majority of the Directors attend in person, and that at least one member of each functional committee attend as representative. Attendance details should be recorded in the Shareholders Meeting minutes. If a shareholders' meeting is convened by a party having the convening right but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

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

Article 8: The Company, beginning from the time it accepts shareholder

attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

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

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

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

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to paragraph 1 of Article 175 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.

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

Article 10: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party having the convening right that is not the Board of Directors.

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

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

Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the Chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the Chair, a shareholder may not speak more than twice on the same proposal, and a single speech

may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the Chair may terminate the speech.

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

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

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

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

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

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

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

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

With the exception of a trust enterprise or a stock agency approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders,

the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of voting shares, otherwise, the portion of excessive voting rights shall not be counted.

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

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

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

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

a shareholder has exercised voting rights both in writing or by way of electronic transmission and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

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

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

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chair, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 14: The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they



were elected.

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

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

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the Chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

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

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

Article 17: Staff handling administrative affairs of a shareholders' meeting

shall wear identification cards or arm bands.

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

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

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

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

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

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

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

# **Procedures for Acquisition or Disposal of Assets of Formosa Chemicals and Fibre Corporation**

Amended by the Annual Shareholders' Meeting on June 9, 2017

## **Chapter 1 General Provisions**

Article 1: When acquiring or disposing of the following assets, Formosa Chemicals & Fibre Corporation (hereinafter referred to as the "Company") and its subsidiaries shall follow the Procedures for Acquisition or Disposal of Assets (hereinafter referred to as the "Procedures"):

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

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

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

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

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

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

Mainland Area.

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

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

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

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

A major asset transaction or a derivatives transaction shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all audit committee members is

not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

## **Chapter 2 Acquisition or Disposal of Assets**

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

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

- (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

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

Article 8-1: In acquiring or disposing of membership cards or intangible assets where the transaction amount reaches 20 percent or more of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government institution, shall engage a CPA to render an opinion on the reasonableness of the transaction price prior to the date of occurrence of the event. The CPA shall comply with the

provisions of Statement of Auditing Standards No. 20 published by the ARDF.

- Article 8-2: The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 26, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
- Article 9: Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- Article 10: Where the Company acquires or disposes of assets shall be conducted by the Chairman delegated by the Board of Directors or in accordance with the authorization limits of the Company.

### **Chapter 3 Related Party Transactions**

- Article 11: When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of Chapter 2 and this Chapter, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Chapter 2.
- The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 8-1.
- Article 12: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to



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

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

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

amount.

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

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

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

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

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall

have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

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

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

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

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

Article 15: When the results of the Company's appraisal conducted in accordance with Article 13, paragraph 1 and paragraph 2 herein are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 16. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real

property appraiser and a CPA, this restriction shall not apply:

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

- (1) Where undeveloped land is appraised in accordance with the means in the preceding two Articles, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
- (3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued

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

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

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

Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante

has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the securities competent authority has given its consent.

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

#### **Chapter 4 Engaging in Derivatives Trading**

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

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

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

Article 19: Where the Company participates in a merger, demerger, or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders

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

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

Where the Company participates in a merger, demerger, acquisition, or transfer of shares shall prepare a full written record of the following information and retain the record for 5 years for reference. In addition, the information set out in the subparagraphs 1 and 2 of the following paragraph shall be reported in the prescribed format and via the Internet-based information system to the securities competent authority for

recordation within two days commencing immediately from the date of passage of a resolution by the Board of Directors.

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

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

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

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



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

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

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated

shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

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

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

### **Chapter 6 Public Disclosure of Information**

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

- 1.Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market

funds issued by domestic securities investment trust enterprises.

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

The amount of transactions above shall be calculated as follows:

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

disposals, respectively) within the same development project within the preceding year.

4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

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

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

Article 29: Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the Article 26 through 28, a public report of relevant information shall be made on the information reporting website designated by the securities competent authority within 2 days commencing immediately from the date of occurrence of the event:

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

## **Chapter 7 Additional Provisions**

Article 30: Information required to be publicly announced and reported in

accordance with the provisions of Chapter 6 on acquisitions and disposals of assets by a subsidiary of the Company that is not a public company in Taiwan shall be reported by the Company.

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

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

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

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

Article 33: (Deleted)

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

Article 35: After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the Shareholders Meeting

for approval before implementation. Any amendment is subject to the same procedure. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

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

# **Procedures for Engaging in Derivatives Transactions of Formosa Chemicals and & Fibre Corporation**

Amended by the Annual Shareholders' Meeting on June 15, 2018

## **Chapter 1 General Provision**

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

## **Chapter 2 Operation Procedures**

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

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

Article 6: The transaction personnel of the Department, which is in charge of derivatives transactions, shall follow the trading strategy in accordance with the approved deal terms and conditions of derivatives transactions. Also, the transaction personnel shall execute trades directly with counterparties. After the aforesaid trades are done, the transaction personnel shall deliver the relevant transaction receipts to the settlement personnel to conduct the settlement procedures. The settlement personnel shall proceed with contracts signing, bank accounts opening, settlement, accounts closing, etc. with counterparties in accordance with the trading conditions.

