

FORMOSA TAFFETA CO., LTD.

2017 ANNUAL SHAREHOLDERS' MEETING

MEETING HANDBOOK (SUMMARY)

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

JUNE 23, 2017

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FORMOSA TAFFETA CO., LTD.
2017 ANNUAL SHAREHOLDERS' MEETING
PROCEDURE

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

FORMOSA TAFFETA CO., LTD.

2017 ANNUAL SHAREHOLDERS' MEETING AGENDA

Time: 10:00 a.m., Friday, June 23rd, 2017

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

I. Report Items

1. Business report for 2016
2. Supervisors' review Report for 2016
3. Report of compensation of employees, directors and supervisors for 2016

II. Ratification Items

1. The 2016 business report and financial statements required by the Company Act
Please ratify it.
2. The proposal for distribution of 2016 profits required by the Company Act
Please ratify it.

III. Discussion Item(s) (I)

1. Amendments to Handling Procedures for Acquisition and Disposal of Assets of the Company
Please discuss and resolve.

IV. Election Item(s)

1. Election of new directors by law before expiration of the term of office of existing directors

V. Discussion Item(s) (II)

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

Report Items

1. Business Report for 2016

Explanation:

Please refer to Page 4 for the Business Report for 2016.

2. Supervisors' Review Report for 2016

Explanation:

The Company's Supervisors reviewed the financial statements of 2016 and issued their review report according to the applicable laws. Please refer to Page 12 for the Supervisors' Review Report.

3. Report of compensation of employees, directors and supervisors for 2016

Explanation:

2016 pre-tax income without deductions of compensation of employees, directors and supervisors is NT\$3,779,322,685 without accumulated loss. 0.2% of that income, NT\$ 7,558,578 is, according to Article 30 of Articles of Incorporation, appropriated as employees' compensation and another 0.1%, NT\$ 3,779,289, as directors' and supervisors' compensation, which is approved by the Board of Directors on March 17, 2017. The aforementioned compensation is all paid in cash.

Formosa Taffeta Company Limited

2016 Annual Business Report

1.2016 Business Performance

The Company's consolidated revenue dropped by 7% (US\$93.7 million from US\$1,328.2 million of 2015) to US\$1,234.5 million in 2016 while consolidated pretax profit rose by 19% (US\$22.1 million from US\$116.5 million of 2015) to US\$138.6 million.

2.2016 Business Status

In 2016, the Company's operation was under the sway of the fluctuations in the global economic and financial environment. The main influence came from the loose monetary policy, which resulted in new highs for stock, futures, and bonds indices on the global market. These new highs further induced price spikes for raw materials, oil, interest rates, and U.S. dollar. Costs derived from such spurts are uneasy to be passed on to consumers due to lower-than-expectation growth for substantial private consumption.

In 2017, Western sports fashion and performance brands are expected to resume active procurements, following inventory adjustment in 2016. Despite uncertainties associated with the economic policy of the Donald Trump administration, private consumption is expected to advance in 2017, thanks to robust growth in North America and revaluation of the U.S. dollar, facilitating achievement of the Company's business target for the year.

3.2017 Business Plan and Outlook

Business plans and outlooks for the seven major products in 2017 are as follows:

(1) Filament woven fabrics:

In 2016, sluggish global consumption and extreme weather caused slackened repurchase of apparels, decrease of follow-up

orders by branded customers, subsidence of the craze for "fast fashion," and downward adjustment of some international sports brands' revenue targets. This may make branded customers' orders in 2017 unable to pick up until completion of inventory adjustment at the end market. Four major items of the Company's filament textiles on the end market are outdoor-performance clothes, sportswear, casual clothes, and umbrellas. With mixture of fashion and sport having become a current, international sports or outdoor brands have rolled out products appealing to both sports and performance and emerging performance brands have mushroomed. In line with the plural trends, the Company is stepping up launch and sales of differentiated products with high niche and those made from recycled materials, such as lightweight micro-diner textiles, spandex, environment-friendly materials, breathable waterproof laminated/coated textiles, etc. so as to boost their percentage of the Company's total sales, in terms of volume and amount. We will also intensify cooperation with potential branded customers, continue improving process technologies at domestic and foreign weaving and dyeing plants, eradicate the failure costs, push energy conservation, and introduce SOPs, in order to enhance both production management and quality control, facilitating growth in 2017.

Regarding the production and sales of filament textiles, the Company invests in the planning and design for combinations of the newest swatches in each season, strives for domination of product trends, and boost additional orders. On operation, it continues transferring some brand orders to overseas plants, augments product development, equipment installation/functionality, professional techniques and personnel training at overseas plants, strengthens competitive edge, and integrates the respective advantages of and optimizing capacity allocation at the five plants in Taiwan, China, and Vietnam so as to boost synergy.

The plants in China received growing amount of brand orders as they won more and more sportswear and outdoor casual-clothes branded customers as its strategic partners for China's domestic markets. In 2016, domestic sales outpaced exports; indirect exports and demand for the down fashion garments rose gradually. Backed by preferential tariffs in many countries and free tariff for garments in Japan, the Vietnamese plants continued improving their quality and delivery and expanding its products mix via installation of advanced equipment, such as acquaZERO beam dyeing machines and solvent-free PUR laminating machines.

With global private consumption of textiles expected to expand in 2017, the Company will strive to solicit new branded customers, innovate products, intensify linkage with strategic branded partners, and cooperate with their designated garment suppliers so as to facilitate growth in the year.

(2) Tyre cord:

Operation scale of the Taiwanese plant has shrunk in recent years on loss of some orders or transfer of production to the Vietnamese plant, due to a number of adverse factors, including higher tariffs, capacity expansion by peers, price competition, overcapacity in Asia. Equipment with first-phase capacity of the Vietnamese plants, reaching 12,000 tons a year, was put in place by the fourth quarter of 2014. Initial output focused on bulk coarse diner textiles, mainly for shipment to Vietnamese domestic market, ASEAN (Association of Southeast Asian Nations), Korea, and China. Sales expanded to 80% of capacity in 2015, cutting loss; in 2016, full capacity allows the Company to experience a turnaround. Shipment to India by the Taiwanese plant and the Vietnamese plants dropped in 2016, because China-made low-cost whole steel-tread tires for trucks

and buses diminished sales and demand for bias ply tires. Furthermore, soliciting orders for regular products in India was aggravated by 10% tariff levied on commodities imported from Taiwan

With its first--phase facility running at full capacity, the advantage of free tariff for the ASEAN market, and another annual 12,000 tons capacity that is derived from the completion of the second-phase facility in Sept. 2016 and the initiation of production, the Vietnamese plants will be able to, because of expanded scale of operation in 2017, augment its competitiveness, expand and flexibly adjust its products mix and take over low-cost orders from the Taiwanese plant, which has become increasingly uncompetitive for such business. Meanwhile, the Taiwanese plant will have to step up effort soliciting orders from the world's 30 leading tire brands and strengthen products mix so as to increase orders for differentiated products and enhance profits.

