Stock Code: 1409

SHINKONG SYNTHETIC FIBERS CORPORATION

Handbook for the 2019 Annual General Meeting

Time: May 29, 2019

Venue: 16F, No. 123, Section 2, Nanjing East Road, Zhongshan District, Taipei City
(Shin Kong Life Insurance Nandong Building)

Shinkong Synthetic Fibers Corp.
Procedure for the 2018 Annual General Meeting

Time: 9:00 am, May 29, 2019 (Wednesday)

Venue: 16F, No. 123, Section 2, Nanjing East Road, Zhongshan District, Taipei City (Shin Kong Life Insurance Nandong Building)

I. Announce the participating shareholders and total number of shares represented in the meeting.

II. Call the meeting to order.

III. Chairperson’s remarks.

IV. Company reports:

V. Acknowledgments:

VI. Discussions:

Appendices:

Company Reports

1. 2018 Business Report.

Shinkong Synthetic Fibers Corp.
Business Report

(1) Operating Result:

The Group has constantly adjusted its product mix in recent years, focusing on increasing the proportion of high value-added product and expanding the products application, as well as continue to move toward to new products. The main divisions' sales and operation result are as follows:

1. Polyester Division

The sales of this division in the year was NT$32,715,782 thousand, which was ahead of year 2017 by NT$4,471,050 thousand or 15.83%. The profit before-tax of this division in the year was NT$3,092,272 thousand, which was ahead of year 2017 by NT$1,488,649 thousand or 92.83%.

2. Financing Securities Division

The sales of this division in the year was NT$2,728,019 thousand, which was ahead of year 2017 by NT$293,671 thousand or 12.06%. The profit before-tax of this division in the year was NT$850,078 thousand, which was ahead of year 2017 by NT$156,968 thousand or 22.65%.

3. Optronics Business Group

The sales of this division in the year was NT$6,873,394 thousand, which was ahead of year 2017 by NT$1,129,494 thousand or 19.66%. The loss before-tax of this division in the year was NT$268,964 thousand, which reduced by NT$399,856 thousand of loss, or

59.79%, compared with year 2017.

(2) Analysis of Financial Position and Performance

1. Financial Position

The net cash inflow from the consolidated operating activities in the year was NT$4,754,352 thousand, net cash outflow from investing activities was NT$1,309,200 thousand and net cash outflow from financing activities was NT$3,499,709 thousand. The cash and equivalent cash for this year increased by NT$35,743 thousand.

2. Profitability Analysis

The consolidated sales of the year was NT$42,493,927 thousand, which was ahead of year 2017 by NT$5,956,584 thousand. Total expenditure was NT$38,858,219 thousand, which increased by NT$3,895,385 thousand, compared with year 2017. Profit before-tax from continuing operations was NT$3,635,708 thousand, which was ahead of year 2017 by NT$2,061,199 thousand. Net income was NT$2,862,093 thousand, which was ahead of year 2017 by NT$1,732,387 thousand. Earnings per share was NT$1.52, which was ahead of year 2017 by NT$0.92 per share or 153.33%.

(3) Research and Development status:

The Group's R&D division sticks with the original spirit that "maintaining status quo means dropping back and research and development can move toward the progress" to constantly invest in new products' development. The production lines of the Company and its subsidiaries include fiber, plastic and various type of films for different applications. The covered industries include textiles, packaging materials, 3C, automobiles, medication and optronics. In recent years, the demand from the customers' industries is changing rapidly and the product cycle is gradually shortening. In order to meet the customers' demand and maintain the stability of the operation profits, we will constantly develop the differentiated and high value-added products as well as explore the scope of the production application that is our developing direction in the future.

1. The major R&D items in 2018 include:

   (1) Plastic new products

   New generation antimony-free eco-friendly polyester resin, Solid-state-polymerizable PETG resin, TPEE(TPEE for footwear materials), Matte PLA 3D printing filament。

   (2) Fiber new products

   2X DRY(2.0) quick-drying fiber, Shinfit elasticity & fit series, Shale yarn, Fluorine-free water-repellent fiber, Cationic-dyeable TPEE fiber, Moisture management fiber, PET deodorizing fiber, Solarcool near IR reflection HTY。

   (3) Optronics new products

   Multi-wavelength Resistant Window Film, Flame Retardant Film, Polarizer Protective base Film, View angle tuning and weather resistant multifunctional prism film, Anti-shatter film, Quantum dot film), Plain TAC。

2. The main products which have been mass-produced in 2018 include:

   (1) Solid-state-polymerizable PETG resin

(2) Matte PLA 3D printing filament

(3) 2X DRY(2.0) quick-drying fiber

(4) G2 version/ TCD melange yarn

(5) High Gains Multi-Optical Prism base Film

(6) Anti-interference base film for Touch Panel

(4) Corporate Responsibility:

The Group is going to move forwards to an important milestone in the 50th anniversary of its production in 2020. In order to grow steadily under the core value of "seeking truth from facts, moving forward step by step, fairness, transparency and mutual trust team", we have drawn up a new plan to move forwards the "Shinkong Synthetic Fibers 2020". Except for constantly pursue sustainable growth and profits, we will actively involve in the fields of environmental protection, green energy and social care. With development and promotion of various activities, we expect to achieve the corporate philosophy of "sustainable growth, environmental protection, green energy and sincerely care" in order to fulfill the duties of corporate citizenship.

Under self-requirement of high environmental protection standards, the Company constantly updates the existing equipments with the highest environmental protection process standards. Regardless wastewater treatment equipment, renewable energy, the reduction of green gas emission or improvement of energy environment, we have successively invested resources in various equipments and have upgraded the technology. In 2018, we saved 4,480,749 KWH of electricity and reduced 2,482.3 tonnes of CO_2 emission, as well as the emission intensity of greenhouse gas also reached a new low in the history.

We've been recognized by all walks of life over years. We obtained the highest honor of "Industrial Excellence Award" in the industry in 2009 and the Excellence Award for energy-saving issued by the Ministry of Economic Affairs in 2010. Since 2013, we've received the award of "Outstanding Company for Green Procurement of Private Enterprises" from Environmental Protection Administration for several times. In 2014, we further obtained the "Excellence Award for Energy-Saving" and "Outstanding Award for Energy-Saving and Carbon-Reduction Action Mark" from the Ministry of Economic Affairs .

Meanwhile, the corporate governance, social welfare and environmental protection are the Group's three objectives of corporate social responsibilities:

In the corporate governance, the law-abiding and stable operation are our principles. We establishes a solid corporate system to maintain good corporate governance, and stipulates the standards for employee behavior and anti-corruption management that will be implemented thoroughly to control risks. We are actively investing in innovation, research and development in order to enhance the competitiveness.

In social welfare, we continue to care about local community, participate in the activities of local public welfare and sponsor caring elderly and vulnerable funds. We also establish safety and health policies, strength employees safety and health awareness, as well as enhance the safety concept for employee operation through weekly safety care meetings.

Other activities are implemented as well, including strengthening R&D and promotion on green products, energy-saving, waste-reduction, improving recycling and continuing to update existing equipments to meet the latest environmental protection process standards. The dedicated department for safety, health and environmental protection has been set up in order to carry out the management of safety, health and environmental protection, as well as implementation of certified ISO 14001 - Environmental Management Systems, OHSAS-18001 - Health and Safety Management Systems, TS16949 - A Quality Management System For Organizations in the Automotive Industry and ISO 22000 - Food Safety and Health Management Systems.

With our continuous efforts, we believe we will be able to take real actions to fulfill our social responsibilities, as well as build better interactions with employees, shareholders, customers, suppliers and society to jointly protect the earth and work together to create happy and beautiful home.

(5) Looking to the future:

The Group sticks with "maintaining status quo means dropping back and R&D can move toward the progress". In addition to building a lean organization, promoting rationalization and continuing to pursue transformation, we constantly carry out various R&D and apply our long-term accumulated technologies to develop new products, green products and differentiated products. With the department cooperation between R&D, production and operation, we've gradually jumped away from the field of traditional fiber application and are devoted to the production of the functional, high-profit and green products.

In the future, we will still continue to concentrate on product innovation, optimize existing products and increase the quality and quantity of differentiated products to meet market demand. Besides, the production chain will be adjusted to high value-added products. We will be devoted to transform ourselves into the materials suppliers for the high value added industries of optronics, automobiles and electronics and actively develop towards to high-quality products.

In response to the continued expansion of national FTA and regional economic agreements, we not only constantly develop the differentiated products to enhance the competitive threshold and profits, but also strengthen the overseas deployment to expand overseas production bases.

Chairman: *Tong Sheng Wu*

Manager: *Shyr Shyuan Luo*

Chief Accountant: *Hsin-Chang Lin*

2. Audit Committee's Review Report on the 2018 Financial Statements.

Shinkong Synthetic Fibers Corp. Audit Committee Report

This is to certify that

The Audit Committee has completed the 2018 review of the standalone and consolidated financial statements prepared by the board of directors and audited by CPA Wang, Chin-Yen and CPA Shih, Chin-Chuan of Deloitte & Touche, for which they have issued an independent auditor's report, along with the 2018 business report and earnings appropriation proposal. The Audit Committee finds no inappropriate disclosures with respect to the above, and hereby issues this report in accordance with Article 36 of the Securities and Exchange Act and Article 219 of The Company Act.

Please
proceed with the approval

For

2019 Annual General Meeting of Shinkong Synthetic Fibers Corp.

Audit Committee members:

Hsien Der Chiu

Yung Ching Tsai

Jung Cheng Tseng

March 25, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Shinkong Synthetic Fibers Corporation

Opinion

We have audited the accompanying consolidated financial statements of Shinkong Synthetic Fibers Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

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 for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2018 are as follows:

<u>Valuation of Inventories</u>

The changes in technology may result in inventory becoming obsolete; the net realizable value of inventories may be lower than the cost due to the decline of selling price. Since the management needs to apply judgment to evaluate the net realizable value and as the balance of inventories has a significant weight on the consolidated financial statements for the year ended December 31, 2018, the valuation of inventories was deemed to be a key audit matter.

We understand the effectiveness of the following internal control operations:

1. Whether the loss on impairment of inventory is recognized according to the Group's policy regularly.

2. Whether the assessment on impairment of inventory is reviewed by responsible personnel.

We obtained the inventory valuation data to check whether the policy is complied with and whether the calculations were accurate. We sampled the inventory list on the balance sheet date to verify the selling price data used to evaluate the net realizable value. We evaluated the reasonableness of inventory impairment by performing physical inspection, testing the inventory aging, and comparing the historical levels of write-offs against the amounts stated.

For other relevant disclosure, please refer to Notes 4 summary of significant accounting policies (f), Note 5 critical accounting judgment and key sources of estimation uncertainty (c) and Note 16.

Impairment Assessment on Loans

Taipei Star Bank, the banking department of the Group, measures the allowance for possible losses on loans to reflect estimation of expected credit loss, which was on the base of credit exposure, observable data, and historical default experience. The balance of allowance for possible losses on loans as of December 31, 2018 was $561,585 thousand, representing 1.17% of all loans, the Group reversed expected credit loss $29,085 thousand for the year ended December 31, 2018. Since the management needs to apply judgment to evaluate the allowance, the allowance for possible losses on loans was deemed to be a key audit matter.

We understand the effectiveness of internal controls related to the evaluation of allowance for possible losses on loans.

We identified borrowers who might default on loan payments by reviewing public information and we checked whether the Bank has estimated the possible impairment loss on loans. For individually estimated expected credit losses on loans, we sampled the loans list on the balance sheet date and we evaluated the reasonableness of the estimated cash flows in the future. For the other loans that were assessed for expected credit losses collectively, we evaluated the reasonableness of the hypothesis and parameter used. We also took samples to check the classification of loans used to measure the allowance, and we evaluated whether the Bank's measurement method was in accordance with related laws and rules from the competent authority.

For other relevant disclosure, please refer to Note 17 and 45.

Other Matters

We did not audit the financial statements of Shinpont Industry Inc., a subsidiary included in the consolidated financial statements of the Group, as of and for the year ended December 31, 2017, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for Shinpont Industry Inc., is based solely on the report of other auditors. The total assets of Shinpont Industry Inc. is $1,144,958 thousand, representing 0.79% of consolidated total assets as of December 31, 2017, total liabilities is $176,556 thousand, representing 0.16% of consolidated total liabilities as of December 31, 2017, and total comprehensive income is $292,722 thousand, representing 12.87% of consolidated total comprehensive income, for the years then ended December 31, 2017.

We have also audited the parent company financial statements of Shinkong Synthetic Fibers Corporation as of and for the years ended December 31, 2018 and 2017 on which we issued an unqualified report.

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, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors’ 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 auditors’ 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 the auditing standards generally accepted in the Republic of China 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 the auditing standards generally accepted in the Republic of China, 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 auditors' 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 auditors' 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 and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Wang, Chin-Yen and Shih, Chin-Chuan.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Shinkong Synthetic Fibers Corporation

Opinion

We have audited the accompanying financial statements of Shinkong Synthetic Fibers Corporation (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph below), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

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 for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2018 are as follows:

Valuation of Inventories

The changes in technology may result in inventory becoming obsolete; the net realizable value of inventories may be lower than the cost due to the decline of selling price. Since the management needs to apply judgment to evaluate the net realizable value and as the balance of inventories has a significant weight on the financial statements for the year ended December 31, 2018, the valuation of inventories was deemed to be a key audit matter.

We understand the effectiveness of the following internal control operations:

1. Whether the loss on impairment of inventory is recognized according to the Company's policy regularly.

2. Whether the assessment on impairment of inventory is reviewed by responsible personnel.

We obtained the inventory valuation data to check whether the policy is complied with and whether the calculations were accurate. We sampled the inventory list on the balance sheet date to verify the selling price data used to evaluate the net realizable value. We evaluated the reasonableness of impairment of inventory by performing physical inspection, testing the inventory aging, and comparing the historical levels of write-offs against the amounts stated.

For other relevant disclosure please refer to Note 4 summary of significant accounting policies (e), Note 5 critical accounting judgment and key sources of estimation uncertainty and Note 15.

Other Matter

We did not audit some of the investments accounted for using the equity method, which included in the financial statements of the Company, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for the investments, is based solely on the report of other auditors. The total assets of the investments is 484,459 thousands as of December 31, 2017 and total share of profit or loss of the investments is 146,344 thousands for the years then ended December 31, 2017.

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 the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 the auditing standards generally accepted in the Republic of China 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 the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 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.

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 auditors’ 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 auditors’ 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and 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 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 for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Wang, Chin-Yen and Shih, Chin-Chuan.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

<u>Notice to Readers</u>

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

3. Report of 2018 employee compensation and director remuneration.

Description: The Company's 2018 profits amounted to NT$ 2,796,064,575 dollars. A proposal has been raised in accordance with Article 32 of the Articles of Incorporation to distribute employee compensation of NT$ 28,419,191 dollars and director remuneration of NT$ 0 entirely in cash.

4. Report of endorsements and guarantees to other parties

Description: The Company has been providing endorsements and guarantees in accordance with the Company's "Endorsement and Guarantee Procedures." As of 31, December, 2018, endorsements and guarantees totaling NT$ 3,756,152,000 dollars were offered in favor of outsiders. Details are as shown in the following chart:

Shinkong Synthetic Fibers Corp.
Endorsement/Guarantee Overview
December 31, 2018

Unit: NTD thousands

Beneficiary	Actual amount guaranteed
ShinBright Optronics Corp.	710,317
Tac Bright Optronics Corporation	1,142,260
Hangjhou Huachun Chemical Fiber Co., Ltd.	122,860
Shinkong Industry (Hangjhou) Co., Ltd.	30,715
Hsingshing Investment Co., Ltd.	700,000
Shin Kong International Leasing Corp.	1,050,000
Total	3,756,152

5. Report on motions raised by shareholders with more than 1% ownership for the current year's annual general meeting

Description: (1) According to Article 172-1 of The Company Act: "Shareholders that own more than 1% of the company's outstanding shares are entitled to propose, in writing, motions for discussion in annual general meetings." The announcement of the convening the annual shareholder general meeting on February 19, 2019, stated that the shareholders' proposals shall be accepted during March 22, 2019 to 5.00 pm, April 1, 2019.

(2) As of the proposal cutoff date mentioned above, no shareholder had raised a motion for discussion in the shareholders’ meeting.

Acknowledgments

Motion No. 1

Case summary: Acknowledgment of the Company's 2018 Business Report and financial statements. (Proposed by the Board)

Description:

(1) The Company's 2018 financial statements (including balance sheet, statement of comprehensive income, statement of changes in equity and cash flow statement) have been prepared by the board of directors, reviewed by the Audit Committee, and audited by Deloitte & Touche. (Refer to page 8~20 for details)

(2) Please refer to page 1~7 of the Meeting Handbook for the 2018 business report and to page 26~39 for the financial statements.

