

**FORMOSA TAFFETA CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2019 AND 2018**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and subsidiaries (the “Group”) as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under equity method were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using equity method) of NT\$21,101,934 thousand and NT\$20,638,798 thousand, constituting 24% and 19% of the consolidated total assets, and total liabilities of NT\$5,535,205 thousand and NT\$5,233,598 thousand, both constituting 28% of the consolidated total liabilities as at September 30, 2019 and 2018, respectively,

and total comprehensive income (including share of profit (loss) of associates accounted for using equity method and share of profit (loss) of associates and other comprehensive income of associates) amounting to NT\$221,604 thousand, NT\$116,632 thousand, NT\$529,807 thousand and NT\$314,780 thousand, constituting (5%), 1%, (39%) and 2% of total comprehensive income for the three months ended September 30, 2019 and 2018, and nine months ended September 30, 2019 and 2018, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan
November 1, 2019

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Assets		Notes	September 30, 2019		December 31, 2018		September 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,404,683	3	\$ 3,391,896	4	\$ 4,021,926	4
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		625	-	479,490	1	632,524	1
1120	Current financial assets at fair	6(3)						
	value through other							
	comprehensive income		3,360,317	4	3,674,217	4	4,339,283	4
1140	Current contract assets	6(19)	1,292,107	2	788,643	1	710,504	1
1150	Notes receivable, net	6(4)	85,852	-	116,511	-	125,885	-
1160	Notes receivable - related	7						
	parties		3,705	-	4,429	-	5,476	-
1170	Accounts receivable, net	6(4)	4,604,023	5	4,110,277	4	4,612,261	4
1180	Accounts receivable - related	7						
	parties		1,978,563	2	1,228,428	1	1,301,937	1
1200	Other receivables	7	365,829	-	326,802	-	400,437	-
130X	Inventory	6(5)	8,525,015	10	8,710,037	9	8,192,345	8
1410	Prepayments		688,309	1	457,003	1	511,469	-
1470	Other current assets		376,619	-	483,826	1	423,810	-
11XX	Total current assets		23,685,647	27	23,771,559	26	25,277,857	23
Non-current assets								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income		42,075,838	47	46,512,701	50	60,549,400	56
1550	Investments accounted for	6(6)						
	under equity method		3,361,131	4	3,216,506	3	3,173,235	3
1600	Property, plant and equipment	6(7) and 8	18,496,412	21	18,770,958	20	18,441,314	17
1755	Right-of-use assets	6(8)	1,121,696	1	-	-	-	-
1840	Deferred income tax assets	6(25)	96,317	-	93,797	-	137,544	-
1900	Other non-current assets		480,696	-	660,972	1	702,629	1
15XX	Total non-current assets		65,632,090	73	69,254,934	74	83,004,122	77
1XXX	Total assets		\$ 89,317,737	100	\$ 93,026,493	100	\$ 108,281,979	100