(3) Gas stations:

As of the end of 2016, Formosa Petroleum Station had 105 gas stations, making it the fifth largest gas-station brand in Taiwan. After bottoming out in Jan. 2016, the global oil prices have been on the rise, boosting the gross margin. Plus adjustment in inventory, Formosa Petroleum Station's profits skyrocketed by 166% in 2016, despite 6.8% revenue decline. For years, Formosa Petroleum Station has enjoyed steady profits, thanks to the persistent effort in removing underperforming stations via evaluation of the performance, site, and lease of an individual station. To cope with fluctuation in global prices in recent years, Formosa Petroleum Station has intensified flexible control of oil-tank storage level.

Since the launch in Jan. 2013, self-service of oil filling has been

available at 89 stations, which will be expanded gradually in line with benefits. In addition, Formosa Petroleum Station has been soliciting contract customers, whose bills are settled once a month, such as enterprises and operators of agricultural machines and engineering machines, among others. To meet customers' plural needs, it also provides all-around service by engaging in car-washing service, as well as B2C business, selling leisure and daily-life products and auto accessories and other auto goods. To assure quality service and standardized management, it has been continuously pushing personnel training for SOP, 5S, and TPM.

In 2017, profit is expected to stably grow owing to slight growth in oil sales; so is annual revenue despite fluctuation in global oil prices.

(4) Cotton organic yarns:

In 2016, the cotton-yarn plant still supplied steadily thermal clothing to domestic channels, such as 7-11 convenience stores and Internet brands, and performance fibers to existing markets, such as nano bamboo charcoal fiber, nano far infrared ray fiber, nano anion fiber, moisture absorbing fiber, hollow section fiber, bamboo fiber, and Germanium fiber, etc. In addition, the plant extended into a number of new businesses, including PET bottle recycle fiber, organic natural cotton, seacell fiber, zinc-oxide fiber, and X-Static fiber (silver coated), mainly for supply to renowned sportswear brands.

In 2017, amid the lackluster global and domestic environment for cotton fabric, the plant will insist on vertical integration for R&D of sophisticated custom products, and thereby achieving slight growth.

(5) Special fabrics:

In 2016, the special-textile plant rolled out filament anti-static fabric for working clothes for painting, which has been certified by a number of customers. It also developed working clothes for Singapore's foodstuff factories, boosting sales of sterilized fabric. For industrial fabric, the plant developed fabric for anti-slash clothes and Nylon 66 industrial fabric. Another application of such industrial fabric was DuPont mid-tier blended fireproof clothes for naval turbine operators, and what produced such clothes have been taken as a substitute for fireproof cotton fabric. Extended applications of fireproof fabric are developments of medium- and low-tier anti-static fireproof fabric and fabric for anti-arc clothing; fireproof fabric is further introduced into the bidding markets for military/police clothes and smart firefighting clothes.

In 2017, the plant will march towards the markets of medical uniforms, military gears, composite materials, and overseas markets, further boosting its popularity.

(6) Carbon-fiber composite fabrics:

Major products in this category include 3k and 12k carbon-fiber fabric, 12k reinforcement material, 12k/24k one-way prepreg, and 3k two-way prepreg, mainly for supply to domestic manufacturers of bike components and parts, sports gear, and reinforcement construction materials, on top of shipment of 12k one-way prepreg and 3k/12k carbon-fiber fabric to Japan. In 2016, effort continued for pushing sales of multi-axial layered carbon cloth for use in shipbuilding, autos, and industrial materials. Still in the development stage, the company completed development of some checkered fabrics, including thermosetting dry fabric, prepreg, and thermoplastic dry fabric.

In 2017, the Company will cooperate with foreign enterprises in developing 3K textiles and PC thermoplastic boards, for application in producing lightweight strong laptop cases. On top of domestic sales

for use in bike rims, the Company will endeavor to break into European markets of windmills, shipbuilding and the related applications for multi-axial layered fabric. Also on the agenda for development is the market for industry-use carbon-fiber plates; via the process similar to CCL manufacturing one, thermoplastic and thermosetting carbon-fiber plates are manufactured for applications in drones, remotely controlled planes, and medical beds. The above items will target mainly the carbon-fiber markets in Southeast Asia, Japan, and Europe.

(7) Plastic bags:

In 2016, Japan absorbed 74% of the shipment of HDPE (high-density polyethylene) bags, followed by America with 25% and domestic sales with 1%. Thanks to robust sales to America, profits jumped by 95%.

Sales are expected to grow slightly in 2017 based on the existing performance.

4. Conclusion

Outlook for 2017 is clouded by a number of uncertainties, including devaluation of Asian currencies, spike of global prices of raw materials, oil prices which stay high, European elections, anti-globalization, anti-austerity, repulsion of massive refugees and other forms of protectionism. Under such circumstances, all nations, except for North America, may experience potential stagnation. In addition, on the domestic front, Taiwanese enterprises will be confronted with multiple challenges, such as diversification of supply chains by major global brands, higher tariffs for Taiwan-made goods, and higher labor costs resulting from the institution of five-day workweek scheme. In adherence to the management principle of "thorough probe of problems, relentless quest for perfection," put forth by the Company's founding brothers Wang Yung-ching and Wang Yung-tzai, the Company has been pushing various improvement projects by means of the regional status associated with cross-Strait ECFA and CAFTA (China-Asean Free Trade Area) and the respective advantages of various regional

plants. Moreover, it will invest new capacities and innovative technologies, flexibly adjust regional division-of-labor, coordinate global marketing, implement specialized and concentrated production for various plants, eliminate the cost of failure and waste of resources, pursue higher added value, unify standards, and make branding sophisticated so as to create and expand synergy. What is expected to achieve are to attain the performance goal for 2017, expand investment returns and create development vision for stockholders, achieve co-prosperity with supply-chain partners, retain customer patronage and win the respect of the society.

Chairman: Wen-Yuan Wong

President: Shih-Ming Hsie

In-charge Accountant: Hung-Ning Cheng

FORMOSA TAFFETA CO., LTD

Supervisors' Review Report

The Board of Directors has prepared and submitted the Company's 2016 Business Report, Proposal for Profits Distribution, and Consolidated and Parent Company Only Financial Statements, all of which are audited by the CPAs of PricewaterhouseCoopers Taiwan (PwC). We as the Supervisors of the Company have reviewed the aforementioned documents and found no unconformities. According to Article 219 of the Company Act, we hereby submit this report. Please be advised accordingly.

Submitted to
2017 Annual Shareholders' Meeting of the Company

Supervisor: Man-Chun Lee

Shen-Fu Lu

How-Jen Huang

March 17, 2017

Ratification Items

Proposal 1

Proposal: The 2016 business report and financial statements required by the Company Act

Please ratify it.

Proposed by the Board of Directors

Explanation:

- 1.The preparation of the Company's 2016 Consolidated and Individual Financial Statements were completed and the same were approved at the meeting of the Board of Directors on March 17, 2017 and audited by independent auditors, CPA Mr. Han-Chi Wu and CPA Ms. Man-Yu Juanlu, of PwC. The aforesaid Financial Statements together with the Business Report were reviewed by the supervisors, and the Supervisors' Review Report in writing is presented.
- 2.For the aforementioned Business Report, please refer to page 4 through page 11 of the Meeting Handbook. As for the Financial Statements, please refer to page 26 through page 38 of this Handbook. Please approve the Business Report and the Financial Statements.