Resolution:

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4, 6 and 40)	$ 6,707,050	5	$ 6,671,307	5
Due from the Central Bank and call loans to other banks (Note 7)	2,954,330	2	3,178,949	2
Financial assets at fair value through profit or loss - current (Notes 3, 4, 8 and 40)	1,512,211	1	1,840,699	1
Financial assets at fair value through other comprehensive income - current (Notes 3, 4, 9, 40 and 42)	3,296,399	2	-	-
Available-for-sale financial assets - current (Notes 3, 4, 11, 40 and 42)	-	-	3,776,991	3
Financial assets at amortized cost - current (Notes 3, 4, 10, 40 and 42)	1,128,594	1	-	-
Financial assets measured at cost - current (Notes 3, 4 and 14)	-	-	-	-
Bills and bonds purchased under resell agreements (Notes 4 and 12)	5,170,276	4	6,884,863	5
Other financial assets - current (Notes 40 and 42)	140,480	-	1,100,354	1
Notes receivable, net (Notes 3, 4, 5, 15, 40 and 41)	749,034	-	675,415	-
Trade receivables, net (Notes 3, 4, 5, 15, 40 and 41)	6,782,797	5	7,499,561	5
Other receivables (Notes 3, 4, 5, 15, 40 and 41)	770,094	1	475,925	-
Margin loans receivable	3,362,119	2	4,811,546	3
Customer margin accounts	650,258	-	530,141	-
Inventories (Notes 4, 5, 16 and 24)	5,396,381	4	3,972,773	3
Prepayments	319,769	-	560,814	-
Other current assets (Note 24)	1,114,002	1	806,081	1
Discounts and loans, net (Notes 17 and 41)	47,402,725	33	45,923,574	32
Total current assets	87,456,519	61	88,708,993	61
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive icome - non-current (Notes 3, 4, 9, 40 and 42)	6,721,618	5	-	-
Available-for-sale financial assets - non-current (Notes 3, 4, 11, 40 and 42)	-	-	6,676,086	5
Held-to-maturity financial assets - non-current (Notes 3, 4, 13, 40 and 42)	-	-	21,195,933	15
Financial assets at amortized cost - non-current (Notes 3, 4, 10, 40 and 42)	22,788,498	16	-	-
Financial assets measured at cost - non-current (Notes 3, 4 and 14)	-	-	244,023	-
Investments accounted for using the equity method (Notes 4, 19 and 41)	966,326	1	888,952	1
Other financial assets - non-current (Notes 40 and 42)	143,116	-	-	-
Property, plant and equipment (Notes 4, 20 and 42)	20,186,685	14	21,230,695	15
Investment properties (Notes 4, 21 and 42)	2,127,997	1	2,142,375	1
Goodwill (Notes 4 and 22)	280,248	-	279,945	-
Other intangible assets (Note 4)	13,641	-	12,974	-
Deferred tax assets (Notes 4 and 35)	382,820	-	421,072	-
Other non-current assets (Notes 24 and 42)	2,502,279	2	2,350,816	2
Operating deposits and settlement funds (Note 23)	294,579	-	303,947	-
Total non-current assets	56,407,807	39	55,746,818	39
TOTAL	$ 143,864,326	100	$ 144,455,811	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 25, 40 and 42)	$ 5,864,128	4	$ 4,433,225	3
Short-term bills payable (Notes 25 and 40)	2,289,412	2	4,443,967	3
Bills and bonds sold under repurchase agreements (Notes 4 and 12)	3,714,367	3	4,929,245	4
Financial liabilities at fair value through profit or loss - current (Notes 4, 8 and 40)	12,890	-	6,858	-
Other financial liabilities - current (Notes 27 and 40)	20,209	-	19,249	-
Due to the Central Bank and other banks	6,129,929	4	6,086,687	4
Notes payable (Notes 28 and 40)	236,990	-	312,480	-
Trade payables (Notes 28 and 40)	4,325,239	3	4,936,502	4
Other payables (Notes 30 and 40)	2,006,876	1	1,815,968	1
Securities financing refundable deposits (Note 4)	935,069	1	904,425	1
Deposits payable for securities financing (Note 4)	1,013,811	1	974,010	1
Futures traders' equity	649,712	-	529,744	-
Current tax liabilities (Note 35)	389,366	-	276,979	-
Current portion of long-term borrowings and bonds payable (Notes 4, 25, 40 and 42)	1,282,051	1	1,835,385	1
Other current liabilities (Notes 4 and 30)	492,025	-	473,086	-
Deposits and remittances (Notes 29 and 41)	67,829,408	47	67,419,010	47
Total current liabilities	97,191,482	67	99,396,820	69
NON-CURRENT LIABILITIES				
Bonds payable (Notes 26 and 40)	1,330,000	1	1,000,000	1
Long-term borrowings (Notes 25, 40 and 42)	6,392,629	4	6,576,192	4
Other financial liabilities - non-current (Notes 27 and 40)	5,207	-	25,416	-
Provisions - non-current (Notes 4 and 31)	665,002	1	910,009	1
Guarantee deposit received (Note 30)	53,752	-	48,341	-
Other non-current liabilities (Notes 4 and 30)	27,719	-	36,119	-
Deferred tax liabilities (Notes 4 and 35)	1,233,353	1	1,094,409	1
Total non-current liabilities	9,707,662	7	9,690,486	7
Total liabilities	106,899,144	74	109,087,306	76
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 33)				
Share capital	16,184,093	11	16,184,093	11
Capital surplus	1,575,677	1	1,575,732	1
Retained earnings				
Legal reserve	1,082,892	1	986,420	1
Special reserve	2,723,600	2	2,723,600	2
Unappropriated earnings	5,263,773	3	3,585,801	2
Total retained earnings	9,070,265	6	7,295,821	5
Other equity	1,950,952	2	2,351,119	2
Treasury shares	(29,834)	-	(29,834)	-
Total equity attributable to owners of the Company	28,751,153	20	27,376,931	19
NON-CONTROLLING INTERESTS	8,214,029	6	7,991,574	5
Total equity	36,965,182	26	35,368,505	24
TOTAL	$ 143,864,326	100	$ 144,455,811	100

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

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
REVENUES (Notes 4, 19, 34, 41 and 44)				
Interest income	$ 1,693,900	4	$ 1,459,427	4
Fee income	855,099	2	662,765	2
Share of profit of associates and joint ventures	59,782	-	38,342	-
Gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	18,785	-	33,984	-
Realized gain on available-for-sale financial assets	-	-	135,027	1
Realized gain on financial assets at fair value through other comprehensive income	18,952	-	-	-
Net sales	38,916,006	92	33,623,083	92
Rental income	139,434	-	109,512	-
Net gain on disposal of financial assets	6,512	-	-	-
Gain on disposal of property, plant and equipment	-	-	8,824	-
Gain on disposal of investment properties	2,301	-	11,951	-
Gain on foreign currency exchange	218,205	1	-	-
Other revenues	555,154	1	453,639	1
Gain on sale of collaterals assumed	9,797	-	789	-
Total revenues	42,493,927	100	36,537,343	100
EXPENSES (Notes 4, 16, 20, 34, 41 and 44)				
Interest expense	800,934	2	692,488	2
Bad debt expense, commitment and guarantee liability provision	(30,374)	-	-	-
Cost of goods sold	34,570,808	81	30,737,555	84
Rental cost	21,277	-	16,978	-
Operating expenses				
Selling and marketing expenses	761,031	1	747,218	2
General and administrative expenses	2,081,214	5	1,816,400	5
Research and development expenses	355,649	1	371,407	1
Total operating expenses	3,197,894	7	2,935,025	8
Loss on disposal of financial assets	-	-	8,467	-
Loss on disposal of property, plant and equipment	37,524	-	-	-
Other expenses	224,493	1	205,721	1
Impairment loss	-	-	28,419	-
Expected credit loss	35,663	-	-	-
Loss on foreign currency exchange	-	-	338,181	1
Total expenses	38,858,219	91	34,962,834	96
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,635,708	9	1,574,509	4

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
INCOME TAX EXPENSE (Notes 4 and 35)	773,615	2	444,803	1
NET PROFIT FROM CONTINUING OPERATIONS	2,862,093	7	1,129,706	3
NET PROFIT FOR THE YEAR	2,862,093	7	1,129,706	3
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 3, 4, 33 and 35)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(29,438)	-	(32,476)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(335,810)	(1)	-	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(22,935)	-	260	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,456)	-	5,557	-
	(390,639)	(1)	(26,659)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(99,743)	-	(70,662)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	967,783	2
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	(8,539)	-	-	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	273,835	1
	(108,282)	-	1,170,956	3
Other comprehensive income (loss) for the year	(498,921)	(1)	1,144,297	3
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 2,363,172	6	$ 2,274,003	6
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 2,457,937	6	$ 964,726	3
Non-controlling interests	404,156	1	164,980	-

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
	$ 2,862,093	7	$ 1,129,706	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,956,753	5	$ 2,160,210	6
Non-controlling interests	406,419	1	113,793	-
	$ 2,363,172	6	$ 2,274,003	6
EARNINGS PER SHARE (Note 36)				
Basic	$ 1.52		$ 0.60	
Diluted	$ 1.52		$ 0.60	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
			Retained Earnings			Other Equity						
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 16,184,093	$ 1,575,533	$ 911,595	$ 2,723,600	$ 3,127,352	$ 67,829	$ 1,060,956	$ -	$ (29,834)	$ 25,621,124	$ 8,063,296	$ 33,684,420
Appropriation of 2016 earnings												
Legal reserve	-	-	74,825	-	(74,825)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(404,602)	-	-	-	-	(404,602)	-	(404,602)
Other changes in capital surplus												
Actual acquisition of interest in subsidiaries	-	199	-	-	-	-	-	-	-	199	(199)	-
Net profit for the year ended December 31, 2017	-	-	-	-	964,726	-	-	-	-	964,726	164,980	1,129,706
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(26,850)	(68,974)	1,291,308	-	-	1,195,484	(51,187)	1,144,297
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	937,876	(68,974)	1,291,308	-	-	2,160,210	113,793	2,274,003
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(185,316)	(185,316)
BALANCE AT DECEMBER 31, 2017	16,184,093	1,575,732	986,420	2,723,600	3,585,801	(1,145)	2,352,264	-	(29,834)	27,376,931	7,991,574	35,368,505
Effect of retrospective application	-	-	-	-	232,386	-	(2,352,264)	2,346,799	-	226,921	138,816	365,737
BALANCE AT JANUARY 1, 2018 AS RESTATED	16,184,093	1,575,732	986,420	2,723,600	3,818,187	(1,145)	-	2,346,799	(29,834)	27,603,852	8,130,390	35,734,242
Appropriation of 2017 earnings												
Legal reserve	-	-	96,472	-	(96,472)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(809,205)	-	-	-	-	(809,205)	-	(809,205)
Other changes in capital surplus												
Changes in percentage of ownership interest in subsidiaries	-	(55)	-	-	(4)	-	-	-	-	(59)	59	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	-	(188)	-	-	-	-	(188)	-	(188)
Net profit for the year ended December 31, 2018	-	-	-	-	2,457,937	-	-	-	-	2,457,937	404,156	2,862,093
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(20,332)	(91,087)	-	(389,765)	-	(501,184)	2,263	(498,921)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	2,437,605	(91,087)	-	(389,765)	-	1,956,753	406,419	2,363,172
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(322,839)	(322,839)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income/Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(86,150)	-	-	86,150	-	-	-	-
BALANCE AT DECEMBER 31, 2018	$ 16,184,093	$ 1,575,677	$ 1,082,892	$ 2,723,600	$ 5,263,773	$ (92,232)	$ -	$ 2,043,184	$ (29,834)	$ 28,751,153	$ 8,214,029	$ 36,965,182

The accompanying notes are an integral part of the financial statements.

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,635,708	$ 1,574,509
Adjustments for:		
Depreciation expenses	1,840,850	1,748,617
Amortization expenses	4,133	3,671
Expected credit loss recognized on trade receivables	5,289	-
Net gain on fair value changes of financial assets at fair value through profit or loss	(18,785)	(33,984)
Finance costs	800,934	692,488
Interest income	(1,693,900)	(1,459,427)
Share of profit of associates and joint ventures	(59,782)	(38,342)
Loss (gain) on disposal and retirement of property, plant and equipment	37,524	(8,824)
Gain on disposal of investment properties	(2,301)	(11,951)
Net gain on disposal of financial assets	(25,464)	(126,560)
Impairment loss recognized on financial assets	-	28,419
Impairment loss recognized on property, plant and equipment	10,996	73,925
Net (gain) loss on foreign currency exchange	(49,217)	294,092
Gain on disposal of collaterals assumed	(9,797)	(789)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	224,619	320,956
Financial assets at fair value through profit or loss	526,238	(792,319)
Notes and trade receivables	726,184	(2,312,553)
Margin loan receivables	1,449,427	(1,603,907)
Customer margin accounts	(120,117)	(90,702)
Inventories	(1,461,925)	281,189
Prepayments	262,485	(93,928)
Other current assets	(269,604)	(636,449)
Discounts and loans	(1,450,066)	(1,910,879)
Due to the Central Bank and other banks	43,242	483,572
Other payables	(491,196)	1,438,832
Securities financing refundable deposits	30,644	253,884
Deposits and remittances	410,398	4,051,255
Deposits payable for securities financing	39,801	269,425
Future traders' equity	119,968	90,651
Other current liabilities	5,506	(127,045)
Employee benefits provisions	(265,241)	(108,930)
Cash generated from operations	4,256,551	2,248,896
Interest received	1,775,669	1,534,008
Interest paid	(790,995)	(674,927)
Income tax paid	(486,873)	(342,175)
Net cash generated from operating activities	4,754,352	2,765,802

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(1,479,940)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	2,602,179	-
Return of capital on financial assets at fair value through other comprehensive income	152	-
Purchase of financial asseta at amortized cost	(99,785,341)	-
Proceeds from sale of financial assets at amortized cost	96,528,558	-
Purchase of available-for-sale financial assets	-	(1,090,952)
Proceeds from sale of available-for-sale financial assets	-	1,618,954
Return of capital on available-for-sale financial assets	-	2,609
Purchase of held-to-maturity financial assets	-	(95,027,924)
Proceeds fromn sale of held-to-maturity financial assets	-	92,004,129
Purchase of financial assets measured at cost	-	(4,159)
Acquisition of associates	(45,000)	-
Payments for property, plant and equipment	(1,073,428)	(1,638,343)
Proceeds from disposal of property, plant and equipment	4,254	35,307
Increase in operating deposits	-	(1,068)
Decrease in operating deposits	9,368	-
Decrease in refundable deposits	126	13,846
Payments for intangible assets	(4,800)	-
Payments for investment properties	-	(112)
Proceeds from disposal of investment properties	6,199	62,971
Increase in bills and bonds purchased under resell agreements	-	(1,499,897)
Decrease in bills and bonds purchased under resell agreements	1,714,587	-
Increase in other receivables	(270,380)	-
Decrease in other receivables	-	21,290
Decrease in other financial assets	763,470	318,831
Increase in other assets	(283,489)	(98,262)
Dividends received from associates and joint ventures	4,285	3,650
Net cash used in investing activities	(1,309,200)	(5,279,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,430,903	383,879
Increase in short-term bills payable	-	2,050,698
Decrease in short-term bills payable	(2,154,555)	-
Proceeds from issuance of corporate bonds	330,000	500,000
Increase in other borrowings	-	421,989
Decrease in other borrowings	(736,897)	-
Increase in bills and bonds sold under repurchase agreements	-	1,895,462
Decrease in bills and bonds sold under repurchase agreements	(1,214,878)	-
Increase in guarantee deposits received	5,411	-
Decrease in guarantee deposits received	-	(16,380)

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Increase in other financial liabilities	-	44,665
Decrease in other financial liabilities	(19,249)	-
Decrease in other non-current liabilities	(8,400)	(9,820)
Dividends paid to owners of the Company	(809,205)	(404,602)
Changes in non-trolling interests	(322,839)	(185,316)
Net cash generated from (used in) financing activities	(3,499,709)	4,680,575
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	90,300	(132,360)
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,743	2,034,887
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,671,307	4,636,420
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 6,707,050	$ 6,671,307