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2019		December 31, 2018		September 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9) and 8	\$ 3,805,447	4	\$ 3,638,538	4	\$ 3,591,555	4
2110	Short-term notes and bills payable	6(10)	300,000	1	-	-	-	-
2120	Financial liabilities at fair value through profit or loss - current	6(11)	448	-	774	-	196	-
2150	Notes payable		168,817	-	251,576	-	180,782	-
2160	Notes payable - related parties	7	194,688	-	335,830	-	360,539	1
2170	Accounts payable		1,856,257	2	1,312,601	2	1,366,938	1
2180	Accounts payable - related parties	7	1,136,130	1	996,011	1	1,054,305	1
2200	Other payables	6(12) and 7	1,927,581	2	1,949,497	2	1,839,854	2
2230	Current income tax liabilities	6(25)	447,192	1	391,662	1	351,678	-
2280	Current lease liabilities	6(8)	133,539	-	-	-	-	-
2300	Other current liabilities	6(13)	247,188	-	314,741	-	213,303	-
21XX	Total current liabilities		<u>10,217,287</u>	<u>11</u>	<u>9,191,230</u>	<u>10</u>	<u>8,959,150</u>	<u>9</u>
	Non-current liabilities							
2540	Long-term borrowings	6(13)	7,992,654	9	8,022,299	9	8,989,909	8
2570	Deferred income tax liabilities	6(25)	304,267	-	292,165	-	253,326	-
2580	Non-current lease liabilities	6(8)	738,491	1	-	-	-	-
2600	Other non-current liabilities	6(14)	573,847	1	552,109	-	771,679	1
25XX	Total non-current liabilities		<u>9,609,259</u>	<u>11</u>	<u>8,866,573</u>	<u>9</u>	<u>10,014,914</u>	<u>9</u>
2XXX	Total liabilities		<u>19,826,546</u>	<u>22</u>	<u>18,057,803</u>	<u>19</u>	<u>18,974,064</u>	<u>18</u>
	Equity attributable to owners of parent							
	Share capital	6(15)						
3110	Share capital - common stock		16,846,646	19	16,846,646	18	16,846,646	16
	Capital surplus	6(16)						
3200	Capital surplus		1,274,676	1	1,268,860	1	1,261,773	1
	Retained earnings	6(17)						
3310	Legal reserve		8,041,335	9	7,567,594	8	7,567,594	7
3320	Special reserve		2,214,578	3	2,214,578	2	2,214,578	2
3350	Unappropriated retained earnings		8,986,985	10	9,743,048	11	9,427,290	9
	Other equity interest	6(18)						
3400	Other equity interest		26,237,942	29	31,291,978	34	45,841,685	42
3500	Treasury stocks	6(15)	(19,065)	-	(19,500)	-	(19,500)	-
31XX	Equity attributable to owners of the parent		<u>63,583,097</u>	<u>71</u>	<u>68,913,204</u>	<u>74</u>	<u>83,140,066</u>	<u>77</u>
36XX	Non-controlling interest	6(18)	<u>5,908,094</u>	<u>7</u>	<u>6,055,486</u>	<u>7</u>	<u>6,167,849</u>	<u>5</u>
3XXX	Total equity		<u>69,491,191</u>	<u>78</u>	<u>74,968,690</u>	<u>81</u>	<u>89,307,915</u>	<u>82</u>
	Significant contingent liabilities and unrecognized contract commitments							
	Significant event after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 89,317,737</u>	<u>100</u>	<u>\$ 93,026,493</u>	<u>100</u>	<u>\$ 108,281,979</u>	<u>100</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(19) and 7	\$ 11,340,797	100	\$ 11,336,698	100	\$ 35,430,392	100	\$ 33,804,379	100
5000 Operating costs	6(5)(22)(23) and 7	(9,976,318)	(88)	(9,962,754)	(88)	(31,066,900)	(88)	(29,569,355)	(88)
5900 Net operating margin		<u>1,364,479</u>	<u>12</u>	<u>1,373,944</u>	<u>12</u>	<u>4,363,492</u>	<u>12</u>	<u>4,235,024</u>	<u>12</u>
Operating expenses	6(22)(23) and 7								
6100 Selling expenses		(452,916)	(4)	(447,297)	(4)	(1,382,626)	(4)	(1,327,397)	(4)
6200 General and administrative expenses		(261,420)	(3)	(259,340)	(3)	(779,708)	(2)	(729,250)	(2)
6300 Research and development expenses		(27,427)	-	(20,237)	-	(74,165)	-	(58,191)	-
6000 Total operating expenses		(741,763)	(7)	(726,874)	(7)	(2,236,499)	(6)	(2,114,838)	(6)
6900 Operating profit		<u>622,716</u>	<u>5</u>	<u>647,070</u>	<u>5</u>	<u>2,126,993</u>	<u>6</u>	<u>2,120,186</u>	<u>6</u>
Non-operating income and expenses									
7010 Other income	6(20) and 7	226,406	2	2,610,277	23	2,295,161	6	2,808,539	8
7020 Other gains and losses	6(21)	(12,159)	-	(16,208)	-	2,319	-	864,556	3
7050 Finance costs	6(24)	(59,293)	-	(54,648)	-	(178,336)	-	(161,199)	(1)
7060 Share of profit of associates and joint ventures accounted for under equity method	6(6)	<u>138,308</u>	<u>1</u>	<u>157,021</u>	<u>1</u>	<u>234,876</u>	<u>1</u>	<u>222,158</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>293,262</u>	<u>3</u>	<u>2,696,442</u>	<u>24</u>	<u>2,354,020</u>	<u>7</u>	<u>3,734,054</u>	<u>11</u>
7900 Profit before income tax		915,978	8	3,343,512	29	4,481,013	13	5,854,240	17
7950 Income tax expense	6(25)	(130,548)	(1)	(105,812)	(1)	(715,945)	(2)	(826,037)	(2)
8200 Profit for the period		<u>\$ 785,430</u>	<u>7</u>	<u>\$ 3,237,700</u>	<u>28</u>	<u>\$ 3,765,068</u>	<u>11</u>	<u>\$ 5,028,203</u>	<u>15</u>