Resolution:

Ratification Items Proposal 2

Proposal: The proposal for distribution of 2016 profits required by the Company Act

Please ratify it.

Proposed by the Board of Directors

Explanation:

The Statement of Profits Distribution for 2016 was approved on March 17, 2017 at the meeting of the Board of Directors, which can be referred to on page 39 of this Handbook).

Resolution:

Discussion Item(s) (I)**Proposal 1**

Proposal: Amendments to Handling 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. 1060001296 dated Feb. 9, 2017 by the Financial Supervisory Commission, certain articles of the Company's Handling Procedures for Acquisition and Disposal of Assets are accordingly amended. The comparison table for articles before and after amendment is hereby attached. Please determine whether the amendments are feasible.

Article	Article before Amendment	Article after Amendment
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 <u>agency</u> , 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: (Omitted)	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 <u>agency</u> , 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: (Omitted)

Article	Article before Amendment	Article after Amendment
Article 8-1	(Added)	In acquiring or disposing of membership cards or intangible assets 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 <u>agency</u> , 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 Accounting Research and Development Foundation.
Article 8- <u>2</u>	The calculation of the transaction amounts referred to in the preceding <u>two</u> articles shall be done in accordance with Article 30, 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.	The calculation of the transaction amounts referred to in the preceding <u>three</u> articles shall be done in accordance with Article 30, 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	Article before Amendment	Article after Amendment
Article 12	<p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption</u> of domestic money market funds, 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 and recognized by the supervisors: (Omitted)</p>	<p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption</u> of money market funds <u>issued by domestic securities investment trust enterprises</u>, 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 and recognized by the supervisors: (Omitted)</p>

Article	Article before Amendment	Article after Amendment
Article 18	The Company that conducts a merger, demerger, acquisition, or transfer 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 submit it to the Board of Directors for deliberation and passage.	The Company that conducts a merger, demerger, acquisition, or transfer 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 submit it to the Board of Directors for deliberation and passage. <u>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.</u>

Article	Article before Amendment	Article after Amendment
Article 26 (Continued)	<p>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 prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>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 <u>redemption</u> of <u>domestic</u> money market funds.</p> <p>2.Merger, demerger, acquisition, or transfer of shares.</p>	<p>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 prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>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 <u>redemption</u> of <u>money market funds issued by domestic securities investment trust enterprises.</u></p>

Article	Article before Amendment	Article after Amendment
Article 26 (Continued)	<p>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.</p> <p>4.Where an asset transaction other than any of those referred to in the preceding <u>three</u> subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; 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 subscription or <u>redemption</u> of domestic money market funds.</p> <p>(3) 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 <u>less</u> than NT\$<u>500 million</u>.</p>	<p>2.Merger, demerger, acquisition, or transfer of shares.</p> <p>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.</p> <p>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 reaches NT\$<u>1 billion</u> or more.</p> <p>5.Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p>

Article	Article before Amendment	Article after Amendment
Article 26	<p><u>(4)</u> 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 <u>less</u> than NT\$500 million.</p> <p>(Omitted)</p>	<p>6. Where an asset transaction other than any of those referred to in the preceding <u>five</u> subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million 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 <u>redemption</u> of money market funds <u>issued by domestic securities investment trust enterprises.</u></p> <p>(Omitted)</p>

Article	Article before Amendment	Article after Amendment
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.	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 <u>within two days counting inclusively from the date of knowing of such error or omission.</u>

Resolution:

Election Items

Proposal: Election of new directors by law before expiration of the term of office of existing directors

Proposed by the Board of Directors

Explanation:

1. The term of office of the Company's current directors and supervisors, who were elected on June 26, 2014, will expire on June 25, 2017. To conform to the provision promulgated by the securities competent authority, which requires the Company shall establish an Audit Committee to substitute for the supervisors, it is proposed to elect 11 directors (including 3 independent directors) through cumulative voting. The term of office of the new Directors (including independent directors) shall be three years, starting from June 23, 2017 to June 22, 2020.
2. In accordance with Article 192-1 of the Company Act and Article 18 of the Company's Articles of Incorporation, the candidate nomination system shall be adopted for the election of Directors (including independent directors), that is, they are elected by shareholders from the candidate list. The Company has examined and approved the qualification of 11 candidates (including 3 independent director candidates) at the meeting of the Board of Directors on May 5, 2017. The names of the 8 Director Candidates are listed below:

Name	Education	Major Experience	Shareholding (Share)
Wong, Wen-yuan (Representative of Formosa Chemicals & Fibre Corporation)	Master in Industrial Engineering, University of Houston	Current Appointment: —Chairman of Formosa Chemicals & Fibre Corporation —Chairman of Formosa Taffeta Co., Ltd. —Formosa Advanced Technologies Co., Ltd. Experiences: —Present of Formosa Chemicals & Fibre Corporation	630,022,431

Name	Education	Major Experience	Shareholding (Share)
Hsie, Shih-ming (Representative of Kai Fu Enterprise Co., Ltd.)	Course completion certificate, National Taipei university of Technology	Current Appointment: —Vice Chairman & President of Formosa Taffeta Co., Ltd. And Formosa Advanced Technologies Co., Ltd. Experiences: —Chairman of Yu Tuan Enterprise Co., Ltd.	113,000
Hong, Fu Yuan (Representative of Formosa Chemicals & Fibre Corporation)	Bachelor in Department of Chemical Engineering, Chung Yuan Christian University	Current Appointment: —Vice Chairman of Formosa Chemicals & Fibre Corporation Experiences: —President of Formosa Chemicals & Fibre Corporation	630,022,431
Huang, Dong-terng (Representative of Formosa Chemicals & Fibre Corporation)	Associate Degree in Department of Chemical Engineering, Provincial Taipei Institute of Technology	Current Appointment: —President of Formosa Chemicals & Fibre Corporation Experiences: —Executive Vice President of Formosa Chemicals & Fibre Corporation	630,022,431
Lee, Ming-chang (Representative of Formosa Chemicals & Fibre Corporation)	Bachelor in Textile Engineering, Feng Chia University	Current Appointment: —Executive Vice President of Formosa Taffeta Co., Ltd. Experiences: —Vice President of Formosa Taffeta Co., Ltd.	630,022,431

Name	Education	Major Experience	Shareholding (Share)
Tsai, Tien-shuan (Representative of Formosa Chemicals & Fibre Corporation)	Bachelor in Textile Engineering, Feng Chia University	Current Appointment: — Vice President of Formosa Taffeta Co., Ltd. Experiences: — Assistant manager of Formosa Taffeta Co., Ltd.	630,022,431
Lee, Man-chun (Representative of Changhua County Shu-wang Lai's Welfare and Charity Foundation)	Master in Accounting, National Chengchi University	Current Appointment: — Chief Executive Officer of Shu-wang Lai's Welfare and Charity Foundation — Adjunct Instructor of Department of Accounting of Feng Chia University — Adjunct Instructor of Department of Accounting of Providence University Experiences: — Auditor of National Audit Office	4,151,942
Hsieh, Ming-der	Degree of Mechanical Engineering, Kuang Wu Industry Junior College	Current Appointment: — Chairman of Yu Yuan Enterprise CO., Ltd. — Chairman of Shun Chin Enterprise Co., Ltd. Experiences: — President of Yu Tuan Enterprise Co., Ltd.	15,548,068