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

SHINKONG SYNTHETIC FIBERS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6, 31 and 32)	$ 1,392,522	3	$ 1,836,608	4
Financial assets at fair value through profit or loss - current (Notes 3, 4, 7 and 31)	5,648	-	63	-
Financial assets at fair value through other comprehensive income - current (Notes 3, 4, 8, 31 and 33)	589,301	2	-	-
Available-for-sale financial assets - current (Notes 3, 4, 11, 31 and 33)	-	-	671,528	2
Held-to-maturity financial assets - current (Notes 3, 4, 12 and 31)	-	-	250,000	1
Financial assets at amortized cost - current (Notes 3, 4, 9, 10 and 31)	390,000	1	-	-
Notes receivable, net (Notes 3, 4, 14, 31 and 32)	63,681	-	85,472	-
Trade receivables, net (Notes 3, 4, 14, 31 and 32)	2,605,858	6	2,619,494	6
Other receivables (Notes 3, 4, 14, 31 and 32)	252,064	1	216,313	1
Inventories (Notes 4, 5 and 15)	3,101,992	7	2,014,303	5
Prepayments (Notes 19 and 32)	149,155	-	200,828	-
Other current assets (Note 19)	1,474	-	647	-
Total current assets	8,551,695	20	7,895,256	19
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4, 8, 31 and 33)	6,000,062	14	-	-
Available-for-sale financial assets - non-current (Notes 3, 4, 11, 31 and 33)	-	-	6,268,364	15
Held-to-maturity financial assets - non-current (Notes 3, 4, 12 and 31)	-	-	390,000	1
Financial assets at amortized cost - non-current (Notes 3, 4, 9, 10 and 31)	400,000	1	-	-
Financial assets measured at cost - non-current (Notes 3, 4, 13 and 31)	-	-	175,506	1
Investments accounted for using the equity method (Notes 4, 16, 29 and 32)	17,104,894	40	16,375,494	39
Property, plant and equipment (Notes 4, 17, 32 and 33)	7,467,077	18	7,663,461	18
Investment properties (Notes 4, 18 and 33)	3,029,337	7	3,059,703	7
Deferred tax assets (Notes 4 and 27)	155,949	-	160,976	-
Other non-current assets (Note 19)	165,175	-	33,582	-
Total non-current assets	34,322,494	80	34,127,086	81
TOTAL	$ 42,874,189	100	$ 42,022,342	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 20, 31 and 33)	$ 3,276,797	8	$ 2,235,000	5
Short-term bills payable (Notes 4, 20 and 31)	499,978	1	1,599,721	4
Financial liabilities at fair value through profit or loss - current (Notes 3, 4, 7 and 31)	1,924	-	2,846	-
Notes payables (Notes 21 and 31)	-	-	28	-
Trade payables (Notes 21, 31 and 32)	1,871,444	4	1,540,148	4
Other payables (Notes 22, 31 and 32)	647,299	2	501,256	1
Current tax liabilities (Notes 4 and 27)	139,211	-	128,099	-
Current portion of long-term borrowings and bonds payable (Notes 4, 20, 31, 32 and 33)	400,000	1	1,053,333	3
Other current liabilities (Note 22)	101,129	-	66,817	-
Total current liabilities	6,937,782	16	7,127,248	17
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4, 20, 31, 32 and 33)	5,669,294	13	5,906,007	14
Provisions - non-current (Notes 4, 23 and 24)	445,759	1	676,294	2
Deferred tax liabilities (Notes 4 and 27)	1,054,889	3	920,751	2
Guarantee deposits received	15,312	-	15,111	-
Total non-current liabilities	7,185,254	17	7,518,163	18
Total liabilities	14,123,036	33	14,645,411	35
EQUITY (Notes 4 and 25)				
Share capital	16,184,093	38	16,184,093	38
Capital surplus	1,575,677	4	1,575,732	4
Retain earnings				
Legal reserve	1,082,892	3	986,420	2
Special reserve	2,723,600	6	2,723,600	6
Unappropriated earnings	5,263,773	12	3,585,801	9
Total retained earnings	9,070,265	21	7,295,821	17
Other equity	1,950,952	4	2,351,119	6
Treasury shares	(29,834)	-	(29,834)	-
Total equity	28,751,153	67	27,376,931	65
TOTAL	$ 42,874,189	100	$ 42,022,342	100

The accompanying notes are an integral part of the financial statements.

SHINKONG SYNTHETIC FIBERS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 32)				
Sales	$ 24,885,692	100	$ 21,034,161	100
OPERATING COSTS (Notes 15, 17, 26 and 32)				
Cost of goods sold	22,454,284	90	19,321,521	92
GROSS PROFIT	2,431,408	10	1,712,640	8
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(50,442)	-	(33,718)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	44,323	-	46,117	-
REALIZED GROSS PROFIT	2,425,289	10	1,725,039	8
OPERATING EXPENSES (Notes 26 and 32)				
Selling and marketing expenses	498,746	2	481,800	2
General and administrative expenses	320,899	1	255,108	1
Research and development expenses	157,905	1	171,589	1
Reversal of expected credit loss	(6,583)	-	-	-
Total operating expenses	970,967	4	908,497	4
PROFIT FROM OPERATIONS	1,454,322	6	816,542	4
NON-OPERATING INCOME AND EXPENSES (Notes 4, 26, 32 and 35)				
Other income	414,535	2	291,086	1
Other gains and losses	98,805	-	(126,020)	(1)
Finance costs	(124,913)	(1)	(114,507)	-
Share of profit or loss of subsidiaries, associates and joint ventures	924,897	4	269,098	1
Total non-operating income and expenses	1,313,324	5	319,657	1
PROFIT BEFORE INCOME TAX	2,767,646	11	1,136,199	5
INCOME TAX EXPENSE (Notes 4 and 27)	(309,709)	(1)	(171,473)	(1)
NET PROFIT FOR THE YEAR	2,457,937	10	964,726	4

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 24, 25 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(27,007)	-	(25,628)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(347,137)	(2)	-	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	(31,017)	-	(5,579)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,625)	-	4,357	-
	(407,786)	(2)	(26,850)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(91,087)	-	(68,974)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	964,920	5
Share of the other comprehensive income (loss) of subsidiaries associates and joint ventures accounted for using the equity method	(2,311)	-	326,388	1
	(93,398)	-	1,222,334	6
Other comprehensive income (loss) for the year, net of income tax	(501,184)	(2)	1,195,484	6
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 1,956,753	8	$ 2,160,210	10
EARNINGS PER SHARE (Note 28)				
Basic	$ 1.52		$ 0.60	
Diluted	$ 1.52		$ 0.60	

The accompanying notes are an integral part of the financial statements. (Concluded)

SHINKONG SYNTHETIC FIBERS CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

				Retained Earnings			Other Equity				
	Share (In Thousand)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2017	1,618,409	$ 16,184,093	$ 1,575,533	$ 911,595	$ 2,723,600	$ 3,127,352	$ 67,829	$ 1,060,956	$ -	$ (29,834)	$ 25,621,124
Other changes in capital surplus											
Actual acquisitions of interests in subsidiaries	-	-	199	-	-	-	-	-	-	-	199
Appropriation of 2016 earnings											
Legal reserve	-	-	-	74,825	-	(74,825)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(404,602)	-	-	-	-	(404,602)
Net profit for the year ended December 31, 2017	-	-	-	-	-	964,726	-	-	-	-	964,726
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(26,850)	(68,974)	1,291,308	-	-	1,195,484
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	937,876	(68,974)	1,291,308	-	-	2,160,210
BALANCE AT DECEMBER 31, 2017	1,618,409	16,184,093	1,575,732	986,420	2,723,600	3,585,801	(1,145)	2,352,264	-	(29,834)	27,376,931
Effect of retrospective application	-	-	-	-	-	232,386	-	(2,352,264)	2,346,799	-	226,921
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,618,409	16,184,093	1,575,732	986,420	2,723,600	3,818,187	(1,145)	-	2,346,799	(29,834)	27,603,852
Other changes in capital surplus											
Changes in percentage of ownership interests in subsidiaries	-	-	(55)	-	-	(192)	-	-	-	-	(247)
Appropriation of 2017 earnings											
Legal reserve	-	-	-	96,472	-	(96,472)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(809,205)	-	-	-	-	(809,205)
Net profit for the year ended December 31, 2018	-	-	-	-	-	2,457,937	-	-	-	-	2,457,937
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(20,332)	(91,087)	-	(389,765)	-	(501,184)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	2,437,605	(91,087)	-	(389,765)	-	1,956,753
Disposals of investments in equity instruments designated as at fair value through other comprehensive income/Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(86,150)	-	-	86,150	-	-
BALANCE AT DECEMBER 31, 2018	1,618,409	$ 16,184,093	$ 1,575,677	$ 1,082,892	$ 2,723,600	$ 5,263,773	$ (92,232)	$ -	$ 2,043,184	$ (29,834)	$ 28,751,153

The accompanying notes are an integral part of the financial statements.

SHINKONG SYNTHETIC FIBERS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,767,646	$ 1,136,199
Adjustments for:		
Depreciation expenses	523,301	450,401
Expected credit loss reversed on trade receivables	(6,583)	-
Net (gain) loss on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	(1,508)	1,835
Finance costs	124,913	114,507
Interest income	(34,305)	(14,417)
Dividend income	(309,179)	(204,020)
Share of profit of subsidiaries, associates and joint ventures	(924,897)	(269,098)
Loss (gain) on disposal of property, plant and equipment	16,717	(152)
Impairment losses recognized on property, plant and equipment	3,295	73,925
Net loss on disposal of financial assets	-	8,453
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	50,442	33,718
Realized gain on the transactions with subsidiaries, associates and joint ventures	(44,323)	(46,117)
Recognition of provisions	17,955	23,128
Net (gain) loss on foreign currency exchange	(43,173)	70,725
Impairment loss recognized on financial assets	-	25,301
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(4,999)	-
Notes and Trade receivables	39,889	(243,963)
Other receivables	(53,965)	(14,288)
Inventories	(1,087,689)	279,239
Prepayments	51,673	(18,104)
Other current assets	(827)	684
Notes payables	(28)	(360)
Trade payables	332,553	(341,767)
Other payables	167,704	3,092
Other current liabilities	34,312	(24,898)
Provisions	(275,497)	(99,649)
Cash generated from operations	1,343,427	944,374
Interest received	32,760	12,473
Dividend received	309,179	204,020
Interest paid	(123,217)	(114,913)
Income tax paid	(142,301)	(160,665)
Net cash generated from operating activities	1,419,848	885,289
CASH FLOWS FROM INVESTING ACTIVITIES		

(Continued)

SHINKONG SYNTHETIC FIBERS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Proceeds from sale of financial assets at fair value through other comprehensive income	211,355	-
Return of capital on financial assets at fair value through other comprehensive income	152	-
Purchase of financial assets at amortized cost	(400,000)	-
Proceeds from sale of financial assets at amortized cost	250,000	-
Purchase of held-to-maturity financial assets	-	(390,000)
Purchase of financial assets measured at cost	-	(4,159)
Proceeds from sale of available-for-sale financial assets	-	315,807
Proceeds from sale of debt investments with no active markets	-	1,500
Dividend received from subsidiaries and associates	461,030	418,343
Net cash outflow on acquisition of subsidiaries	(202,002)	(100,355)
Payments for property, plant and equipment	(339,920)	(791,123)
Proceeds from disposal of property, plant and equipment	-	502
Decrease in refundable deposits	154	7,638
Proceed from disposal of investments properties	-	100,000
(Increase) decrease in other assets	(131,747)	36,080
Net cash used in investing activities	(150,978)	(405,767)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,044,638	485,000
Proceeds from (repayments of) short-term bills payable	(1,099,743)	74
Proceeds from (repayments of) long-term borrowings	(890,046)	379,752
Increase (decrease) in guarantee deposits received	201	(160)
Dividends paid to owners of the Company	(809,205)	(404,602)
Net cash generated from (used in) financing activities	(1,754,155)	460,064
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	41,199	(66,357)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(444,086)	873,229
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,836,608	963,379
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,392,522	$ 1,836,608

The accompanying notes are an integral part of the financial statements. (Concluded)

Motion No. 2

Case summary: Acknowledgment of the proposal for the Distribution of 2018 profits. (Proposed by the Board)

Description:

(1) Refer to the appendix for details on the acknowledgment of the proposal for the Distribution of 2018 profits.

(2) Distributable earnings for the year 2018 amounted to NT$ 5,017,979,003 dollars. A proposal has been made to distribute cash dividends totaling NT$ 1,375,647,897 dollars or NT$ 0.85 dollars per share. Should the Company decide to buy back shares or transfer, convert or retire treasury stocks or if its convertible bonds are converted into common shares on a later date, to the extent that affects the number of outstanding shares and shareholders' dividend yield, the board of directors shall be authorized to exercise discretion over relevant details.

(3) The amount of cash dividends shall be calculated and rounded off to the nearest NT$1. Fractions that do not amount to a full NT$1 shall be totaled and recognized by the Company as other income.

(4) Once the cash dividend proposal is passed during the shareholders' meeting, the board of directors shall be authorized to set the baseline date for dividend distribution.

Shinkong Synthetic Fibers Corp.
Earnings Appropriation Chart
From January 1, 2018 to December 31, 2018

Unit: NTD

Item	Amount
Opening undistributed earnings	2,680,123,791
Retrospective application effects	232,386,406
Adjusted opening undistributed earnings	2,912,510,197
Adjustment to retained earnings in relation to equity-accounted investments	(2,869,397)
Adjustment to retained earnings in relation to re-measurement of defined benefit plans	(17,972,418)
Disposal of equity instruments investment measured at fair value through other comprehensive income - accumulated profit or loss directly transfer to retained earnings	(85,832,321)
Adjusted undistributed earnings	2,805,836,061
Current net income	2,457,936,602
10% provision for legal reserve	(245,793,660)
Earnings available for distribution in current period	5,017,979,003
Distributions:	
Cash dividend	(1,375,647,897)
Closing undistributed earnings	3,642,331,106

Chairman: *Tong Sheng Wu*

Manager: *Shyr Shyuan Luo*

Chief Accountant: *Hsin-Chang Lin*

Resolution:

Discussions

Motion No. 1

Case summary: Partial amendments of the Company's "Articles of Incorporation." (Proposed by the Board)

Description: Amendments to the Company's Articles of incorporation have been proposed according to amendments of "The Company Act" stipulated under Presidential Order No. Hua-Zong-1-Jing-10700083291 dated August 1, 2018. Refer to the Attachment for a detailed comparison between existing and amended clauses.

Comparison of Amendments to Shinkong Synthetic Fibers Corp. Articles of Incorporation

After amendment	Before amendment	Description
Article 6 The Company issues owner-registered common shares only. The issue of <u>the share certificate shall be conducted in accordance with Article 162 of the Company Act.</u> Shares of the Company may be issued in non-tangible form, subject to registration with the centralized securities depository.	<u>Article 6</u> The Company issues owner-registered common shares only. Every share certificate shall be issued with the signatures or seals of at least 3 directors, the common seal of the Company, and legal certification. Shares of the Company may be issued in non-tangible form, subject to registration with the centralized securities depository.	Amended to conform with Article 162 of The Company Act.
Article 20: Board of directors meetings are held once per quarter. Unless otherwise regulated in The Company Act, board of directors' meetings are to be convened by the Chairperson. <u>With the support of more than half of total directors, the board may issue a written request detailing the underlying agenda and reasons to have the Chairperson convene a board of directors meeting.</u> <u>If the Chairperson does not convene</u>	Article 20: Board of directors meetings are held once per quarter. Unless otherwise regulated in The Company Act, board of directors' meetings are to be convened by the Chairperson. The convening of a board of directors' meeting must be advised to	Amended to conform with Articles 203, 203-1 and 204 of The Company Act.

After amendment	Before amendment	Description
the meeting within fifteen (15) days after the abovementioned request is made, the board may convene its own meeting with the support of more than half of total directors. The convening of a board of directors' meeting must be advised to all directors with detailed agenda at least seven (7) days in advance. However, board of directors meetings can be held in shorter notices in case of emergency. Board of directors' meeting advice can be served via fax, e-mail or other electronic methods with the consent of the recipient. If the director receiving the highest number of votes fails to convene board of directors meeting within the time limit specified in Article 203 of The Company Act, elected directors representing more than half of total votes may convene the meeting on their own instead.	all directors with detailed agenda at least seven (7) days in advance. However, meetings can be held in shorter notices in case of emergency. Board of directors' meeting advice can be served via fax, e-mail or other electronic methods with the consent of the recipient. If the director receiving the highest number of votes fails to convene board of directors meeting within the time limit specified in Article 203 of The Company Act, one of the directors receiving more than one-fifth of the vote may seek permission from the authority to convene the meeting instead.	
Article 32 Annual profits concluded by the Company are subject to employee remuneration of no less than 1%, which the board of directors may decide to distribute in cash or in shares. Employees of controlling company or subsidiaries who meet certain criteria are also entitled to receive remuneration. Up to 5% of the aforementioned profit may be distributed as director remuneration at the discretion of the board of directors. Employee and director remuneration proposals are to be raised for resolution during	Article 32 Annual profits concluded by the Company are subject to employee remuneration of no less than 1%, which the board of directors may decide to distribute in cash or in shares. Employees of subsidiaries who meet certain criteria are also entitled to receive remuneration. Up to 5% of the aforementioned profit may be distributed as director remuneration at the discretion of the board of directors. Employee and director remuneration proposals are to be raised for resolution during shareholder meetings.	Amended to conform with Article 235-1 of The Company Act.