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

### **Chapter 3 Announcement and Reporting Procedures**

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

Article 9: When the Company's subsidiaries are not public companies of the Republic of China and are participating in derivatives



transactions, the Company shall follow the requirements of Article 8 hereof to report and make public announcements on behalf of its subsidiaries.

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

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

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

#### **Chapter 4 Internal Control and Internal Audit**

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

Article 14: The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, and the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and supervision of derivatives transactions from time to time, and periodically supervise and evaluate the performance of derivatives transactions to check whether they are conducted in accordance with the related procedures formulated by the

Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be submitted to a high-level manager(s) authorized by the Board of Directors for review. If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the maximum loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors. There shall be independent directors attending the Board of Directors meeting and expressing their opinions.

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

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

1. If the Company's subsidiaries intend to conduct derivatives transactions, the Company shall ensure that its subsidiaries establish their own "Procedures for Engaging in Derivatives Transactions".
2. The Company's subsidiaries shall submit the reference content of the derivatives transactions of the previous month to the Company for review by the fifth date every month.

3. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall submit a written notice to the Company of such violations. The Company shall closely monitor the violations and the resulting improvements.

### **Chapter 5 Additional Provision**

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

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

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

## **Procedures for Loaning Funds to Other Parties of Formosa Chemicals & Fibre Corporation**

Amended by the Annual Shareholders' Meeting on June 7, 2016

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

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

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

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

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

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

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

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

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

Article7: Loans of funds between the Company and its parent company or subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to Article 5, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

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

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

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

accordance with the related rules of the Company.

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

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

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

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

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

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

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



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

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

# **Procedures for Providing Endorsements and Guarantees to Other Parties of Formosa Chemicals & Fibre Corporation**

Amended by the Annual Shareholders' Meeting on June 7, 2016

## **Chapter 1 General Provision**

- Article 1: Formosa Chemicals & Fibre Corporation (hereinafter referred to as the "Company") shall comply with the "Procedures for Providing Endorsements and Guarantees to other Parties" (hereinafter referred to as the "Procedures") when making endorsements or guarantees for others.
- Article 2: The term "endorsements/guarantees" as used in the Procedures refers to the following:
1. Financing endorsements/guarantees, including:
    - (1) Bill discount financing.
    - (2) Endorsement or guarantee made to meet the financing needs of another company, including any creation of a pledge or mortgage on the Company's chattel or real property as security for the loans of another company.
    - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
  2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
  3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.
- Article 3: The Company may make endorsements/guarantees for the following companies :
1. A company with which it does business.
  2. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
  3. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
  4. Where the Company fulfills its contractual obligations by

providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

5. Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages. Capital contribution referred to in the paragraph shall mean capital contribution directly by the Company, or through a subsidiary in which the Company holds 100% of the voting shares.

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

## **Chapter 2 Formulation of Operation Procedures**

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

1. The aggregate amount of making endorsements or guarantees shall not exceed 1.3 times of the net value of the Company.

2. For any one endorsee or guarantee, the amount shall not exceed 50% of the aggregate amount above.

3. The total outstanding amount of endorsement to each of the companies, which has a business relationship with the Company, shall not exceed the total transaction amount between the two parties. The foresaid “total transaction amount” shall be the total purchasing or selling amount or contract price, whichever is highest, provided that the highest amount shall in no event exceed the amount set forth in the preceding item.

Where the Company needs to exceed the limits set out in the

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

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

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

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

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

Before making any endorsement/guarantee pursuant to Article

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

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

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

Article 7: The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the Board of

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

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

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

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

itself informed of the improvement results.

### **Chapter 3 Announcement and Reporting**

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

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

1. The aggregate amount of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
2. The amount of endorsements/guarantees by the Company and its subsidiaries for any single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
3. The amount of endorsements/guarantees by the Company and its subsidiaries for any single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees, long-term investment, and loans to that enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

Article 12: The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to

announce and report pursuant to Article 11. The percentage of the balance of endorsements/guarantees over the net worth of the subsidiary under the preceding paragraph shall be calculated by the ratio of the subsidiary's balance of endorsements/guarantees to the Company's net worth.

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

#### **Chapter 4 Additional Provisions**

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

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



## Formosa Chemicals & Fibre Corporation

### Current Shareholdings of Directors

Title	Name	Shareholding (share)
Chairman	Wen Yuan, Wong	129,198,084
Vice Chairman	Fu Yuan, Hong	272,804
Managing Director	Wilfred, Wang	16,867,218
Managing Director	Nan Ya Plastics Corporation Representative: Ruey Yu, Wang	140,519,648
Managing Director (Independent Director)	Ruey Long, Chen	0
Independent Director	Hwei Chen, Huang	0
Independent Director	Tai Lang, Chien	0
Director	Formosa Petrochemical Corporation Representative: Walter Wang	48,567,575
Director	Wen Chin, Lu	3,236
Director	Dong Terng, Huang	27,410
Director	Ing Dar, Fang	73
Director	Ching Fen, Lee	0
Director	Jin Hua, Pan	0
Director	Wei Keng, Chien	0
Director	Tsung Yuan, Chang	0

Note: According to Article 26 of Securities and Exchange Act, the minimum shareholdings of the Company's Directors are 93,778,981 shares. As of April 7, 2018, the actual shareholdings of the Company's Directors are 335,456,048 shares.