The names of the 3 Independent Director Candidates are listed below:

Name	Education	Major Experience	Shareholding (Share)
Cheng, Yu	Bachelor in Business Administration, National Chengchi University	<p>Current Appointment:</p> <ul style="list-style-type: none"> —Independent director of Chunghwa Telecom Co., Ltd. —Independent director of FORMOSA Petrochemical Corp. —Independent director of Formosa Advanced Technologies Co., Ltd. —Independent director of Formosa Taffeta Co., Ltd. <p>Experiences:</p> <ul style="list-style-type: none"> —Chairman of Radio Taiwan —President of TTV —Deputy Minister of Fair Trade Commission —Chief Editor and Deputy Publisher of Commercial Times 	0
Wang, Kung	Ph.D., Massachusetts Institute of Technology, USA	<p>Current Appointment:</p> <ul style="list-style-type: none"> —Chair Professor of China University of Technology —Independent director of Qisda Corporation —Independent director of Formosa Chemicals & Fibre Corporation —Independent director of Formosa Taffeta Co., Ltd. <p>Experiences:</p> <ul style="list-style-type: none"> —Member of Fair Trade Commission of Executive Yuan —Commissioner of Hsinchu Science Park 	0

Name	Education	Major Experience	Shareholding (Share)
Kuo, Chia-Chi	Bachelor in Accounting, National Taiwan University	<p>Current Appointment:</p> <ul style="list-style-type: none"> — CPA at Gloria J. C. Kuo Co. & CPAs Independent director of Fine Blanking & Tool Co., Ltd. — Independent director of Formosa Advanced Technologies Co., Ltd. — Independent director of Formosa Taffeta Co., Ltd. — Supervisor of Zongtai Property Co., Ltd. <p>Experiences:</p> <ul style="list-style-type: none"> — Former auditor for Chung Yang and Yi Hsing CPA firms 	3,000

Discussion Item(s) (II)

Proposal 2

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

Please discuss and resolve.

Proposed by the Board of Directors

Explanation:

1. According to Article 209 of the Company Act, a Director doing anything for himself/herself or on behalf of another person that is within the scope of the Company's business, shall explain the essential contents of such an act at the Shareholders' Meeting and secure Shareholders' approval.
2. Meanwhile, according to Explanation Letter No.89206938 on Article 209 of the Company Act, announced by the Ministry of Economic Affairs dated April 24, 2000, where the juristic person shareholder's authorized representatives are elected as directors according to Article 27-2 of the Company Act, both the juristic person shareholder and the authorized representatives shall be subject to the non-competition restrictions under Article 209 of the Company Act.
3. If a newly-elected Directors or a juristic person shareholder whose authorized representatives are elected as directors in this Annual Shareholders' Meeting conduct competitive businesses that are subject to the non-competition restrictions under Article 209 of the Company Act without damaging the interest of the Company, it is proposed to release the Directors and juristic person shareholders whose authorized representatives are elected as directors from such non-competition restrictions after having assumed office.

(Proclaim the information of engaging in competitive businesses conducted by the Directors and the juristic person shareholders)

Resolution:

Appendix

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

Items	Notes	For the years ended December 31,				
		2016		2015		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(22) and 7	\$ 39,848,986	100	\$ 42,872,570	100
5000	Operating costs	6(6)(25)(26) and 7	(34,354,879)	(86)	(36,732,939)	(86)
5900	Net operating margin		5,494,107	14	6,139,631	14
	Operating expenses	6(25)(26) and 7				
6100	Selling expenses		(1,728,789)	(4)	(1,836,218)	(4)
6200	General and administrative expenses		(939,161)	(3)	(918,716)	(2)
6300	Research and development expenses		(53,925)	-	(52,197)	-
6000	Total operating expenses		(2,721,875)	(7)	(2,807,131)	(6)
6900	Operating profit		2,772,232	7	3,332,500	8
	Non-operating income and expenses					
7010	Other income	6(23) and 7	1,941,094	5	653,564	1
7020	Other gains and losses	6(7)(24)	(445,983)	(1)	(352,197)	(1)
7050	Finance costs	6(27)	(177,762)	(1)	(190,352)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	385,218	1	317,782	1
7000	Total non-operating income and expenses		1,702,567	4	428,797	1
7900	Profit before income tax		4,474,799	11	3,761,297	9
7950	Income tax expense	6(28)	(634,299)	(1)	(537,345)	(2)
8200	Profit for the year		\$ 3,840,500	10	\$ 3,223,952	7

(Continued)

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

		For the years ended December 31,			
		2016		2015	
Items	Notes	AMOUNT	%	AMOUNT	%
		Other comprehensive income			
	6(21)	Components of other comprehensive income that will not be reclassified to profit or loss			
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	\$ 160,060	-	(\$ 197,495)	-
		Components of other comprehensive income that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations	(522,332)	(1)	270,933	1
8362	Unrealized gain on valuation of available-for-sale financial assets	12,929,669	32	3,168,512	7
8370	Share of other comprehensive loss of associates and joint ventures accounted for under equity method	(109,839)	-	(19,388)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss	<u>12,297,498</u>	<u>31</u>	<u>3,420,057</u>	<u>8</u>
8300	Total other comprehensive income for the year	<u>\$ 12,457,558</u>	<u>31</u>	<u>\$ 3,222,562</u>	<u>8</u>
8500	Total comprehensive income for the year	<u>\$ 16,298,058</u>	<u>41</u>	<u>\$ 6,446,514</u>	<u>15</u>
	Profit attributable to:				
8610	Owners of the parent	\$ 3,481,285	9	\$ 2,828,679	6
8620	Non-controlling interest	359,215	1	395,273	1
		<u>\$ 3,840,500</u>	<u>10</u>	<u>\$ 3,223,952</u>	<u>7</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 15,824,162	40	\$ 6,057,275	14
8720	Non-controlling interest	473,896	1	389,239	1
		<u>\$ 16,298,058</u>	<u>41</u>	<u>\$ 6,446,514</u>	<u>15</u>
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
	Basic and diluted earnings per share (in dollars)	6(28)			
9710	Profit for the year from continuing operations	\$ 2.66	\$ 2.28	\$ 2.24	\$ 1.92
	Non-controlling interest	(0.42)	(0.21)	(0.43)	(0.24)
9750	Profit attributable to common shareholders of the parent	<u>\$ 2.24</u>	<u>\$ 2.07</u>	<u>\$ 1.81</u>	<u>\$ 1.68</u>
	Assuming shares held by subsidiaries are not deemed as treasury stock:				
	Profit for the year from continuing operations	\$ 2.66	\$ 2.28	\$ 2.23	\$ 1.91
	Non-controlling interest	(0.42)	(0.21)	(0.43)	(0.23)
	Profit attributable to common shareholders of the parent	<u>\$ 2.24</u>	<u>\$ 2.07</u>	<u>\$ 1.80</u>	<u>\$ 1.68</u>