After amendment	Before amendment	Description
shareholder meetings. Should the board of directors resolve to pay employees' compensation in shares, the board may also decide to meet the payment through issuance of new shares or buyback of own shares during the same meeting session. Profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages.	Profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages.	
Article 32-1 Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve; however, no further provisioning is needed when legal reserves have accumulated to the same amount as paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserve, as the laws or business activities may require. The residual balance is then added to undistributed earnings carried from previous years and distributed as cash dividends to preferred shareholders followed by common shareholders, which shall be conducted in accordance with the applicable regulations of the Company Act. The Company operates in a growing industry, and shall set dividends at levels that conform with the prevailing economic environment	Article 32-1 Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve; however, no further provisioning is needed when legal reserves have accumulated to the same amount as paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserve, as the laws or business activities may require. The residual balance is then added to undistributed earnings carried from previous years and distributed as cash dividends to preferred shareholders followed by common shareholders, which shall be resolved in a shareholder meeting. The Company operates in a growing industry, and shall set dividends at levels that conform with the prevailing economic environment and the Company's goals toward	Amended to conform with Article 240 of The Company Act.

After amendment	Before amendment	Description
and the Company's goals toward sustainability and long-term growth. The board of directors shall emphasize on maintaining stability and growth of dividends when making earnings appropriation proposals. Depending on the availability of capital, dividends can be distributed in cash and (or) in shares, with cash dividends amounting to no less than 20% of total common share dividends for the current year. <u>The whole or a part of the distributable dividends and bonuses by cash shall be resolved by the board of director meeting with more than two-thirds of the directors present, and with the resolution of more than half of all attending directors, and thereto a report of such distribution shall be submitted to the shareholders' meeting.</u>	sustainability and long-term growth. The board of directors shall emphasize on maintaining stability and growth of dividends when making earnings appropriation proposals. Depending on the availability of capital, dividends can be distributed in cash and (or) in shares, with cash dividends amounting to no less than 20% of total common share dividends for the current year.	
Article 35: This Articles of Incorporation was created on March 17, 1961; the 1st amendment was made on March 8, 1969; the 2nd amendment was made on March 23, 1972; the 3rd amendment was made on March 22, 1973; the 4th amendment was made on March 16, 1974; the 5th amendment was made on May 19, 1975; the 6th amendment was made on April 22, 1977; the 7th amendment was made on June 21, 1978; the 8th amendment was made on April 12, 1979; the 9th amendment was made on April 17, 1981; the 10th amendment was made	Article 35: This Articles of Incorporation was created on March 17, 1961; the 1st amendment was made on March 8, 1969; the 2nd amendment was made on March 23, 1972; the 3rd amendment was made on March 22, 1973; the 4th amendment was made on March 16, 1974; the 5th amendment was made on May 19, 1975; the 6th amendment was made on April 22, 1977; the 7th amendment was made on June 21, 1978; the 8th amendment was made on April 12, 1979; the 9th amendment was made on April 17, 1981; the 10th amendment was made	

After amendment	Before amendment	Description
on May 12, 1983; the 11th amendment was made on May 8, 1984; the 12th amendment was made on March 26, 1981; the 13th amendment was made on March 25, 1988; the 14th amendment was made on March 31, 1989; the 15th amendment was made on April 18, 1990; and the 16th amendment was made on March 23, 1991. The 17th amendment was made on March 21, 1992; the 18th amendment was made on April 2, 1994; the 19th amendment was made on April 15, 1995; the 20th amendment was made on May 4, 1996; the 21st amendment was made on June 21, 1997; the 22nd amendment was made on June 3, 2000; the 23rd amendment was made on June 20, 2002; the 24th amendment was made on June 13, 2003; the 25th amendment was made on June 15, 2004; the 26th amendment was made on June 8, 2005; the 27th amendment was made on June 15, 2007; the 28th amendment was made on June 13, 2008; the 29th amendment was made on June 25, 2010; the 30th amendment was made on June 2, 2011; the 31st amendment was made on June 5, 2012; the 32nd amendment was made on June 7, 2013; the 33rd amendment was made on May 29, 2014; the 34th amendment was made on May 31, 2016; the 35th amendment was made on May 29, 2019.	on May 12, 1983; the 11th amendment was made on May 8, 1984; the 12th amendment was made on March 26, 1981; the 13th amendment was made on March 25, 1988; the 14th amendment was made on March 31, 1989; the 15th amendment was made on April 18, 1990; and the 16th amendment was made on March 23, 1991. The 17th amendment was made on March 21, 1992; the 18th amendment was made on April 2, 1994; the 19th amendment was made on April 15, 1995; the 20th amendment was made on May 4, 1996; the 21st amendment was made on June 21, 1997; the 22nd amendment was made on June 3, 2000; the 23rd amendment was made on June 20, 2002; the 24th amendment was made on June 13, 2003; the 25th amendment was made on June 15, 2004; the 26th amendment was made on June 8, 2005; the 27th amendment was made on June 15, 2007; the 28th amendment was made on June 13, 2008; the 29th amendment was made on June 25, 2010; the 30th amendment was made on June 2, 2011; the 31st amendment was made on June 5, 2012; the 32nd amendment was made on June 7, 2013; the 33rd amendment was made on May 29, 2014; and the 34th amendment was made on May 31, 2016.	

Motion No. 2

Case summary: Amendments to the Company's "Asset Acquisition and Disposal Procedures." (Proposed by the Board)

Description: Description: Partial amendments to the Company's "Asset Acquisition and Disposal Procedures" have been proposed based on amendments of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated in Letter No. Jin-Guan-Zheng-Fa-1070341072 issued by the Financial Supervisory Commission on November 26, 2018. Refer to the Attachment for detailed comparison of amended clauses.

Comparison of Amendments to Shinkong Synthetic Fibers Corp. Asset Acquisition and Disposal Procedures

After amendment	Before amendment	Description
Article 2: The term "asset" mentioned in the procedures shall apply to the following: 1. Long/short-term investments including shares, government bonds, corporate bonds, bank debentures, domestic beneficiary certificates, offshore mutual funds, depository receipts, call (put) options, beneficiary securities, and asset-backed securities. 2. Real estate (including land, building, investment properties, and construction inventory) and equipment. 3. Membership. 4. Patents, copyrights, trademarks, franchise and other intangible assets. 5. <u>Usage rights</u> <u>6</u>. Debt entitlements of a financial	Article 2: The term "asset" mentioned in the procedures shall apply to the following: 1. Long/short-term investments including shares, government bonds, corporate bonds, bank debentures, domestic beneficiary certificates, offshore mutual funds, depository receipts, call (put) options, beneficiary securities, and asset-backed securities. 2. Real estate (including land, building, investment properties,<u> land use rights</u>, and construction inventory) and equipment. 3. Membership. 4. Patents, copyrights, trademarks, franchise and other intangible assets. 5. Debt entitlements of a financial	Amendment to the content of the articles in accordance with the Article 3 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (hereinafter referred to as the "Regulations").

After amendment	Before amendment	Description
institution (including receivables, bills purchased, discounts, loans, and overdue receivables). 7. Derivatives. 8. Assets acquired or disposed through legal merger, divestment, acquisition or share exchange. 9. Other material assets.	institution (including receivables, bills purchased, discounts, loans, and overdue receivables). 6. Derivatives. 7. Assets acquired or disposed through legal merger, divestment, acquisition or share exchange. 8. Other material assets.	
Article 3: Definition and applicability of terms used in the procedures are explained below: 1. Derivatives: refer to forward contracts, option contracts, futures, leverage contracts, swap contracts, any combination of the above or structured contracts/products with embedded derivatives where values are derived from specific interest rates, prices of financial instruments, commodity prices, exchange rates, price or rate indices, credit ratings, credit indices, or other variables. The forward contracts mentioned here do not include insurance contract, performance contract, after-sale service contract, long term lease contract or long term (purchase) sale contract. 2. Assets acquired or disposed through legal merger, divestment, acquisition or share exchange: refers to assets acquired or disposed during a merger, divestment, or acquisition in accordance with the Business Mergers And Acquisitions Act, Financial Holding Company Act, The Financial Institutions Merger Act or other relevant laws, or new	Article 3: Definition and applicability of terms used in the procedures are explained below: 1. Derivatives: refer to forward contracts, option contracts, futures, leverage contracts, swap contracts and any combination of the above where values are derived from the underlying assets, interest rates, exchange rates, indices or benefits. The forward contracts mentioned here do not include insurance contract, performance contract, after-sale service contract, long term lease contract or long term (purchase) sale contract. 2. Assets acquired or disposed through legal merger, divestment, acquisition or share exchange: refers to assets acquired or disposed during a merger, divestment, or acquisition in accordance with the Business Mergers And Acquisitions Act, Financial Holding Company Act, The Financial Institutions Merger Act or other relevant laws, or new	Amendment to the content of the articles in accordance with the Article 4 of Regulations.

After amendment	Before amendment	Description
shares issued in exchange of another company's shares (i.e. share exchange) under <u>Article 156-3</u> of The Company Act. 3. Related parties and subsidiaries: as defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers. 4. Professional valuer: refers to real estate valuer or anyone who is permitted by law to perform valuation on real estate properties and equipment. 5. Date of occurrence: refers to the earliest of the signing date, payment date, deal date, date of ownership transfer, board of directors' resolution date or any other dates when the transaction counterparty and the amount can be verified with certainty. However, for investments that are subject to the approval of the authority, the date of occurrence shall be determined as the earlier between the above dates and the date approved by the authority. 6. Mainland investments: refer to investment projects in the Mainland that are either approved by the Investment Commission, Ministry of Economic Affairs, or permitted under Regulations Governing Investment or Technological Collaboration in the Mainland. 7. The terms "all audit committee members" and "all directors" mentioned in the procedures shall refer to those who are currently in	shares issued in exchange of another company's shares (i.e. share exchange) under <u>Paragraph 8</u>, Article 156 of The Company Act. 3. Related parties and subsidiaries: as defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers. 4. Professional valuer: refers to real estate valuer or anyone who is permitted by law to perform valuation on real estate properties and equipment. 5. Date of occurrence: refers to the earliest of the signing date, payment date, deal date, date of ownership transfer, board of directors' resolution date or any other dates when the transaction counterparty and the amount can be verified with certainty. However, for investments that are subject to the approval of the authority, the date of occurrence shall be determined as the earlier between the above dates and the date approved by the authority. 6. Mainland investments: refer to investment projects in the Mainland that are either approved by the Investment Commission, Ministry of Economic Affairs, or permitted under Regulations Governing Investment or Technological Collaboration in the Mainland. 7. The terms "all audit committee members" and "all directors" mentioned in the procedures shall refer to those who are currently in	

After amendment	Before amendment	Description
active duty.	active duty.	
Article 4: The Company may purchase non-operating real estate properties to a sum no higher than the paid-up capital. The sum of securities acquired shall not exceed 150% of the Company's net worth, as shown in the latest audited financial statements, whereas investments in individual securities are capped at 50% of net worth. Subsidiaries of the Company may individually purchase non-operating real estate properties and usage rights thereof or acquire securities up to 20% of the Company's net worth, respectively, as shown in the latest audited financial statements, whereas investments in individual securities are capped at 10% of net worth. However, purchase of non-operating real estate properties and usage rights thereof or acquisition of securities by all subsidiaries are capped at 50% of the Company's net worth, respectively, as shown in the latest audited financial statements.	Article 4: The Company may purchase non-operating real estate properties to a sum no higher than the paid-up capital. The sum of securities acquired shall not exceed 150% of the Company's net worth, as shown in the latest audited financial statements, whereas investments in individual securities are capped at 50% of net worth. Subsidiaries of the Company may individually purchase non-operating real estate properties and acquire securities up to 20% of the Company's net worth, respectively, as shown in the latest audited financial statements, whereas investments in individual securities are capped at 10% of net worth. However, purchase of non-operating real estate properties and acquisition of securities by all subsidiaries are capped at 50% of the Company's net worth, respectively, as shown in the latest audited financial statements.	Amendment to the content of the articles in accordance with the Article 7 of Regulations.
Article 6: Except for transactions involving a domestic government agency, commissioned development of purchased land, commissioned development of leased land, and acquisition/disposal of equipment relevant to business operations or usage rights thereof, all other acquisitions and disposals of property, equipment or usage rights thereof amounting to NTD 300 million or above shall be supported with valuation reports issued by professional valuers prior to the date of	Article 6: Except for transactions involving a government agency, commissioned development of purchased land, commissioned development of leased land, and acquisition/disposal of equipment relevant to business operations, all other acquisitions and disposals of property or equipment amounting to NTD 300 million or above shall be supported with valuation reports issued by professional valuers prior to the date of occurrence (see Attachment 1 for mandatory details).	Amendment to the content of the articles in accordance with the Article 9 of Regulations.

After amendment	Before amendment	Description
occurrence (see Attachment 1 for mandatory details). These valuation reports shall also comply with the following: 1. If, for any reason, that the Company is in need of using a restrictive or specific pricing to serve as reference for the transaction price, the underlying transaction must then be resolved by the board of directors before proceeding. <u>Any changes in transaction term thereafter shall also be subject to the same procedures.</u> 2. For transactions that amount to more than NTD 1 billion, quotations from at least two professional valuers are needed. 3. If valuation concluded by the professional valuer exhibits any of the following, a certified public accountant must be engaged to provide opinions with regards to the discrepant value and the rationality of the transaction price in accordance with Statement on Auditing Standards No. 20 published by the Accounting Research and Development Foundation of the Republic of China (ARDF), except in situations where the valued price is higher than the price of asset acquired or lower than the price of asset sold. (1) When the valuation differs from the transaction amount by 20% or more. (2) When valuation from 2 or more professional valuers differ by 10% or more. 4. Where professional valuation is used,	These valuation reports shall also comply with the following: 1. If, for any reason, that the Company is in need of using a restrictive or specific pricing to serve as reference for the transaction price, the underlying transaction must then be resolved by the board of directors before proceeding. <u>Any future changes in transaction term shall also be subject to the above procedures.</u> 2. For transactions that amount to more than NTD 1 billion, quotations from at least two professional valuers are needed. 3. If valuation concluded by the professional valuer exhibits any of the following, a certified public accountant must be engaged to provide opinions with regards to the discrepant value and the rationality of the transaction price in accordance with Statement on Auditing Standards No. 20 published by the Accounting Research and Development Foundation of the Republic of China (ARDF), except in situations where the valued price is higher than the price of asset acquired or lower than the price of asset sold. (1) When the valuation differs from the transaction amount by 20% or more. (2) When valuation from 2 or more professional valuers differ by 10% or more. 4. Where professional valuation is used,	

After amendment	Before amendment	Description
the valuer's report must be dated no further than three (3) months from the contract date. However, if the report still applies to the same current value announced by the government and is no more than six months old, opinion can still be accepted from the original valuer. 5. If there are justifiable reasons for being unable to obtain valuation report in time, the Company shall obtain the valuation report plus CPA's opinion as described in Subparagraph 3 of this Article within two (2) weeks from the date of occurrence, except in cases where a restrictive or special pricing is used to serve as reference for the transaction price.	the valuer's report must be dated no further than three (3) months from the contract date. However, if the report still applies to the same current value announced by the government and is no more than six months old, opinion can still be accepted from the original valuer. 5. If there are justifiable reasons for being unable to obtain valuation report in time, the Company shall obtain the valuation report plus CPA's opinion as described in Subparagraph 3 of this Article within two (2) weeks from the date of occurrence, except in cases where a restrictive or special pricing is used to serve as reference for the transaction price.	
Article 7: When acquiring or disposing securities, the Company shall obtain the latest audited or auditor-reviewed financial statements of the securities issuer prior to the transaction. This is to provide reference for the transaction price. Transactions that meet any of the following conditions and amount to NTD 300 million or above must be supported by CPA's opinions with regards to the rationality of the transaction price: 1. Acquisition or disposal of securities that are not traded over Taiwan Stock Exchange Corporation (TWSE) or Taipei Exchange (TPEX). 2. Acquisition or disposal of privately placed securities. 3. Acquisition or disposal of membership or intangible asset or	Article 7: When acquiring or disposing securities, the Company shall obtain the latest audited or auditor-reviewed financial statements of the securities issuer prior to the transaction. This is to provide reference for the transaction price. Transactions that meet any of the following conditions and amount to NTD 300 million or above must be supported by CPA's opinions with regards to the rationality of the transaction price: 1. Acquisition or disposal of securities that are not traded over Taiwan Stock Exchange Corporation (TWSE) or Taipei Exchange (TPEX). 2. Acquisition or disposal of privately placed securities. 3. Acquisition or disposal of membership or intangible asset,	Amendment to the content of the articles in accordance with the Article 11 of Regulations.