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

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

Assets	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,653,854	6	\$ 5,640,597	7
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		627,621	1	655,811	1
1125	Available-for-sale financial assets	6(3)				
	- current		2,345,355	3	1,824,656	2
1150	Notes receivable, net	6(4)	191,094	-	72,028	-
1160	Notes receivable - related parties	7	11,643	-	5,236	-
1170	Accounts receivable, net	6(5)	3,563,224	4	3,764,065	5
1180	Accounts receivable - related	7				
	parties		1,193,169	1	1,277,332	2
1200	Other receivables	7	454,087	-	360,728	-
130X	Inventory	6(6) and 8	7,856,427	9	7,827,720	10
1410	Prepayments		848,609	1	991,013	1
1470	Other current assets	6(10)	465,903	-	508,021	1
11XX	Total current assets		<u>23,210,986</u>	<u>25</u>	<u>22,927,207</u>	<u>29</u>
Non-current assets						
1523	Available-for-sale financial assets	6(3) and 7				
	- non-current		42,381,294	46	29,476,126	37
1543	Financial assets carried at cost -	6(7)				
	non-current		5,438,697	6	5,786,109	7
1550	Investments accounted for under	6(8)				
	equity method		3,428,263	4	3,158,212	4
1600	Property, plant and equipment	6(9) and 8	16,644,213	18	17,311,841	22
1840	Deferred income tax assets	6(28)	262,802	-	450,573	-
1900	Other non-current assets	6(11)	663,841	1	944,987	1
15XX	Total non-current assets		<u>68,819,110</u>	<u>75</u>	<u>57,127,848</u>	<u>71</u>
1XXX	Total assets		<u>\$ 92,030,096</u>	<u>100</u>	<u>\$ 80,055,055</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(12) and 8	\$ 2,989,383	3	\$ 3,507,956	5
2110	Short-term notes and bills payable	6(13)	999,827	1	1,699,525	2
2120	Financial liabilities at fair value through profit or loss - current	6(14)	1,381	-	818	-
2150	Notes payable		196,870	-	200,128	-
2160	Notes payable - related parties	7	129,706	-	140,382	-
2170	Accounts payable		1,761,510	2	1,602,029	2
2180	Accounts payable - related parties	7	1,127,766	1	981,723	1
2200	Other payables	6(15) and 7	1,564,711	2	1,813,430	2
2230	Current income tax liabilities	6(28)	188,151	-	381,633	1
2300	Other current liabilities	6(16)	334,222	1	281,377	-
21XX	Total current liabilities		<u>9,293,527</u>	<u>10</u>	<u>10,609,001</u>	<u>13</u>
Non-current liabilities						
2540	Long-term borrowings	6(16)	11,432,277	13	10,362,409	13
2570	Deferred income tax liabilities	6(28)	163,632	-	120,972	-
2600	Other non-current liabilities	6(17)	860,760	1	2,893,943	4
25XX	Total non-current liabilities		<u>12,456,669</u>	<u>14</u>	<u>13,377,324</u>	<u>17</u>
2XXX	Total liabilities		<u>21,750,196</u>	<u>24</u>	<u>23,986,325</u>	<u>30</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(18)	16,846,646	18	16,846,646	21
Capital surplus						
3200	Capital surplus	6(19)	266,458	-	20,791	-
Retained earnings						
3310	Legal reserve	6(20)	6,791,478	7	6,508,610	8
3320	Special reserve		1,708,542	2	1,381,824	2
3350	Unappropriated retained earnings		4,830,100	5	3,819,939	5
Other equity interest						
3400	Other equity interest	6(21)	36,326,427	40	24,143,610	30
3500	Treasury stocks	6(18)	(21,501)	-	(22,285)	-
31XX	Equity attributable to owners of the parent		<u>66,748,150</u>	<u>72</u>	<u>52,699,135</u>	<u>66</u>
36XX	Non-controlling interest		<u>3,531,750</u>	<u>4</u>	<u>3,369,595</u>	<u>4</u>
3XXX	Total equity		<u>70,279,900</u>	<u>76</u>	<u>56,068,730</u>	<u>70</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet						
3X2X	Total liabilities and equity		<u>\$ 92,030,096</u>	<u>100</u>	<u>\$ 80,055,055</u>	<u>100</u>

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

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

	Assets	Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,023,947	1	\$ 1,195,634	2
1125	Available-for-sale financial assets	6(2)				
	- current		1,611,938	2	1,284,824	2
1150	Notes receivable, net	6(3)	106,411	-	64,975	-
1160	Notes receivable - related parties	7	11,643	-	5,236	-
1170	Accounts receivable, net	6(4)	1,950,719	2	2,078,953	3
1180	Accounts receivable - related parties	7	195,024	-	189,710	-
1200	Other receivables	7	372,699	1	81,149	-
130X	Inventory	6(5)	4,364,350	5	4,263,989	6
1410	Prepayments		468,176	1	711,626	1
1460	Non-current assets held for sale - net	6(9)	64,509	-	-	-
1470	Other current assets		177,927	-	176,760	-
11XX	Total current assets		<u>10,347,343</u>	<u>12</u>	<u>10,052,856</u>	<u>14</u>
Non-current assets						
1523	Available-for-sale financial assets - non-current	6(2) and 7	41,654,803	50	29,420,621	42
1543	Financial assets carried at cost - non-current	6(6)	91,493	-	240,241	-
1550	Investments accounted for under equity method	6(7)	22,438,793	27	22,145,163	31
1600	Property, plant and equipment	6(8) and 7	7,614,649	9	7,874,806	11
1760	Investment property - net	7	523,340	1	548,181	1
1840	Deferred income tax assets	6(25)	243,834	1	431,073	1
1900	Other non-current assets		103,307	-	210,066	-
15XX	Total non-current assets		<u>72,670,219</u>	<u>88</u>	<u>60,870,151</u>	<u>86</u>
1XXX	Total assets		<u>\$ 83,017,562</u>	<u>100</u>	<u>\$ 70,923,007</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 20,162	-	\$ 306,791	1
2110	Short-term notes and bills payable	6(11)	999,827	1	1,699,525	3
2120	Financial liabilities at fair value	6(12)				
	through profit or loss - current		-	-	277	-
2150	Notes payable		161,324	-	170,387	-
2160	Notes payable - related parties	7	129,706	-	140,382	-
2170	Accounts payable		864,941	1	905,003	1
2180	Accounts payable - related parties	7	1,114,759	2	967,924	2
2200	Other payables	7	870,750	1	885,404	1
2230	Current income tax liabilities	6(25)	-	-	137,042	-
2300	Other current liabilities		79,182	-	80,140	-
21XX	Total current liabilities		<u>4,240,651</u>	<u>5</u>	<u>5,292,875</u>	<u>8</u>
Non-current liabilities						
2540	Long-term borrowings	6(13)	11,100,000	14	10,000,000	14
2570	Deferred income tax liabilities	6(25)	162,434	-	120,389	-
2600	Other non-current liabilities	6(14)	766,327	1	2,810,608	4
25XX	Total non-current liabilities		<u>12,028,761</u>	<u>15</u>	<u>12,930,997</u>	<u>18</u>
2XXX	Total liabilities		<u>16,269,412</u>	<u>20</u>	<u>18,223,872</u>	<u>26</u>
Equity						
Share capital						
3110	Share capital - common stock	6(15)	16,846,646	20	16,846,646	24
Capital surplus						
3200	Capital surplus	6(16)	266,458	-	20,791	-
Retained earnings						
3310	Legal reserve	6(17)	6,791,478	8	6,508,610	9
3320	Special reserve		1,708,542	2	1,381,824	2
3350	Unappropriated retained earnings		4,830,100	6	3,819,939	5
Other equity interest						
3400	Other equity interest	6(18)	36,326,427	44	24,143,610	34
3500	Treasury stocks	6(15)	(21,501)	-	(22,285)	-
3XXX	Total equity		<u>66,748,150</u>	<u>80</u>	<u>52,699,135</u>	<u>74</u>
Commitments and contingent liabilities						
Subsequent event						
3X2X	Total liabilities and equity	11	<u>\$ 83,017,562</u>	<u>100</u>	<u>\$ 70,923,007</u>	<u>100</u>

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

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

Notes	Equity attributable to owners of the parent													
	Capital Reserves				Retained Earnings				Other Equity Interest					
	Share capital - common stock	Treasury stock transactions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Donated assets received	Change in net equity of associates and joint ventures accounted for under equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for- sale financial assets	Treasury stocks	Total	Non- controlling interest	Total equity
For the year ended December 31, 2015														
	\$16,846,646	\$11,077	\$545	\$2,032	\$24,694	\$6,156,773	\$ 644,262	\$ 4,636,684	\$ 385,721	\$20,331,798	(\$22,723)	\$ 49,017,509	\$ 3,209,154	\$52,226,663
Appropriations of 2014 earnings:														
Legal reserve	-	-	-	-	-	351,837	-	(351,837)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	737,562	(737,562)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(2,358,530)	-	-	-	(2,358,530)	-	(2,358,530)
Profit for the year	-	-	-	-	-	-	-	2,828,679	-	-	-	2,828,679	395,273	3,223,952
Disposal of treasury stock	-	1,058	-	-	-	-	-	-	-	438	1,496	-	-	1,496
Changes in the net interest of associates recognized under the equity method	-	-	-	-	(18,615)	-	-	-	-	-	(18,615)	-	(18,615)	
Other comprehensive income for the year	-	-	-	-	-	-	(197,495)	260,455	3,165,636	-	3,228,596	(6,034)	3,222,562	
Cash dividends paid by consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(228,798)	(228,798)	
Balance at December 31, 2015	<u>\$16,846,646</u>	<u>\$12,135</u>	<u>\$545</u>	<u>\$2,032</u>	<u>\$6,079</u>	<u>\$6,508,610</u>	<u>\$ 1,381,824</u>	<u>\$ 3,819,939</u>	<u>\$ 646,176</u>	<u>\$23,497,434</u>	<u>(\$22,285)</u>	<u>\$ 52,699,135</u>	<u>\$ 3,369,595</u>	<u>\$56,068,730</u>
For the year ended December 31, 2016														
	\$16,846,646	\$12,135	\$545	\$2,032	\$6,079	\$6,508,610	\$ 1,381,824	\$ 3,819,939	\$ 646,176	\$23,497,434	(\$22,285)	\$ 52,699,135	\$ 3,369,595	\$56,068,730
Appropriations of 2015 earnings:														
Legal reserve	-	-	-	-	-	282,868	-	(282,868)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	326,718	(326,718)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(2,021,598)	-	-	(2,021,598)	-	(2,021,598)	
Profit for the year	-	-	-	-	-	-	-	3,481,285	-	-	3,481,285	359,215	3,840,500	
Disposal of treasury stock	-	1,434	-	-	-	-	-	-	-	784	2,218	-	-	2,218
Changes in the net interest of associates recognised under the equity method	-	-	-	-	244,233	-	-	-	-	-	244,233	-	-	244,233
Other comprehensive income for the year	-	-	-	-	-	-	-	160,060	(632,789)	12,815,606	12,342,877	114,681	12,457,558	
Cash dividends paid by consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(311,741)	(311,741)	
Balance at December 31, 2016	<u>\$16,846,646</u>	<u>\$13,569</u>	<u>\$545</u>	<u>\$2,032</u>	<u>\$250,312</u>	<u>\$6,791,478</u>	<u>\$ 1,708,542</u>	<u>\$ 4,830,100</u>	<u>\$ 13,387</u>	<u>\$36,313,040</u>	<u>(\$21,501)</u>	<u>\$ 66,748,150</u>	<u>\$ 3,531,750</u>	<u>\$70,279,900</u>

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

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

<u>For the year ended December 31, 2015</u>													
Balance at January 1, 2015		\$ 16,846,646	\$ 11,077	\$ 545	\$ 2,032	\$ 24,694	\$ 6,156,773	\$ 644,262	\$ 4,636,684	\$ 385,721	\$ 20,331,798	(\$ 22,723)	\$ 49,017,509
Appropriations of 2014 net income (Note 1):	6(17)												
Legal reserve		-	-	-	-	-	351,837	-	(351,837)	-	-	-	-
Special reserve		-	-	-	-	-	-	737,562	(737,562)	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	(2,358,530)	-	-	-	(2,358,530)
Profit for the year		-	-	-	-	-	-	-	2,828,679	-	-	-	2,828,679
Disposal of treasury stock	6(15)	-	1,058	-	-	-	-	-	-	-	-	438	1,496
Change in equity from not acquiring new shares proportionately to ownership		-	-	-	-	(18,615)	-	-	-	-	-	-	(18,615)
Other comprehensive income for the year	6(18)	-	-	-	-	-	-	-	(197,495)	260,455	3,165,636	-	3,228,596
Balance at December 31, 2015		<u>\$ 16,846,646</u>	<u>\$ 12,135</u>	<u>\$ 545</u>	<u>\$ 2,032</u>	<u>\$ 6,079</u>	<u>\$ 6,508,610</u>	<u>\$ 1,381,824</u>	<u>\$ 3,819,939</u>	<u>\$ 646,176</u>	<u>\$ 23,497,434</u>	<u>(\$ 22,285)</u>	<u>\$ 52,699,135</u>
<u>For the year ended December 31, 2016</u>													
Balance at January 1, 2016		\$ 16,846,646	\$ 12,135	\$ 545	\$ 2,032	\$ 6,079	\$ 6,508,610	\$ 1,381,824	\$ 3,819,939	\$ 646,176	\$ 23,497,434	(\$ 22,285)	\$ 52,699,135
Appropriations of 2015 net income (Note 2):	6(17)												
Legal reserve		-	-	-	-	-	282,868	-	(282,868)	-	-	-	-
Special reserve		-	-	-	-	-	-	326,718	(326,718)	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	(2,021,598)	-	-	-	(2,021,598)
Profit for the year		-	-	-	-	-	-	-	3,481,285	-	-	-	3,481,285
Disposal of treasury stock	6(15)	-	1,434	-	-	-	-	-	-	-	-	784	2,218
Change in equity from not acquiring new shares proportionately to ownership	6(7)	-	-	-	-	244,233	-	-	-	-	-	-	244,233
Other comprehensive income for the year	6(18)	-	-	-	-	-	-	-	160,060	(632,789)	12,815,606	-	12,342,877
Balance at December 31, 2016		<u>\$ 16,846,646</u>	<u>\$ 13,569</u>	<u>\$ 545</u>	<u>\$ 2,032</u>	<u>\$ 250,312</u>	<u>\$ 6,791,478</u>	<u>\$ 1,708,542</u>	<u>\$ 4,830,100</u>	<u>\$ 13,387</u>	<u>\$ 36,313,040</u>	<u>(\$ 21,501)</u>	<u>\$ 66,748,150</u>