After amendment	Before amendment	Description
usage rights thereof, except when transacting with a domestic government agency. Subparagraph 3 of the preceding Paragraph shall conform with Statement of Financial Accounting Standards No. 20 published by the Accounting Research and Development Foundation.	except when transacting with a government agency. Subparagraph 3 of the preceding Paragraph shall conform with Statement of Financial Accounting Standards No. 20 published by the Accounting Research and Development Foundation.	
Article 11: With the exception of domestic government bonds, repurchase/resale agreements, and subscription/redemption of money market funds issued by domestic securities investment trust enterprises, acquisition and disposal of real estate properties or usage rights thereof with related parties or non-real estate assets or usage rights thereof with related parties amounting to more than 20% of the Company's paid-up capital, 10% of total assets or NTD 300 million must have the following information submitted for approval by the board of directors and acknowledgment by supervisors before the deal is signed or paid: 1. The purpose, necessity, and expected benefits of the asset acquisition/disposal. 2. The reasons for transacting with a related party. 3. When acquiring or disposing real estate or usage rights thereof with a related party, any information that is relevant for establishing the rationality of transaction terms under Articles 12 and 13. 4. The date, price, and counterparty at/from which the related party had acquired the asset in the first place,	Article 11: With the exception of government bonds, repurchase/resale agreements, and subscription/redemption of money market funds issued by domestic securities investment trust enterprises, acquisition and disposal of real estate properties with related parties or non-real estate assets with related parties amounting to more than 20% of the Company's paid-up capital, 10% of total assets or NTD 300 million must have the following information submitted for approval by the board of directors and acknowledgment by supervisors before the deal is signed or paid. 1. The purpose, necessity, and expected benefits of the asset acquisition/disposal. 2. The reasons for transacting with a related party. 3. When acquiring or disposing real estate with a related party, any information that is relevant for establishing the rationality of transaction terms under Articles 12 and 13. 4. The date, price, and counterparty at/from which the related party had acquired the asset in the first place,	Amendment to the content of the articles in accordance with the Article 15 of Regulations.

After amendment	Before amendment	Description
and the relationship between the Company and the initial counterparty. 5. A cash projection report for the next twelve (12) months starting from the contract month, with comments made on the necessity of the transaction and the rationality of capital usage. 6. Professional valuer's report or CPA's opinion obtained in accordance with the preceding Article. 7. Restrictions and other important terms of this transaction. Calculations for the above transaction amount shall comply with Paragraph 2, Article 27 of the procedures. The one-year timeframe mentioned herein shall date back from the day the transaction occurs. Transactions that have already been approved by the board of directors and acknowledged by supervisors according to the procedures can be excluded. Any of the following transactions taking place between the Company and its subsidiary, or between subsidiaries in which the Company has 100% shareholding or capital contribution, may be carried out at the discretion of the Chairperson, subject to board of directors' prior authorization under Article 5 and up to a certain limit, and raised for acknowledgment during the latest board meeting: 1. Acquisition or disposal of operating equipment or usage rights thereof. 2. Acquisition or disposal of operating real estate or usage rights thereof. If the Company has independent directors in place, independent directors'	and the relationship between the Company and the initial counterparty. 5. A cash projection report for the next twelve (12) months starting from the contract month, with comments made on the necessity of the transaction and the rationality of capital usage. 6. Professional valuer's report or CPA's opinion obtained in accordance with the preceding Article. 7. Restrictions and other important terms of this transaction. Calculations for the above transaction amount shall comply with Paragraph 2, Article 27 of the procedures. The one-year timeframe mentioned herein shall date back from the day the transaction occurs. Transactions that have already been approved by the board of directors and acknowledged by supervisors according to the procedures can be excluded. Acquisition or disposal of operating equipment with or among the Company's subsidiaries may be carried out at the discretion of the Chairperson, subject to board of directors' prior authorization under Article 5 and up to a certain limit, and raised for acknowledgment during the latest board meeting. If the Company has independent directors in place, independent directors'	

After amendment	Before amendment	Description
opinions must be fully taken into consideration when the transaction is proposed for discussion among the board of directors in accordance with Paragraph 1. Any objections or qualified opinions expressed by independent directors shall be detailed in board meeting minutes. If the Company has an Audit Committee in place, any issues that are subject to supervisors' acknowledgment, as mentioned in Paragraph 1, shall be agreed upon by half or more of Audit Committee members and proposed for resolution by the board of directors. Procedures for the above two requirements shall comply with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."	opinions must be fully taken into consideration when the transaction is proposed for discussion among the board of directors in accordance with Paragraph 1. Any objections or qualified opinions expressed by independent directors shall be detailed in board meeting minutes. If the Company has an Audit Committee in place, any issues that are subject to supervisors' acknowledgment, as mentioned in Paragraph 1, shall be agreed upon by half or more of Audit Committee members and proposed for resolution by the board of directors. Procedures for the above two requirements shall comply with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."	
Article 12: For all real estate properties or <u>usage rights thereof</u> acquired from related parties, the rationality of transaction costs shall be evaluated using the following methods: 1. Add interests of necessary funding and any costs legally borne by the buyer onto the price of the related party transaction. Interests on capital is calculated at the weighted average interest rate that the Company would have incurred if it finances the asset purchase in the year acquired. However, this rate shall not exceed the maximum lending rate for non-financial institutions, as regulated by the Ministry of Finance. 2. If the related party had pledged the property as collateral and	Article 12: For all real estate properties acquired from related parties, the rationality of transaction costs shall be evaluated using the following methods: 1. Add interests of necessary funding and any costs legally borne by the buyer onto the price of the related party transaction. Interests on capital is calculated at the weighted average interest rate that the Company would have incurred if it finances the asset purchase in the year acquired. However, this rate shall not exceed the maximum lending rate for non-financial institutions, as regulated by the Ministry of Finance. 2. If the related party had pledged the property as collateral and borrowed	Amendment to the content of the articles in accordance with the Article 16 of Regulations.

After amendment	Before amendment	Description
borrowed from a financial institution, the value assessed by the financial institution should be used as reference. This rule applies only if the financial institution has lent a cumulative amount of at least 70% of the property value and for more than one (1) year. This does not apply if the financial institution is a related party to one of the counterparties.	from a financial institution, the value assessed by the financial institution should be used as reference. This rule applies only if the financial institution has lent a cumulative amount of at least 70% of the property value and for more than one (1) year. This does not apply if the financial institution is a related party to one of the counterparties.	
For purchases or leases that involve both land and buildings, the transaction costs of land and building can be evaluated separately using the above methods.	For purchases that involve both land and building, the transaction costs of land and building can be evaluated separately using any of the methods mentioned in the preceding Paragraph.	
When acquiring real estate property or usage rights thereof from a related party, the property cost or cost of usage rights thereof shall be evaluated according to the preceding 2 Paragraphs. A certified public accountant should also be engaged to verify and express opinions on the transaction.	When acquiring real estate property from a related party, the property cost shall be evaluated according to Paragraphs 1 and 2. A certified public accountant should also be engaged to verify and express opinions on the transaction.	
Acquisition of real estate property or usage rights thereof from a related party that exhibits any of the following shall proceed according to the preceding Article and is exempted from the three Paragraphs above:	Acquisition of real estate property from a related party that exhibits any of the following shall proceed according to Article 11 and is exempted from the three Paragraphs above:	
1. The related party had acquired the real estate property or usage rights thereof as a heritage or gift in the first place.	1. The related party had acquired the real estate property as a heritage or gift in the first place.	
2. Five (5) years have passed since the related party first acquired the real estate property or usage rights thereof.	2. Five (5) years have passed between the day the related party first acquired the real estate property and the transaction date.	
3. The real estate property is acquired through a joint construction	3. The real estate property is acquired through a joint construction	

After amendment	Before amendment	Description
agreement with related party, or commissioned development of purchased land or commissioned development of leased land with related party. 4. <u>Acquisition of operating real estate property or usage rights thereof between the Company and its subsidiary, or between subsidiaries in which the Company holds 100% direct or indirect ownership interest.</u>	agreement with related party, or commissioned development of purchased land or commissioned development of leased land with related party.	
Article 13: Article 14 shall apply if the valuation methods mentioned in Paragraphs 1 and 2 of the preceding Article both conclude a value that is lower than the transaction price. However, this excludes the following circumstances where there is objective evidence and opinions from professional property valuers and certified public accountant to support the rationality of the transaction: 1. The related party is acquiring or leasing bare land for new construction, in which case evidence can be raised to prove the following: (1) The value of bare land assessed based on the preceding Article plus the value of building, including construction cost and reasonable markup, exceeds the actual transaction price. The term "reasonable markup" is defined as the lower between the average gross profit margin of the related party's construction department in the last three	Article 13: Article 14 shall apply if the valuation methods mentioned in Paragraphs 1 and 2 of the preceding Article both conclude a value that is lower than the transaction price. However, this excludes the following circumstances where there is objective evidence and opinions from professional property valuers and certified public accountant to support the rationality of the transaction: 1. The related party is acquiring or leasing bare land for new construction, in which case evidence can be raised to prove the following: (1) The value of bare land assessed based on the preceding Article plus the value of building, including construction cost and reasonable markup, exceeds the actual transaction price. The term "reasonable markup" is defined as the lower between the average gross profit margin of the related party's construction department in the last three (3) years, or the latest gross	Amendment to the content of the articles in accordance with the Article 17 of Regulations.

After amendment	Before amendment	Description
(3) years, or the latest gross profit margin of the entire construction industry published by the Ministry of Finance.	profit margin of the entire construction industry published by the Ministry of Finance.	
(2) Units on other floors of the same project or other non-related party transactions taking place in the nearby area in the past year, which were similar in size and the transaction terms were considered to conform with common real estate trading or leasing practices and were on equivalent terms after adjusting for floor or location differences.	(2) When compared with units on other floors of the same project or other non-related party transactions taking place in the nearby area in the past year, which were similar in size and the transaction terms were considered to conform with common real estate trading practices, the underlying transaction is deemed to have been carried out in equivalent terms after adjusting for floor or location differences. (3) Leasing of units on other floors of the same project to non-related parties in the past year, which conformed with common real estate leasing practices and were considered to be on equivalent terms after adjusting for floor differences.	
2. Real estate property purchased or usage rights thereof leased or acquired from related party that involved comparable terms and sizes to other transactions in the neighboring district made by non-related parties in the nearby area in the past year.	2. Real estate property purchased from related party that involved comparable terms and sizes to other transactions made by non-related parties in the nearby area in the past year.	
The term "successful transaction in the neighboring district" refers to properties located in the same or nearby street within a 500-meter radius of the underlying property, or properties with	The term "successful transaction in the neighboring district" refers to properties located in the same or nearby street within a 500-meter radius of the underlying property, or properties with	

After amendment	Before amendment	Description
similar government-announced current values. The term "similar-size transaction" refers to non-related transaction of area that is no smaller than 50% of the underlying property. The one-year timeframe mentioned above dates back one (1) year from the date the real estate property or usage rights thereof is actually acquired.	similar government-announced current values. The term "similar-size transaction" refers to non-related transaction of area that is no smaller than 50% of the underlying property. The one-year timeframe mentioned above dates back one (1) year from the date the real estate property is actually acquired.	
Article 14: The following rules shall apply to real estate properties or usage rights thereof acquired from related parties where the valuation methods described in the preceding 2 Articles both conclude a value that is lower than the transaction price: 1. The Company shall provide special reserves equal to the difference between the transaction price and the assessed cost of real estate property or usage rights thereof in the same manner as described in Paragraph 1, Article 41 of the Securities and Exchange Act. This special reserve can not be distributed as dividends or capitalized into share capital. Any public listed company that recognizes the Company as an equity-accounted investment will also be required to provide special reserves proportionally based on shareholding percentage, as required in Paragraph 1, Article 41 of the Securities and Exchange Act. 2. The Audit Committee shall proceed according to Article 218 of The Company Act. 3. Outcomes of the preceding 2	Article 14: The following rules shall apply to real estate properties acquired from related parties where the valuation methods described in Articles 12 and 13 both conclude a value that is lower than the transaction price: 1. The Company shall provide special reserves equal to the difference between the transaction price and the assessed value in the same manner described in Paragraph 1, Article 41 of the Securities and Exchange Act. This special reserve can not be distributed as dividends or capitalized into share capital. Any public listed company that recognizes the Company as an equity-accounted investment will also be required to provide special reserves proportionally based on shareholding percentage, as required in Paragraph 1, Article 41 of the Securities and Exchange Act. 2. The Audit Committee shall proceed according to Article 218 of The Company Act. 3. Progress of Subparagraphs 1 and 2 shall be reported during shareholder meeting, whereas transaction details are to be	Amendment to the content of the articles in accordance with the Article 18 of Regulations.

After amendment	Before amendment	Description
Subparagraphs are to be reported during a shareholder meeting, whereas transaction details are to be disclosed in the annual report and the prospectus. Where the Company has made provision for special reserves according to the above, the special reserves can only be used if devaluation losses are recognized on the acquired <u>or leased</u> asset during revaluation or disposal, <u>or when the lease contract is terminated,</u> or if compensation or cost is incurred to recover the asset to its original state, or if there is evidence to support the underlying rationale. In which case, use of special reserves is also subject to approval of the Securities and Futures Institute. If there is other evidence to suggest that the acquisition of real estate property <u>or usage rights thereof</u> from a related party is outside business norms, then the transaction must also proceed according to the two preceding Paragraphs.	disclosed in annual reports and the prospectus. Where the Company has made provision for special reserves according to the above Paragraph, the special reserves can only be used if devaluation losses are recognized on the acquired asset during revaluation or disposal, or if compensation or cost is incurred to recover the asset to its original state, or if there is evidence to support the underlying rationale. In which case, use of special reserves is also subject to approval of the Securities and Futures Institute. If there is other evidence to suggest that the acquisition of real estate property from a related party is outside business norms, then the transaction must also proceed according to the two preceding Paragraphs.	
Article 27: Asset acquisitions and disposals that involve any of the following shall be announced and reported within two (2) days of occurrence over the website designated by the Securities and Futures Institute using the prescribed format: 1. Real estate properties or usage rights thereof acquired from or disposed to related parties, or other non-real estate assets or usage rights thereof acquired from or disposed to related parties that amount to 20% of the Company's paid-up capital,	Article 27: Asset acquisitions and disposals that involve any of the following shall be announced and reported within two (2) days of occurrence over the website designated by the Securities and Futures Institute using the prescribed format (see Attachments 2, 3, 4, 5, 6, 7-1, 7-2 and 8): 1. Real estate properties acquired from or disposed to related parties, or other non-real estate properties acquired from or disposed to related parties that amount to 20% of the Company's paid up capital, 10% of total assets, or NTD 300	Amendment to the content of the articles in accordance with the Article 31 of Regulations.

<table>
<tr><th>After amendment</th><th>Before amendment</th><th>Description</th></tr>
<tr><td>or 10% of total assets, or NTD 300 million or above. This excludes trading of domestic government bond, repurchase/resale agreement, and subscription or redemption of money market funds issued by domestic securities investment trust companies.
2. Mergers, divestments, business acquisitions, or share exchanges.
3. Derivative transactions accumulating losses more than the aggregate or individual contract caps prescribed in the relevant procedures.
4. Acquisition or disposal of operating equipment or <u>usage rights thereof</u> with an unrelated party that amounts to NTD 1 billion or above.
5. Acquisition or disposal of construction real estate or <u>usage rights thereof</u> with an unrelated party that amounts to NTD 500 million or above. <u>Disposal of self-constructed real estate property to a non-related party that amounts to NTD 1 billion or above.</u>
6. Acquisition of real estate property in the form of development over purchased land, development over leased land, joint development with separate ownership, joint development with proportional holding, or joint development with partial sale, where <u>the counterparty is unrelated an in </u>which the Company expects to invest NTD 500 million or above.
7. Transaction of assets other than the ones listed in the 6 Subparagraphs above, disposal of debt entitlement</td><td>million or above. This excludes trading of government bond, repurchase/resale agreement, and subscription or redemption of money market funds issued by domestic securities investment trust companies.
2. Mergers, divestments, business acquisitions, or share exchanges.
3. Derivative transactions accumulating losses more than the aggregate or individual contract caps prescribed in the relevant procedures.
4. Acquisition or disposal of assets classified as operating equipment amounting to NTD 1 billion or above, where the counterparty is unrelated.
5. Acquisition or disposal of construction real estate with an unrelated party that amounts to NTD 500 million or above.
6. Acquisition of real estate property in the form of development over purchased land, development over leased land, joint development with separate ownership, joint development with proportional holding, or joint development with partial sale, which the Company expects to invest NTD 500 million or above.
7. Transaction of assets other than the ones listed in the 6 Subparagraphs above, disposal of debt entitlement</td><td></td></tr>
</table>

After amendment	Before amendment	Description
as a financial institution, or investment into the Mainland, that amounts to NTD 300 million or above. However, the following transactions can be excluded: (1) Trading of <u>domestic</u> government bonds. (2) Repurchase/resale agreements, or subscription/redemption of money market funds issued by domestic securities investment trust companies. Amounts of the above transactions shall be calculated based on the following: 1. Amount of each transaction. 2. Cumulative amount of similar assets acquired from or disposed to the same counterparty over the past one (1) year. 3. Cumulative amount of the same development project or <u>usage rights thereof</u> acquired or disposed (acquisitions and disposals accumulate separately) in the past one (1) year. 4. Cumulative amount of the same securities acquired or disposed (acquisitions and disposals accumulate separately) over the past one (1) year. The "one-year" timeframe mentioned in the preceding Paragraph dates back one (1) year from the date of occurrence. Transactions that have already been announced according to the procedures can be excluded. The Company shall provide monthly reports on all derivative transactions undertaken by the Company and non-public domestic subsidiaries up until the end of the previous month, and submit	as a financial institution, or investment into the Mainland, that amounts to NTD 300 million or above. However, the following transactions can be excluded: (1) Trading of government bonds. (2) Repurchase/resale agreements, or subscription/redemption of money market funds issued by domestic securities investment trust companies. Amounts of the above transactions shall be calculated based on the following: 1. Amount of each transaction. 2. Cumulative amount of similar assets acquired from or disposed to the same counterparty over the past one (1) year. 3. Cumulative amount of the same development project acquired or disposed (acquisitions and disposals accumulate separately) in the past one (1) year. 4. Cumulative amount of the same securities acquired or disposed (acquisitions and disposals accumulate separately) over the past one (1) year. The "one-year" timeframe mentioned in the preceding Paragraph dates back one (1) year from the date of occurrence. Transactions that have already been announced according to the procedures can be excluded. The Company shall provide monthly reports on all derivative transactions undertaken by the Company and non-public domestic subsidiaries up until the end of the previous month, and submit	

After amendment	Before amendment	Description
such reports to the website designated by the authority before the 10th calendar day of each month using the prescribed format. If errors or omissions are discovered in the mandatory announcements where rectifications are required, the Company must start afresh and announce/report all items within two (2) days of knowledge. All contracts, meeting minutes, transaction logs, valuation reports, and accountant's, lawyer's, or securities underwriter's opinions relevant to the acquisition or disposal of assets shall be retained within the Company for at least five (5) years unless otherwise specified by law.	such reports to the website designated by the authority before the 10th calendar day of each month using the prescribed format. If errors or omissions are discovered in the mandatory announcements where rectifications are required, the Company must start afresh and announce/report all items within two (2) days of knowledge. All contracts, meeting minutes, transaction logs, valuation reports, and accountant's, lawyer's, or securities underwriter's opinions relevant to the acquisition or disposal of assets shall be retained within the Company for at least five (5) years unless otherwise specified by law.	
Article 31: For non-public domestic subsidiaries, all asset acquisition and disposal affairs subject to announcement and regulatory reporting under Article 27 shall be made by the Company instead. The subsidiaries' announcement and reporting criteria, as mentioned in Paragraph 1, Article 27, <u>particularly with respect to paid-up capital or total asses, shall refer to paid-up capital and total assets of the Company.</u>	Article 31: For non-public domestic subsidiaries, all asset acquisition and disposal affairs subject to announcement and regulatory reporting under Article 27 shall be made by the Company instead. The subsidiaries' announcement and reporting criteria, as mentioned in Subparagraph 5, Paragraph 1, Article 27, shall conform with the Company's policies.	Amendment to the content of the articles in accordance with the Article 34 of Regulations.

Motion No. 3

Case summary: Amendments to the Company's " Rules of Procedure for Shareholders’ Meeting." (Proposed by the Board)

Description: Amendments to the Company's Rules of Procedure for Shareholders’ Meeting have been proposed according to amendments of "The Company Act" stipulated under Presidential Order No. Hua-Zong-1-Jing-10700083291 dated August 1, 2018. Refer to the Attachment for detailed comparison of amended clauses.

Comparison of Amendments to Shinkong Synthetic Fibers Corp.
Rules of Procedure for Shareholders’ Meeting

After amendment	Before amendment	Description
Article 2: Unless otherwise specified by the law, shareholders’ meetings are to be convened by the board of directors. Before convening an annual general meeting, the Company shall prepare a handbook and notify all shareholders 30 days in advance; for shareholders holding less than 1,000 registered shares, the notification can be served by way of announcements through the Market Observation Post System (MOPS) 30 days in advance. Before convening an extraordinary shareholders’ meeting, the Company is required to notify all shareholders 15 days in advance; for shareholders holding less than 1,000 registered shares, the notification can be served by way of announcements through the MOPS 15 days in advance. At least twenty-one (21) days before an annual general meeting or fifteen	Article 2: Unless otherwise specified by the law, shareholders’ meetings are to be convened by the board of directors. Before convening an annual general meeting, the Company shall prepare a handbook and notify all shareholders 30 days in advance; for shareholders holding less than 1,000 registered shares, the notification can be served by way of announcements through the Market Observation Post System (MOPS) 30 days in advance. Before convening an extraordinary shareholders’ meeting, the Company is required to notify all shareholders 15 days in advance; for shareholders holding less than 1,000 registered shares, the notification can be served by way of announcements through the MOPS 15 days in advance. At least twenty-one (21) days before an annual general meeting or fifteen	Amended to conform with Articles 172 and 172-1 of The Company Act

After amendment	Before amendment	Description
(15) days before an extraordinary shareholders’ meeting, an electronic copy of the shareholders’ meeting handbook and supplementary information shall be prepared and posted onto the MOPS. Physical copies of the shareholder meeting handbook and supplementary information shall be prepared at least fifteen (15) days before the meeting, and made accessible to shareholders upon request. These documents must also be placed within the Company's premises and at the stock transfer agent, and distributed on-site during the shareholders’ meeting. The meeting advice shall state details including the topics discussed, time and place of admission, and any other information deemed relevant. Advices and announcements can be served in electronic form with the recipient's consent. Election or dismissal of directors, amendment of Articles of Incorporation, <u>capital reduction, application for cessation of public offering, competition permission for directors, stock dividends of common Stock, surplus transfer to capital</u>, dismissal of the Company, mergers, divestments and any issues listed in Paragraph 1, Article 185 of The Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, and Articles 56-1 and 60-2 of Regulations Governing the Offering and Issuance of Securities by	(15) days before an extraordinary shareholders’ meeting, an electronic copy of the shareholders’ meeting handbook and supplementary information shall be prepared and posted onto the MOPS. Physical copies of the shareholder meeting handbook and supplementary information shall be prepared at least fifteen (15) days before the meeting, and made accessible to shareholders upon request. These documents must also be placed within the Company's premises and at the stock transfer agent, and distributed on-site during the shareholders’ meeting. The meeting advice and announcement shall state details including the topics discussed, time and place of admission, and any other information deemed relevant. Advices and announcements can be served in electronic form with the recipient's consent. Election or dismissal of directors, amendment of Articles of Incorporation, dismissal of the Company, mergers, divestments and any issues listed in Paragraph 1, Article 185 of The Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, and Articles 56-1 and 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers must be notified in advance as part of the meeting agenda, and cannot be raised in the	

After amendment	Before amendment	Description
Securities Issuers must be listed and <u>described the main content</u> in advance as part of the meeting agenda, and cannot be raised in the form of a special motion. <u>The main content may be placed on the website designated by the competent authority or companies for securities, and the website address shall be stated in the notice.</u> Shareholders that own more than 1% of the Company's outstanding shares are entitled to propose motions for discussion in annual general meetings. Each shareholder may only propose one motion; proposals above that limit will be excluded from discussion. The board of directors may disregard shareholders' proposals if the proposed motion exhibits any of the conditions described in Paragraph 4, Article 172-1 of The Company Act. The Company shall announce, before the book closure date of the annual general meeting, the conditions, places and time within which shareholders' proposals are accepted. The timing of acceptance must not be less than ten (10) days. <u>Shareholders shall limit their proposed motions to 300 words only</u>. Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy attendance and participate in the discussion. The Company shall notify each proposing	form of a special motion. Shareholders that own more than 1% of the Company's outstanding shares are entitled to propose, <u>in writing</u>, motions for discussion in annual general meetings. Each shareholder may only propose one motion; proposals above that limit will be excluded from discussion. The board of directors may disregard shareholders' proposals if the proposed motion exhibits any of the conditions described in Paragraph 4, Article 172-1 of The Company Act. The Company shall announce, before the book closure date of the annual general meeting, the conditions, places and time within which shareholders' proposals are accepted. The timing of acceptance must not be less than ten (10) days. Shareholders shall limit their proposed motions to 300 words only; proposals that exceed 300 words will not be accepted for discussion. Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy attendance and participate in	

After amendment	Before amendment	Description
shareholder the outcomes of their proposed motions before the date the meeting advice is sent. Meanwhile, motions that satisfy the conditions listed in this Article shall be included as part of the meeting advice. During the shareholders' meeting, the board of directors shall explain the reasons why certain proposed motions are excluded from the discussion.	the discussion. The Company shall notify each proposing shareholder the outcomes of their proposed motions before the date the meeting advice is sent. Meanwhile, motions that satisfy the conditions listed in this Article shall be included as part of the meeting advice. During the shareholders' meeting, the board of directors shall explain the reasons why certain proposed motions are excluded from the discussion.	

Motion No. 4

Case summary: Amendments to the procedure of "Lending Funds to Other Parties".(Proposed by the Board)

Description: Pursuant to the Rule No. 1080304826 for the amendment of partial articles of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" released by the Financial Supervisory Commission R.O.C. (Taiwan) on March 7, 2019, the Company has proposed to amend the procedure of "Lending Funds to Other Parties". The comparison of the amendment is attached.

Comparison of amendments for the procedure of "Lending Funds to Other Parties" of the Shinkong Synthetic Fibers Corp.

After amendment	Before amendment	Description
Article 3 For the lending to other companies who have business transactions with the Company, the sum of lending shall not exceed 20% of the Company's net worth and the individual lending shall not exceed the highest amount of goods purchased or sales between the parties. For the lending to other companies who has the demand of short-term financing, the individual lending shall not exceed 10% of the Company's net worth and the accumulated balance shall not exceed 40% of the Company's net worth. The lending between the foreign companies whose voting rights are 100% held by the Company directly and indirectly, <u>or the lending from</u>	Article 3 For the lending to other companies who have business transactions with the Company, the sum of lending shall not exceed 20% of the Company's net worth and the individual lending shall not exceed the highest amount of goods purchased or sales between the parties. For the lending to other companies who has the demand of short-term financing, the individual lending shall not exceed 10% of the Company's net worth and the accumulated balance shall not exceed 40% of the Company's net worth. When the foreign companies whose voting rights are 100% held by the Company directly and indirectly are engaged in lending among these companies, the shall not subject to	Amendment to the content of the articles in accordance with the Article 3 of "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" (hereinafter referred to as the "Regulations").

After amendment	Before amendment	Description
the foreign companies whose voting rights are 100% held by the Company directly and indirectly to the Company shall not subject to the restrictions stated on the preceding paragraph. However, the sum of lending and individual entity's cap shall be defined, and the lending term shall be specified.	the restrictions stated on preceding 2 paragraphs. However, the lending cap and term shall be specified in accordance with the regulations.	
Article 10 The Company shall enter the balance of the previous month's lending of the Company and its subsidiaries into Market Observation Post System before 10th of each month. If the lending meets one of the following criteria, it shall be entered into Market Observation Post System within 2 days from the date of the fact: The date of the fact in this procedure refers to the earliest date between the date of signing, the date of payment, the resolution date of the board of director, or other date that the lending objects and amount are fully determined. 1. The lending balance of the Company and its subsidiaries reaches 20% of the net worth in the Company's latest financial statement. 2. The lending balance of the Company and its subsidiaries on a single company reaches 10% of the net worth in the Company's latest financial statement. 3. The newly-added lending of the	Article 10 The Company shall enter the balance of the previous month's lending of the Company and its subsidiaries into Market Observation Post System before 10th of each month. If the lending meets one of the following criteria, it shall be entered into Market Observation Post System within 2 days from the date of the fact: The date of the fact in this procedure refers to the earliest date between the date of signing for the transaction, the date of payment, the resolution date of the board of director or other date which the lending objects and amount for the transaction are fully determined. 1. The lending balance of the Company and its subsidiaries reaches 20% of the net worth in the Company's latest financial statement. 2. The lending balance of the Company and its subsidiaries on a single company reaches 10% of the net worth in the Company's latest financial statement. 3. The newly-added lending of the	Amendment to the content of the articles in accordance with the Article 7 of Regulations.

After amendment	Before amendment	Description
Company and its subsidiaries achieves to NT$10 million and reaches 2% of the net worth in the Company's latest financial statement. If a subsidiary of the Company is not a domestic public company, the declaration of the subsidiary who has facts specified on the third subparagraph of the preceding paragraph shall be entered by the Company. The Company shall evaluate the lending situation and provide a sufficient bad debt provision. The relevant information shall be disclosed in the financial report and be provided to CPA for the necessary audit procedures.	Company and its subsidiaries achieves to NT$10 million and reaches 2% of the net worth in the Company's latest financial statement. If a subsidiary of the Company is not a domestic public company, the declaration of the subsidiary who has facts specified on the third subparagraph of the preceding paragraph shall be entered by the Company. The Company shall evaluate the lending situation and provide a sufficient bad debt provision. The relevant information shall be disclosed in the financial report and be provided to CPA for the necessary audit procedures.	
Article 12 This procedure shall been approved by the audit committee and the board of director, then reported to the Shareholder meeting for approval and implemented after that. If a director expresses objection and has a record or written statement, the Company shall report the such objection to the shareholder meeting for discussion. The amendment applied the same. In addition, when the Company has set up the independent director, every independent director's opinion shall be fully taken into account when reporting this procedure to the board of director for discussion, in accordance with the regulations of the preceding paragraph. <u>If any independent director expresses</u>	Article 12 This procedure shall been approved by the audit committee and the board of director, then reported to the Shareholder meeting for approval and implemented after that. If a director expresses objection and has a record or written statement, the Company shall report the such objection to the shareholder meeting for discussion. The amendment applied the same. In addition, when the Company has set up the independent director, every independent director's opinion shall be fully taken into account when reporting this procedure to the board of director for discussion, in accordance with the regulations of the preceding paragraph. The explicit opinion of consent or objection and	Amendment to the content of the articles in accordance with the Article 8 of Regulations.

After amendment	Before amendment	Description
objection or qualified opinions, it shall be stated in the meeting minutes of the board of director. The establishment or amendment for the procedure of "Lending Funds to Other Parties" of the Company shall be approved by more than one-half of all members of the audit committee and shall be reported to the board of director for resolution afterward. This shall not be applicable to the regulations stated on the preceding paragraph 2. When the item of the preceding paragraph is not approved with more than one-half of all members of the audit committee, it may be resolved by more than two-third of all directors and the resolution of the audit committee shall be stated in the meeting minutes of the board of director. The all members of the audit committee stated in the paragraph 3 and the all directors stated in the preceding paragraph shall be counted by the actual incumbents.	the reasons of objection by independent directors shall be stated in the meeting minutes of the board of director.	

Motion No. 5

Case summary: Amendments to the procedure of "Endorsements and Guarantees". (Proposed by the Board)

Description: Pursuant to the Rule No. 1080304826 for the amendment of partial articles of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" released by the Financial Supervisory Commission R.O.C. (Taiwan) on March 7, 2019, the Company has proposed to amend the procedure of "Endorsement and Guarantee". The comparison of the amendment is attached.

Comparison of amendments for the procedure of "Endorsements and Guarantees" of the Shinkong Synthetic Fibers Corp.

After amendment	Before amendment	Description
Article 9 (The deadline and content of the declaration shall be announced) The Company shall enter the balance of endorsement and guarantee of previous month for the Company and its subsidiaries into Market Observation Post System before 10th of each month. If the balance of endorsement and guarantee meets one of the following criteria, it shall be entered into Market Observation Post System within 2 days from the date of the fact: The date of the fact in this procedure refers to the earliest date between <u>the date of signing,</u> the date of payment, the resolution date of the board of director, or other date that the objects and amount of the endorsement and guarantee are fully determined.	Article 9 (The deadline and content of the declaration shall be announced) The Company shall enter the balance of endorsement and guarantee of previous month for the Company and its subsidiaries into Market Observation Post System before 10th of each month. If the balance of endorsement and guarantee meets one of the following criteria, it shall be entered into Market Observation Post System within 2 days from the date of the fact: The date of the fact in this procedure refers to the earliest date between the date of signing for the transaction, the date of payment, the resolution date of the board of director or other date which the lending objects and amount for the transaction are fully	Amendment to the content of the articles in accordance with the Article 7 and Article 25 of "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" (hereinafter referred to as the "Regulations").