Note 1: Directors' and supervisors' remuneration amounting to \$4,040 and employees' bonus amounting to \$8,080 had been deducted from the Statement of Comprehensive Income in 2014.

Note 2: Directors' and supervisors' remuneration amounting to \$3,048 and employees' bonus amounting to 6,096 had been deducted from the Statement of Comprehensive Income in 2015.

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

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

	Notes	For the year ended December 31,	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 4,474,799	\$ 3,761,297
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of impairment of receivables	6(5)	(3,152)	(22,373)
Depreciation	6(9)(25)	2,641,041	2,857,619
Interest expense	6(27)	177,762	190,352
Impairment loss	6(7)(24)	207,066	-
Interest income	6(23)	(25,583)	(27,750)
Dividend income	6(23)	(1,637,777)	(386,084)
Loss on disposal of available--for-sale financial assets	6(24)	7,294	-
Gain on valuation of financial assets	6(2)(24)	(2,160)	(3,706)
Loss (gain) on valuation of financial liabilities	6(14)(24)	563	(2,632)
Share of profit of associates and joint ventures accounted for under equity method	6(8)	(385,218)	(317,782)
Cash dividends from investments accounted for under equity method		245,764	56,595
(Gain) loss on disposal and scrap of property, plant and equipment	6(24)	(23,058)	199,113
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		30,371	-
Notes receivable, net		(119,066)	23,038
Notes receivable - related parties		(6,407)	(2,493)
Accounts receivable, net		206,662	410,350
Accounts receivable - related parties		84,163	44,598
Other receivables		961	(5,746)
Inventory		(28,707)	122,569
Prepayments		142,404	(597,342)
Other current assets		106,627	(123,266)
Changes in operating liabilities			
Notes payable		(3,258)	(5,439)
Notes payable - related parties		(10,676)	(147,778)
Accounts payable		159,481	432,143
Accounts payable - related parties		146,043	(204,291)
Other payables		(251,692)	(173,062)
Other current liabilities		(27,520)	(121,920)
Increase in other non-current liabilities		(2,033,183)	53,263
Cash inflow generated from operations		4,073,544	6,009,273
Interest received		25,583	27,750
Dividends received		1,637,777	386,084
Interest paid		(194,123)	(202,574)
Income tax paid		(639,011)	(218,387)
Net cash flows from operating activities		<u>4,903,770</u>	<u>6,002,146</u>

(Continued)

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

	<u>Notes</u>	<u>For the year ended December 31,</u>	
		<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets		(\$ 582,462)	(\$ 95,802)
Proceeds from disposal of available-for-sale financial assets		81,126	-
Proceeds from capital reduction of financial assets			
measured at cost		10,704	13,380
Acquisition of property, plant and equipment	6(30)	(2,378,135)	(2,776,031)
Proceeds from disposal of property, plant and equipment		49,228	119,536
Other non-current assets		<u>268,189</u>	<u>134,374</u>
Net cash flows used in investing activities		<u>(2,551,350)</u>	<u>(2,604,543)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings		(518,573)	746,270
Decrease in short-term notes and bills payable		(699,698)	(649,999)
Payment of long-term borrowings		(4,829,207)	(4,962,052)
Increase in long-term borrowings		5,997,500	6,167,902
Cash dividends paid	6(20)	(2,021,598)	(2,358,530)
Cash dividends paid non-controlling interest		<u>(311,741)</u>	<u>(228,798)</u>
Net cash flows used in financing activities		<u>(2,383,317)</u>	<u>(1,285,207)</u>
Effect of foreign exchange rate		<u>44,154</u>	<u>(268,667)</u>
Net increase in cash and cash equivalents		13,257	1,843,729
Cash and cash equivalents at beginning of year	6(1)	<u>5,640,597</u>	<u>3,796,868</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 5,653,854</u>	<u>\$ 5,640,597</u>

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

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

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,767,985	\$ 3,038,967
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of impairment of receivable	6(4)	(3,152)	(18,261)
Depreciation (including depreciation on investment property)	6(8)(22) and 7	830,144	852,571
Interest expense	6(24)	115,565	132,507
Impairment loss	6(6)(21)	138,044	-
Interest income	6(20)	(1,757)	(3,205)
Dividend income	6(20)	(1,568,757)	(376,155)
Loss on disposal of available-for-sale financial assets	6(21)	7,294	-
(Gain) loss on valuation of financial liabilities	6(12)(21)	(277)	2,671
Receipt of cash dividends from investment accounted for under the equity method		865,788	507,389
Share of profit of subsidiaries and associates accounted for under the equity method	6(7)	(1,429,173)	(1,316,442)
Gain on disposal and scrap of property, plant and equipment	6(21) and 7	(23,318)	(27,467)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(41,436)	7,034
Notes receivable - related parties		(6,407)	(2,493)
Accounts receivable, net		131,386	333,926
Accounts receivable - related parties		(5,314)	98,323
Other receivables		(197,141)	44,892
Inventories		(100,361)	60,901
Prepayments		243,450	(569,130)
Other current assets		(1,167)	17,107
Changes in operating liabilities			
Notes payable		(9,063)	12,838
Notes payable - related parties		(10,676)	(147,778)
Accounts payable		(40,062)	410,301
Accounts payable - related parties		146,835	(163,382)
Other payables		(25,768)	(5,406)
Other current liabilities		(958)	(91,923)
Other non-current liabilities		(1,884,221)	(165,721)
Cash inflow generated from operations		897,483	2,632,064
Interest received		1,757	3,205
Dividends received		1,568,757	376,155
Interest paid		(114,547)	(132,219)
Income tax paid		(288,777)	(317)
Net cash flows from operating activities		<u>2,064,673</u>	<u>2,878,888</u>

(Continued)