After amendment	Before amendment	Description
1. The endorsement and guarantee balance of the Company and its subsidiaries reaches 50% of the net worth in the Company's latest financial statement. 2. The endorsement and guarantee balance of the Company and its subsidiaries on a single company reaches 20% of the net worth in the Company's latest financial statement. 3. The endorsement and guarantee balance of the Company and its subsidiaries on a single company achieves to NT$10 million, and the sum of the endorsement and guarantee, the book value of investment adopted by equity method and lending balance reaches 30% of the net worth in the Company's latest financial statement. 4. The newly-added endorsement and guarantee of the Company and its subsidiaries achieves to NT$30 million and reaches 5% of the net worth in the Company's latest financial statement. If a subsidiary of the Company is not a domestic public company, the declaration of the subsidiary who has facts specified on the fourth subparagraph of the preceding paragraph shall be entered by the Company into Market Observation Post System. The preceding paragraph's ratio of the subsidiaries'	determined. 1. The endorsement and guarantee balance of the Company and its subsidiaries reaches 50% of the net worth in the Company's latest financial statement. 2. The endorsement and guarantee balance of the Company and its subsidiaries on a single company reaches 20% of the net worth in the Company's latest financial statement. 3. The endorsement and guarantee balance of the Company and its subsidiaries on a single company achieves to NT$10 million, and the sum of the endorsement and guarantee, the long-term investment and lending balance reaches 30% of the net worth in the Company's latest financial statement. 4. The newly-added endorsement and guarantee of the Company and its subsidiaries achieves to NT$30 million and reaches 5% of the net worth in the Company's latest financial statement. If a subsidiary of the Company is not a domestic public company, the declaration of the subsidiary who has facts specified on the fourth subparagraph of the preceding paragraph shall be entered by the Company into Market Observation Post System. The preceding paragraph's ratio of the subsidiaries'	

After amendment	Before amendment	Description
endorsement and guarantee balance to the net worth shall be calculated with the ratio of the subsidiaries' endorsement and guarantee balance to the net worth of the Company. The Company shall evaluate the contingent loss for the endorsement and guarantee. The relevant information shall be disclosed in the financial report and be provided to the CPA for the necessary audit procedures.	endorsement and guarantee balance to the net worth shall be calculated with the ratio of the subsidiaries' endorsement and guarantee balance to the net worth of the Company. The Company shall evaluate the contingent loss for the endorsement and guarantee. The relevant information shall be disclosed in the financial report and be provided to the CPA for the necessary audit procedures.	
Article 12 (Implementation and Amendment) This procedure shall be approved by the audit committee and the board of director, and shall be resolved by the shareholder meeting and then implemented afterwards. If a director expresses objection and has a record or written statement, the Company shall report the objection to the shareholder meeting for discussion. The amendment applied the same. In addition, when the Company has set up the independent director, every independent director's opinion shall be fully taken into account when reporting this procedure to the board of director for discussion, in accordance with the regulations of the preceding paragraph. If any independent director expresses objection or qualified opinions, it shall be stated in the meeting minutes of the board of director. The establishment or amendment for the procedure of "Endorsement and Guarantee" of the Company shall be	Article 12 (Implementation and Amendment) This procedure shall be approved by the audit committee and the board of director, and shall be resolved by the shareholder meeting and then implemented afterwards. If a director expresses objection and has a record or written statement, the Company shall report the objection to the shareholder meeting for discussion. The amendment applied the same. In addition, when the Company has set up the independent director, every independent director's opinion shall be fully taken into account when reporting this procedure to the board of director for discussion, in accordance with the regulations of the preceding paragraph. The explicit opinion of consent or objection and the reasons of objection by independent directors shall be stated in the meeting minutes of the board of director.	Amendment to the content of the articles in accordance with the Article 8 and Article 11 of Regulations.

After amendment	Before amendment	Description
approved by more than one-half of all members of the audit committee and shall be reported to the board of director for resolution afterward. This shall not be applicable to the regulations stated on the preceding paragraph 2. When the item of the preceding paragraph is not approved with more than one-half of all members of the audit committee, it may be resolved by more than two-third of all directors and the resolution of the audit committee shall be stated in the meeting minutes of the board of director. The all members of the audit committee stated in the paragraph 3 and the all directors stated in the preceding paragraph shall be counted by the actual incumbents.		

Special motions

Adjournment

Appendices

Appendix 1
Shinkong Synthetic Fibers Corp.
Rules of Procedure for Shareholders’ Meeting

Passed during the 2016 Annual General Meeting

Article 1: Unless otherwise specified in the law or the Articles of Incorporation, shareholders’ meetings of the Company shall proceed according to the procedures stated herein.

Article 2: Unless otherwise specified by the law, shareholders’ meetings are to be convened by the board of directors.

Before convening an annual general meeting, the Company shall prepare a handbook and notify all shareholders 30 days in advance; for shareholders holding less than 1,000 registered shares, the notification can be served by way of announcements through the Market Observation Post System (MOPS) 30 days in advance. Before convening an extraordinary shareholders’ meeting, the Company is required to notify all shareholders 15 days in advance; for shareholders holding less than 1,000 registered shares, the notification can be served by way of announcements through the MOPS 15 days in advance. At least twenty-one (21) days before an annual general meeting or fifteen (15) days before an extraordinary shareholders’ meeting, an electronic copy of the shareholders’ meeting handbook and supplementary information shall be prepared and posted onto the MOPS. Physical copies of the shareholder meeting handbook and supplementary information shall be prepared at least fifteen (15) days before the meeting, and made accessible to shareholders upon request. These documents must also be placed within the Company's premises and at the stock transfer agent, and distributed on-site during the shareholders’ meeting.

The meeting advice and announcements shall state the details including the topics to be discussed, time and place of admission, and any other information deemed relevant. Advice and announcements can be served in electronic form with the recipient's consent.

Election or dismissal of directors, amendment of Articles of

Incorporation, dismissal of the Company, mergers, divestments and any issues listed in Paragraph 1, Article 185 of The Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, and Articles 56-1 and 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers must be notified in advance as part of the meeting agenda, and cannot be raised in the form of a special motion.

Shareholders that own more than 1% of the Company's outstanding shares are entitled to propose, in writing, motions for discussion in annual general meetings. Each shareholder may only propose one motion; proposals above that limit will be excluded from discussion. The board of directors may disregard shareholders' proposals if the proposed motion exhibits any of the conditions described in Paragraph 4, Article 172-1 of The Company Act.

The Company shall announce, before the book closure date of the annual general meeting, the conditions, places and time within which shareholders' proposals are accepted. The timing of acceptance must not be less than ten (10) days. Shareholders shall limit their proposed motions to 300 words only; proposals that exceed 300 words will not be accepted for discussion. Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy attendance and participate in the discussion. The Company shall notify each proposing shareholder the outcomes of their proposed motions before the date the meeting advice is sent. Meanwhile, motions that satisfy the conditions listed in this Article shall be included as part of the meeting advice. During the shareholders' meeting, the board of directors shall explain the reasons why certain proposed motions are excluded from the discussion.

Article 3: Attending shareholders (or representatives) are required to wear conference passes and present attendance cards as proof of attendance. Attendance cards are used to calculate the number of shares represented in the meeting. Corporate entities may only appoint one representative to attend shareholders' meetings.

Article 4: Shareholders may appoint proxies to attend the Company's shareholder meeting by issuing proxy forms prepared by the Company.

Each shareholder may issue one proxy form and delegate one proxy only. All proxy forms must be received by the Company at least 5 days before the shareholders' meeting. In cases where multiple proxy forms are issued, the one that arrives first shall prevail. However, this excludes situations where the shareholder has issued a proper declaration to withdraw the previous proxy arrangement.

Should the shareholder decide to attend the shareholders' meeting personally or exercise voting rights in writing or use electronic means after a proxy form has been received by the Company, a written notice must be sent to the Company by no later than two days before the meeting commences to withdraw the proxy arrangement. If the shareholder fails to withdraw the proxy arrangement before the due date, the vote of the proxy attendant shall prevail.

Voting rights can be exercised in writing or using the electronic method at the shareholder's convenience. Instructions for exercising voting rights, whether in writing or using the electronic form, must be clearly stated on the shareholders' meeting advice. Shareholders who have voted in writing or used the electronic method are considered to have attended the shareholders' meeting in person. However, they are considered to have waived their rights to participate in any special motions or amendments to the original motions that may arise during the shareholders' meeting.

Instructions to exercise written or electronic votes must be delivered to the Company at least 2 days before the shareholders' meeting. In the event of duplicate submissions, the earliest submission shall be taken into record. However, an exception is granted if the shareholder issues a proper declaration to withdraw the previous instructions. Shareholders who wish to attend the shareholders' meeting in person after exercising their voting rights in writing or using electronic methods are required to withdraw their votes using the same method by which the vote was cast in the first place, and by no later than two days before the day of shareholder meeting. The written/electronic vote shall prevail if not withdrawn before the cutoff time.

If a shareholder has exercised votes in the electronic form while at the same time delegated a proxy to attend the shareholders' meeting, the voting decision exercised by the proxy shall prevail.

Shareholders who attend shareholders' meetings in person without withdrawing their votes using the method of communication outlined in Paragraph 5 are entitled to raise and vote on special motions on-site. For all other motions, the terms described in the two preceding paragraphs shall apply.

Article 5: Shareholders' meetings shall be held at factory premises in the city where the Company is domiciled, or at locations that are suitable and convenient for shareholders to attend. Meetings must not commence anytime earlier than 9AM or later than 3PM. Admission of meeting participants shall begin at least 30 minutes before the meeting commences. The reception area must be clearly labeled and stationed with competent personnel.

Article 6: Shareholders' meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is unable to perform the duties due to leave of absence or any reasons, the Chairman will appoint one of the directors to act on his behalf. If no one is appointed, the remaining directors shall appoint one among themselves to perform the Chairman's duties on his behalf.

If the shareholders' meeting is convened by any authorized party other than the board of directors, the convener will act as the meeting chairperson. If there are two or more authorized conveners, one shall be appointed among them to act as the meeting chairperson.

Article 7: The Company may summon its lawyers, certified public accountants, and any relevant personnel to be present at the shareholders' meetings.

Organizers of the shareholders' meetings must wear proper identification or arm badges.

Article 8: The Company shall pay close attention to the identity of people entering or exiting the shareholders' meeting, and adopt proper security measures at the entrance. The entire meeting shall be recorded in video or audio, and the recorded data must be retained for one year.

Article 9: The chairperson should announce commencement of the meeting as soon as it is time. However, if current attendees represent less than half of the Company's outstanding shares, the chairperson may announce to postpone the meeting up to two times, for a period totaling no more than one hour. If attending shareholders represent more than one-third but less than half of the outstanding shares after two postponements, the attending shareholders may reach a tentative resolution according to Paragraph 1, Article 175 of The Company Act.

If the number of shares represented total no more than half of all outstanding shares as the meeting progresses, the chairperson may propose the tentative resolutions for final voting according to Article 174 of The Company Act.

Article 10: For shareholders' meetings that are convened by the board of directors, the board of directors will determine the proceedings. The proceedings cannot be changed unless resolved during the shareholders' meeting.

The above rule shall apply similarly to shareholders' meeting that are convened by any authorized party other than the board of directors.

In either of the two arrangements described above, the chairperson cannot dismiss the meeting while a motion (including special motions) is still in progress. If the chairperson violates the meeting policy by dismissing the meeting when it is not allowed to do so, attending shareholders may elect another chairperson with the support of more than half of the voting rights represented on-site to continue the meeting.

Once the meeting has been dismissed, shareholders shall not elect to continue the meeting with another chairperson or at a different venue except for the circumstances mentioned above.

Article 11: Shareholders who wish to speak during the meeting must produce an opinion slip detailing the shareholder ID (or the conference pass serial number), shareholder's name and the topic of discussion. The order of shareholders' comments shall be determined by the chairperson. Shareholders who submit an opinion slip without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated in the opinion slip, the actual comments expressed shall be taken into record.

Article 12: A shareholder cannot speak for more than two times, for 5 minutes each, on the same topic without the consent of the chairperson. This restriction does not apply to supplementary information provided in relation to the discussed topic with the chairperson's consent.

The chairperson may restrain shareholders who are in violation of the above rule or interrupt any comments that are irrelevant to the topics discussed.

While a shareholder is speaking, other shareholders cannot speak simultaneously or interfere in any way unless allowed to do so by the chairperson and the person speaking.

Where a corporate shareholder has appointed two or more representatives to attend the shareholder meeting, only one representative may speak per motion.

Participants who do not comply with the chairperson's restraint mentioned in the 4 preceding paragraphs shall be handled according to Paragraph 2, Article 21.

Article 13: After a shareholder has finished speaking, the chairperson may answer the shareholder's queries personally or appoint any relevant personnel to do so.

Article 14: The chairperson may announce to discontinue further discussion if the topic is considered to have been sufficiently discussed to proceed with the voting.

Article 15: Before commencing voting on motions, the chairperson or delegate shall announce on-site the motion being voted on, the order in which the ballots are used and the voting deadline, while at the same time appointing ballot examiners and ballot counters to assist in the voting process.

The role of the ballot examiner must be served by a shareholder.

The ballot box will be made available by the board of directors, and shall be opened for inspection by the ballot examiner prior to voting.

Ballot examiners shall issue warnings to shareholders who exhibit any of the following conduct during the voting process, and report to the chairperson any shareholder who does not comply with the warning. The chairperson will then intervene and order the shareholder to withdraw from the meeting or undertake other measures as deemed necessary. Any occurrences involving the following also need to be recorded in shareholder meeting minutes:

1. Disruption of order or meeting proceedings.
2. Carrying of weapons or hazardous items.
3. Attempt to watch, convince or interfere with the votes of other shareholders.
4. Voting outside the deadline.

Article 16: Unless otherwise specified by law or in the Articles of Incorporation, a decision is passed with the consent of shareholders representing more than half of the total voting interests in the meeting. A vote is also considered passed if the chairperson receives no objections from any attendees. This voting method is deemed as effective as the conventional ballot method.

Outcome of a vote shall be documented and announced on site.

Article 17: Unless otherwise specified in the Articles of Incorporation or laws, shareholders shall be entitled to one voting right for every share held.

Shares that meet any of the following conditions carry no voting rights:

1. Shares of the Company that are legally held by itself.
2. Shares of the Company that are held by subordinate companies in which the Company controls more than half of the voting rights or contributes more than half of total capital.
3. Shares of the Company that are held by other companies in which the Company and subordinate companies jointly controlling more than half of voting rights or contributing more than half of total capital, whether directly or indirectly.

Article 18: In cases where several amendments or alternative solutions have been proposed at the same time, the chairperson shall determine the order in which the proposals are voted upon. However, if any rsolution is passed, all other proposals shall be deemed rejected and no further voting is necessary.

Article 19: The chairperson may call the meeting into recess at a suitable time.

Article 20: Meetings shall be suspended with the participants evacuated in the event of air raid sirens and resume one hour after the siren has been deactivated.

Article 21: The chairperson may instruct picketers (or security staff) to help maintain order in the meeting. While maintaining order in the meeting, all picketers (or security staff) shall wear arm badges that identify their role as "Picketer."

The chairperson may stop anyone who attempts to speak using instruments that are not provided by the Company.

Shareholders are bound to obey the command of the chairperson, picketers and ballot examiners. Persons who attempt to disrupt the shareholders' meeting and do not comply with restraint may be removed from site by the chairperson or the picketer.

Article 22: Shareholders' meeting resolutions shall be compiled into the detailed minutes, sealed by the chairperson, and disseminated to each shareholder no later than 20 days after the meeting.

Preparations and distribution of meeting minutes can be made in electronic form. Meeting minutes may be disseminated by way of public announcements.

Meeting minutes shall contain details including the date and venue of the meeting, the chairperson's name, the method of resolution, the proceedings and results of various motions. Minutes are to be retained indefinitely. The above information can be retained in the form of printed documents or digital records.

Any resolutions passed by way of the chairperson asking for objections from shareholders and receiving none in return must be remarked as "Passed without objections from any shareholders present in the meeting." If shareholders did raise objections, then the resolution must be remarked to have been passed through voting, with details on the number of votes cast.

Shareholders' attendance logs and proxy forms shall be retained for at least one year. However, in situations where a shareholder makes a litigious claim against the Company, the records shall be kept until the litigation is concluded.

Article 23: During the shareholders' meeting, the Company shall publish information regarding the number of shares acquired by acquirers and the number of shares represented by proxies using the prescribed format.

The Company must disclose on the MOPS in a timely manner any shareholders' meeting resolution that constitute material information as defined by law or the rules of the Taiwan Stock Exchange Corporation (or Taipei Exchange).

Article 24: The above rules shall take effect once resolved in a shareholders' meeting; the same applies to all subsequent revisions.

Appendix 2
Shinkong Synthetic Fibers Corp.
Articles of Incorporation

Passed during the 2016 Annual General Meeting

Chapter One General Provisions

Article 1 The Company has been incorporated in accordance with The Company Act, and is named "Shinkong Synthetic Fibers Corp."

Article 2 The Company's business activities comprise the following:

1.C301010 Yarn Spinning Mills
2.C302010 Knit Fabric Mills
3.C303010 Non-woven Fabrics Mills
4.C306010 Outerwear Knitting Mills
5.C801100 Synthetic Resin and Plastic Manufacturing
6.C801120 Manmade Fiber Manufacturing
7.C805050 Industrial Plastic Products Manufacturing
8.CB01010 Machinery and Equipment Manufacturing
9.CC01120 Data Storage Media Manufacturing and Duplicating
10.F501060 Restaurants
11.F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
12.F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
13.F105050 Wholesale of Furniture, Bedclothes, Kitchen Equipment and Fixtures
14.F205040 Retail Sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures
15.F113050 Wholesale of Computing and Business Machinery Equipment
16.F213030 Retail sale of Computing and Business Machinery Equipment
17.G202010 Parking Garage Business
18.H701040 Specialized Field Construction and Development
19.H701060 New County and Community Construction and Investment
20.I103060 Management Consulting Services
21.I501010 Product Designing
22.J701020 Amusement Parks

23.J701040 Recreational Activities grounds and Facilities
24.J801010 Golf Driving Range
25.J801030 Athletics and Recreational Sports Stadium
26.J901020 Hotels and Motels
27.JE01010 Rental and Leasing Business
28.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

Article 2-1 The Company may provide guarantees to outside parties as needed to facilitate its business activities.

Article 2-2 The Company may become shareholders of other limited liability companies, subject to the board of directors' resolution. Unless otherwise regulated by law, the sum of investment is not restricted to 40% of the Company's paid-up capital.

The board of directors' resolution mentioned above is passed in a board meeting with more than two-thirds of the directors present, and with the support of more than half of all attending directors.

Article 3 The Company is headquartered in Taipei City, The Republic of China, and may establish branches at other suitable locations if deemed necessary. Establishment and removal of branch offices are subject to board of directors' resolution.

Article 4 Public announcements shall be duly made in accordance with the methods described in Article 28 of The Company Act.

Chapter Two Share capital

Article 5 The Company has an authorized capital of Twenty-eight Billion New Taiwan Dollars, available in two billion and eight hundred shares, which can be raised in multiple issues at NT$10 per share. The Company may also issue preferred shares. Unissued shares may be issued in multiple issues at the board of directors' resolution as deemed necessary.

The total capital mentioned above shall have Four Hundred and Sixty Million New Taiwan Dollars in forty-six million shares reserved for the purpose of issuing warrants, employee stock options, preferred shares with embedded option, or corporate bonds with embedded option.

Permanent employees of the Company, or investees in which the

Company holds 50% or higher direct (indirect) ownership interest, or subsidiaries defined under Statement of Financial Accounting Standards No. 5 and No. 7 published by the Accounting Research and Development Foundation (ARDF), or affiliated enterprises recognized under other laws are all entitled to receive employee stock options.

Article 5-1 Deleted

Article 6 The Company issues owner-registered common shares only. Every share certificate shall be issued with the signatures or seals of at least 3 directors, the common seal of the Company, and legal certification. Shares of the Company may be issued in non-tangible form, subject to registration with the centralized securities depository.

Article 7 Shareholders are required to maintain records of their name, address and seal pattern with the Company, and update whenever changes occur. Collection of dividends, profit-sharing, or exercising of shareholders' rights shall be executed upon presentation of the seal pattern that matches the Company's records. Administration of the Company's shares shall proceed according to The Company Act and "Regulations Governing the Administration of Shareholder Services of Public Companies."

Article 8 Deleted.

Article 9 Deleted.

Article 9-1 Deleted.

Article 10 Deleted.

Article 11 Deleted.

Article 12 The shareholder registry shall be closed from transfers during the 60 days prior to an annual general meeting, or during the 30 days prior to an extraordinary shareholder meeting, or during the 5 days before the baseline date for dividends, profit-sharing or other gains distributed by the Company.

Chapter Three Shareholders' Meetings

Article 13 The Company holds two types of shareholders' meetings: the annual general meeting and extraordinary shareholders' meeting. The annual general meeting is held once a year within six months after the end of an accounting period, whereas extraordinary shareholders’ meetings may be held whenever deemed necessary.

Article 14 Unless otherwise regulated in The Company Act, shareholders are entitled to one voting right per share. However, the Company is not entitled to any voting rights for holding its own shares.

If a shareholder is unable to attend the shareholder meeting in person, a proxy can be appointed by completing the Company's proxy form and by specifying the scope of delegated authority.

Unless otherwise regulated in Article 177 of The Company Act, shareholders shall delegate their proxy attendants in compliance with "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies."

With the exception of trust enterprises and certain stock transfer agents approved by the competent authority, a proxy may not represent more than 3% of the total voting rights in aggregate when representing two or more shareholders during the meeting. Voting rights that exceed this threshold shall be excluded from calculation.

Corporate shareholders may appoint more than one representative to the meeting, but the number of exercisable voting rights is still limited to the aggregate number of shares held. Where there are two or more representatives, their voting rights shall be exercised at the same time.

Votes can be exercised electronically or in writing during shareholder meetings, subject to the Company's announcement.

Article 15 Except when otherwise regulated by law, a shareholders’ meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and voted in favor by more than 50% of all voting rights represented at the meeting.

Article 16 Shareholders’ meeting resolutions shall be compiled into detailed minutes, and signed or sealed by the chairperson, and disseminated to each shareholder by no later than 20 days after the meeting.

Preparation and distribution of meeting minutes can be made in electronic form. Meeting minutes may be disseminated by way of public announcements.

The minutes shall detail the date and venue of the meeting, the chairperson's name, the method of resolution, the proceedings and results of various motions. Minutes shall be retained for as long as the Company exists.

Shareholders' attendance logs and proxy forms shall be retained for at least one year. However, in situations where a shareholder makes a litigious claim in accordance with Article 189 of The Company Act, the records shall be kept until the litigation is concluded.

Chapter Four Board of Directors

Article 17 The Company shall have 7 to 12 directors on its board, who shall be elected using the nomination system during shareholders' meetings from persons of adequate capacity to serve a term of three years, which is renewable if re-elected.

The number of directors mentioned above shall include no fewer than 2 independent directors that represent no less than one-fifth of the board. The exact number of independent directors shall be determined by the board of directors. Independent directors shall be elected during shareholder meetings from the list of nominated candidates using the nomination system.

Independent directors shall be elected during the same voting session as the remaining directors and have votes allocated separately.

Restrictions concerning independent directors' eligibility, shareholding, concurrent employment, nomination, method of election and all other compliance issues are governed by the relevant laws of the concerned authority.

If directors cannot be re-elected in time at the end of their terms, the existing directors shall have their terms extended until new directors have been elected and commenced duty.

If the board loses more than one-third of its directors, the Company shall convene an extraordinary shareholder meeting within the timeframe specified in The Company Act to elect new directors for the shortfall.

Directors chosen by reappointment or through by-elections shall serve only the remaining term of the current board.

Elections of the Company's directors shall proceed using the cumulative single-registered method. Each share is vested with voting rights equal to the number of directors to be elected; these voting rights may be concentrated on one candidate or spread across multiple candidates. Candidates receiving the highest number of votes are elected. Any changes to the election process mentioned above shall be made in accordance with The Company Act and advised or announced to participants in the agenda.

The total number of registered shares held by all directors of the Company is subject to the minimum quantity and percentage stated in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies."

Article 17-1 The Company may assemble an Audit Committee, Salary & Remuneration Committee and other functional committees with the board's resolution. The Audit Committee shall consist entirely of independent directors and has a size no fewer than 3 members.

The Company shall assemble an Audit Committee that is responsible for carrying out duties of the supervisor, as specified in The Company Act, Securities and Exchange Act, other relevant regulations and the Company's internal policies.

The Audit Committee shall consist entirely of independent directors and include at least one member with accounting or financial expertise. One of the committee members shall be appointed as the convener.

The Audit Committee's resolutions are made with the support of more than half of all committee members.

Responsibilities, foundation rules, authority and compliance matters relevant to the Audit Committee, Salary and Remuneration Committee and other functional committees mentioned above shall be governed by the rules of the authority and the Company.

Article 18 The board of directors shall appoint one Chairman during a board meeting with more than two-thirds of the directors present, and with the support of more than half of all attending directors. A Vice Chairman may be appointed as needed. The Chairman will chair shareholders' meetings and board of directors' meetings internally, and represent the Company to the outside world. If the Chairman is unable to perform his duties due to leave of absence or any reasons, a delegate shall be appointed in accordance with Article 208 of The Company Act.

Members of the board may elect one Executive Director among themselves.

Article 19 Deleted

Article 20 Board of directors meetings are held once per quarter. Unless otherwise regulated in The Company Act, board of directors' meetings are to be convened by the Chairman.

The convening of a board of directors' meeting must be advised to all directors with detailed agenda at least seven (7) days in advance. However, meetings can be held with shorter notices in case of an emergency.

Board of directors' meeting advice can be served via fax, e-mail or other electronic methods with the consent of the recipient.

If the director receiving the highest number of votes fails to convene a board of directors' meeting within the time limit specified in Article 203 of The Company Act, one of the directors receiving more than one-fifth of the vote may seek permission from the authority to convene the meeting instead.

Article 21 Unless otherwise regulated by The Company Act, the board's resolutions shall be passed only if more than half of the total number of board members are present in a meeting, and with more than half of the attending directors voting in favor.

Article 22 Directors who are unable to attend board meetings personally may appoint another director to attend on his behalf. One director can only represent the presence of one other director.

Article 23 Remuneration to the Chairman and directors (including independent directors) shall be determined based on their participation and contribution to the Company's operations, with reference to local and foreign peers. The board of directors is authorized to set the level of remuneration.

The Company may purchase liability insurance policies to insure itself against liabilities that may arise in relation to directors' duties throughout the duration of their service.

Article 24 Deleted.

Chapter Five Supervisors

Article 25 (Deleted)
Article 26 (Deleted)
Article 27 (Deleted)

Chapter Six Managers

Article 28 The Company shall have one Chief Executive Officer (CEO), one President and managers. Appointment and dismissal of the CEO shall be proposed by the Chairman during a board of directors meeting, and is passed with the support of at least two-thirds of attending directors. Appointment and dismissal of the President and managers shall be proposed by the CEO during a board of directors meeting with more than half of all directors present, and is passed with the support of at least half of attending directors.

Article 29 Authorities of the shareholders and the board of directors are governed by the Articles of Incorporation and relevant laws. Responsibilities of the President and business group managers are determined by the CEO with the approval of the Chairman and acknowledgment of the board of directors.

The CEO shall collectively oversee operations, investments and decision-making within the Company and related companies. The President is responsible for executing the Company's decisions within the delegated authority and overseeing the Company's daily operations.

Chapter Seven Accounting

Article 30 The company's accounting period starts from January 1 and ends December 31 each year.

Article 31 The board of directors shall prepare the following reports for acknowledgment during shareholder meeting after year-end closing:

1. Business report.
2. Financial statements.
3. Earnings appropriation or loss reimbursement proposals.

Article 32 Annual profits concluded by the Company are subject to employee remuneration of no less than 1%, which the board of directors may decide to distribute in cash or in shares. Employees of subsidiaries who meet certain criteria are also entitled to receive remuneration. Up to 5% of the aforementioned profit may be distributed as director remuneration at the discretion of the board of directors. Employee and director remuneration proposals are to be raised for resolution during shareholder meetings.

Profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages.

Article 32-1 Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve; however, no further provisioning is needed when legal reserves have accumulated to the same amount as paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserve, as the laws or business activities may require. The residual balance is then added to undistributed earnings carried from previous years and distributed as cash dividends to preferred shareholders followed by common shareholders, which shall be resolved in a shareholders’ meeting.

The Company operates in a growing industry, and shall set dividends at levels that conform with the prevailing economic environment and the Company's goals toward sustainability and long-term growth. The board of directors shall emphasize on maintaining stability and growth of dividends when making earnings appropriation proposals. Depending on the availability of capital, dividends can be distributed in cash and (or) in shares, with cash dividends amounting to no less than 20% of total common share dividends for the current year.

Article 33 The Company's foundation principles and execution rules shall be established in separate policies.

Section 34 Any details that are not addressed in the Articles of Incorporation shall be governed by the Company Act.

Article 35 This Articles of Incorporation was created on March 17, 1961; the 1st amendment was made on March 8, 1969; the 2nd amendment was made on March 23, 1972; the 3rd amendment was made on March 22, 1973; the 4th amendment was made on March 16, 1974; the 5th amendment was made on May 19, 1975; the 6th amendment was made on April 22, 1977; the 7th amendment was made on June 21, 1978; the 8th amendment was made on April 12, 1979; the 9th amendment was made on April 17, 1981; the 10th amendment was made on May 12, 1983; the 11th amendment was made on May 8, 1984; the 12th amendment was made on March 26, 1981; the 13th amendment was made on March 25, 1988; the 14th amendment was made on March 31, 1989; the 15th amendment was made on April 18, 1990; and the 16th amendment was made on March 23, 1991. The 17th amendment was made on March 21, 1992; the 18th amendment was made on April 2, 1994; the 19th amendment was made on April 15, 1995; the 20th amendment was made on May 4, 1996; the 21st amendment was made on June 21, 1997; the 22nd amendment was made on June 3, 2000; the 23rd amendment was made on June 20, 2002; the 24th amendment was made on June 13, 2003; the 25th amendment was made on June 15, 2004; the 26th amendment was made on June 8, 2005; the 27th amendment was made on June 15, 2007; the 28th amendment was made on June 13, 2008; the 29th amendment was made on June 25, 2010; the 30th amendment was made on June 2, 2011; the 31st amendment was made on June 5, 2012; the 32nd amendment was made on June 7, 2013; the 33rd amendment was made on May 29, 2014; and the 34th amendment was made on May 31, 2016.

Appendix 3
Shareholdings of All Directors

1. Minimum shareholding required from all directors
   The Company has paid-up capital amounting to NT$16,184,092,910, issued in 1,618,409,291 shares. Pursuant to Paragraphs 3 and 4, Article 2 of "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios in Public Companies," directors of the Company shall maintain aggregate holdings of registered shares at no less than 38,841,822 shares.
2. The Company has assembled an Audit Committee, therefore supervisors' minimum shareholding requirements do not apply here.
3. Directors' individual and aggregate shareholdings as at the book closure date prior to this shareholder meeting have conformed with the above requirements, and are shown as follows:

March 31, 2019

Title	Name	Onboard Date	Service term	Shareholding when elected		Current shareholding	
				Shares held	Shareholding percentage %	Shares held	Shareholding percentage %
Chairman	Shin Kong Development Co., Ltd. Representative: Tong Sheng Wu	2017.05.26	3 years	2,794,213	0.17	2,794,213	0.17
Vice Chairman	Shin Kong Development Co., Ltd. Representative: Tung Ming Wu	"	"	(2,794,213)	0.17	(2,794,213)	0.17
Director	Shin Kong Development Co., Ltd. Representative: Hsiu-Mei, Wang Chen (Note 2)	"	"	(2,794,213)	0.17	(2,794,213)	0.17
"	Shin Kong Co., Ltd. Representative: Steve Hong	"	"	84,414,691	5.22	84,414,691	5.22
"	Tay Way Enterprise Co., Ltd.	"	"	1,200,043	0.07	1,200,043	0.07

	Representative: Hsien Chung Ho						
"	Tay Way Enterprise Co., Ltd. Representative: Huoo Tzau Shih	"	"	(1,200,043)	0.07	(1,200,043)	0.07
"	Chin Shan Investment Corporation Ltd. Representative: Hsing- En Wu	"	"	4,885,058	0.30	4,885,058	0.30
"	Mian Hao Industry Co., Ltd. Representative: Sun-Mo Ni	"	"	1,226,456	0.08	1,226,456	0.08
"	Shin Kong Wu Ho-Su Cultural & Educational Foundation Representative: Jung-Chi, Liu	"	"	60,442	0.00	60,442	0.00
Independent Director	Hsien Der Chiu	2017.05.26	3 years	0	0	0	0
"	Jung Cheng Tseng	"	"	0	0	0	0
"	Yung Ching Tsai	"	"	0	0	0	0
Total				94,580,903	5.84	94,580,903	5.84

Note 1: Independent directors do not count toward directors' shareholding.
Note 2: The corporate director reappointed its representative on June 5, 2017.