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

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of available-for-sale financial assets		\$ 81,126	\$ -
Acquisition of available-for-sale financial assets		(53,674)	-
Proceeds from capital reduction of financial assets measured at cost		10,704	13,380
Acquisition of property, plant, and equipment	6(27)	(641,259)	(1,090,894)
Proceeds from disposal of property, plant and equipment		231,991	55,559
Decrease in other non-current assets		<u>42,677</u>	<u>178,926</u>
Net cash flows used in investing activities		<u>(328,435)</u>	<u>(843,029)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings		(286,629)	16,791
Decrease in short-term notes and bills payable		(699,698)	(649,999)
Increase in long-term borrowings		5,800,000	6,000,000
Payment of long-term borrowings		(4,700,000)	(4,900,000)
Payment of cash dividends	6(17)	<u>(2,021,598)</u>	<u>(2,358,530)</u>
Net cash flows used in financing activities		<u>(1,907,925)</u>	<u>(1,891,738)</u>
Net (decrease) increase in cash and cash equivalents		(171,687)	144,121
Cash and cash equivalents at beginning of year	6(1)	<u>1,195,634</u>	<u>1,051,513</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,023,947</u>	<u>\$ 1,195,634</u>

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

FORMOSA TAFFETA CO., LTD
Statement of Profits Distribution
For the year of 2016

Unit : NT\$

Items	Amount	Items	Amount	Explanation
Available for Distribution:		Distribution Items:		
(1) Unappropriated retained earnings of previous years	1,188,755,005	(1) Appropriation of legal reserve (10% of the after-tax profit)	348,128,539	<p>1. The Company's registered capital is \$16,846,646,370, and shares for distribution are 1,684,664,637.</p> <p>2. The Company plans to distribute dividends of \$1.5 per share for the current year (among which, \$0.90 will be distributed as dividends and \$0.60 will be distributed as bonus); all of which are cash dividends.</p> <p>3. The distribution of dividends for this time is based on the pattern of profits distribution of 1998 afterwards.</p> <p>4. While the amount of distributed cash dividends to each individual shareholder is less than 1 dollar, it will be rounded to the nearest dollar.</p>
	160,059,123	(2) Appropriation of special reserve	506,035,818	
(2) Other comprehensive income reclassified to unappropriated retained earnings of the current year	3,481,285,387	(3) Distribution of dividends and bonus in cash (\$1.5 per share)	2,526,996,956	
(3) Net profit after tax of the current year		(4) Unappropriated retained earnings carried forward to next year	1,448,938,202	
Total	4,830,099,515	Total	4,830,099,515	

Report of Independent Accountants

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

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Valuation of allowance for uncollectible accounts

Description

Please refer to Note 4(10) for accounting policy on impairment of financial assets, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(5) for details of allowance for uncollectible accounts. As of December 31, 2016, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT\$3,656,576 thousand and NT\$93,352 thousand, respectively.

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

How our audit addressed the matter

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

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

Valuation of inventory

Description

Please refer to Note 4(12) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation loss. As of December 31, 2016, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$8,360,348 thousand and NT\$503,921 thousand, respectively.

The Group is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As

the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Group recognises inventories at the lower of cost and net realisable value, and the net realisable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realisable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

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

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

Other matter- audits of the other independent accountants

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using equity method) of NT\$10,782,491 thousand and NT\$10,176,374, constituting 12% and 13% of consolidated total assets as of December 31, 2016 and 2015, respectively, and operating income of NT\$4,876,098 thousand and NT\$4,294,178, constituting 12% and 10% of consolidated total operating income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiary and investees, is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Taffeta Co., Ltd. as at and for the years ended December 31, 2016 and 2015.

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 supervisors, are responsible for overseeing the Group’s financial reporting process.

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

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the Group's internal control.

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

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

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

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

Chou, Chien-Hung

Juanlu, Man-Yu

for and on behalf of PricewaterhouseCoopers, Taiwan

May 3, 2017

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

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

Opinion

We have audited the accompanying balance sheets of Formosa Taffeta Co., Ltd. (the “Company”) as at December 31, 2016 and 2015, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

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

Key audit matters

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

Valuation of allowance for uncollectible accounts

Description

Please refer to Note 4(9) on financial assets impairment, for accounting policy on allowance for uncollectible accounts, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2016, the Company's accounts receivable and allowance for uncollectible accounts amounted to NT\$1,989,778 thousand and NT\$39,059 thousand, respectively.

The Company assesses the collectibility of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Company recognizes impairment with a credit to accounts receivable. The Company examines the reasonableness periodically. As the estimates of allowance for uncollectible accounts are subject to management's judgement, the provision amounts are based on the possibility of accounts receivable recovery, and considering accounts receivable and allowance for uncollectible accounts are material to the financial statements, we consider the allowance for uncollectible accounts a key audit matter.

How our audit addressed the matter

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

- E. Assessing the reasonableness of policies and procedures in determining the allowance for uncollectible accounts, including the reasonableness of classification of customer's credit quality and aging analysis;
- F. Assessing whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements;

- G. Assessing the adequacy of allowance for uncollectible accounts estimated by management; and
- H. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventory

Description

Please refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2016, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$4,583,664 thousand and NT\$219,314 thousand, respectively.

The Company is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtain. As the textiles manufacturing market is competitive, there is higher risk of incurring inventory valuation losses. 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. As the net realisable value used in inventory valuation involves subjective judgement and uncertainty and considering the allowance for inventory valuation losses is material to the financial statements, we consider the allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

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

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

Other matter - audits of the other independent accountants

We did not audit the financial statements of certain investments accounted for under the equity method. The balance of these investments accounted for under the equity method amounted to NT\$7,490,647 thousand and NT\$ 7,250,429, constituting 9% and 10% of total assets as of December 31, 2016 and 2015, respectively, and comprehensive income was NT\$665,984 thousand and NT\$525,244 thousand, constituting 4% and 9% of total comprehensive income for the years then ended, respectively. The financial statements of these investees were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements relative to these investees is based solely on the audit reports of the other independent accountants.

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

Management is responsible for the preparation and fair presentation of the financial statements in

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in

internal control that we identify during our audit.

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

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

Chou, Chien-Hung

Juanlu, Man-Yu

for and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2017

The accompanying non-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 non-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.

Information regarding the Proposed Compensation to Employees, Directors and Supervisors Adopted by the Board of Directors of the Company:

1. Amounts of employees' cash compensation, stock compensation, and compensation to Directors and Supervisors:	
Employees' cash compensation	NT\$ 7,558,578
Employees' stock compensation	NT\$ 0
Compensation to Directors and Supervisors	NT\$ 3,779,289
2. Shares of the proposed employees' stock compensation and the percentage of the share amount to that of all stock dividend:	
Shares of employees' stock compensation	0 share
Percentage of the share amount to that of all stock dividend	0%

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

Effect upon Business Performance and Earnings Per Share of the Company by the Stock Dividend Distribution Proposed at the 2017 Annual Shareholders' Meeting:

Not applicable since the Company does not propose the stock dividend distribution to the 2017 Annual Shareholders' Meeting and not need to disclose its financial forecast information.