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income	6(18)								
Components of other comprehensive income that will not be reclassified to profit or loss	6(3)								
8316 Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income		(\$ 5,482,509)	(48)	\$ 7,920,342	70	(\$ 5,202,291)	(15)	\$ 11,454,251	34
8320 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method, that will not be reclassified to profit or loss		(3,317)	-	381	-	(801)	-	2,243	-
8310 Other comprehensive income (loss) that will not be reclassified to profit or loss		(5,485,826)	(48)	7,920,723	70	(5,203,092)	(15)	11,456,494	34
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		(69,426)	(1)	(183,331)	(2)	60,674	-	38,380	-
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		2,929	-	(41,434)	-	22,775	-	(10,563)	-
8360 Other comprehensive income (loss) that will be reclassified to profit or loss		(66,497)	(1)	(224,765)	(2)	83,449	-	27,817	-
8300 Total other comprehensive income (loss) for the period		(\$ 5,552,323)	(49)	\$ 7,695,958	68	(\$ 5,119,643)	(15)	\$ 11,484,311	34
8500 Total comprehensive income (loss) for the period		(\$ 4,766,893)	(42)	\$ 10,933,658	96	(\$ 1,354,575)	(4)	\$ 16,512,514	49
Profit attributable to:									
8610 Owners of the parent		\$ 595,847	5	\$ 3,028,348	26	\$ 3,255,474	9	\$ 4,569,070	14
8620 Non-controlling interest		189,583	2	209,352	2	509,594	2	459,133	1
		<u>\$ 785,430</u>	<u>7</u>	<u>\$ 3,237,700</u>	<u>28</u>	<u>\$ 3,765,068</u>	<u>11</u>	<u>\$ 5,028,203</u>	<u>15</u>
Comprehensive income attributable to:									
8710 Owners of the parent		(\$ 4,859,536)	(43)	\$ 10,754,599	94	(\$ 1,798,562)	(5)	\$ 15,961,299	47
8720 Non-controlling interest		92,643	1	179,059	2	443,987	1	551,215	2
		<u>(\$ 4,766,893)</u>	<u>(42)</u>	<u>\$ 10,933,658</u>	<u>96</u>	<u>(\$ 1,354,575)</u>	<u>(4)</u>	<u>\$ 16,512,514</u>	<u>49</u>
Basic and diluted earnings per share (in dollars)	6(26)								
9710 Profit for the period from continuing operations		\$ 0.54	\$ 0.47	\$ 1.99	\$ 1.93	\$ 2.66	\$ 2.23	\$ 3.48	\$ 2.99
9720 Non-controlling interest		(0.17)	(0.11)	(0.18)	(0.12)	(0.52)	(0.30)	(0.51)	(0.27)
9750 Profit attributable to common shareholders of the parent		<u>\$ 0.37</u>	<u>\$ 0.36</u>	<u>\$ 1.81</u>	<u>\$ 1.81</u>	<u>\$ 2.14</u>	<u>\$ 1.93</u>	<u>\$ 2.97</u>	<u>\$ 2.72</u>
Assuming shares held by subsidiaries are not deemed as treasury stock:									
Profit for the period from continuing operations		\$ 0.54	\$ 0.47	\$ 1.99	\$ 1.92	\$ 2.66	\$ 2.23	\$ 3.48	\$ 2.98
Non-controlling interest		(0.17)	(0.11)	(0.19)	(0.12)	(0.52)	(0.30)	(0.52)	(0.27)
Profit attributable to common shareholders of the parent		<u>\$ 0.37</u>	<u>\$ 0.36</u>	<u>\$ 1.80</u>	<u>\$ 1.80</u>	<u>\$ 2.14</u>	<u>\$ 1.93</u>	<u>\$ 2.96</u>	<u>\$ 2.71</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

Equity attributable to owners of the parent													

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

Equity attributable to owners of the parent												
Notes	Share capital - common stock	Capital surplus	Retained Earnings			Other equity interest			Treasury stocks	Total	Non-controlling interest	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for- sale financial assets				
Nine months ended September 30, 2019												
Balance at January 1, 2019	\$ 16,846,646	\$ 1,268,860	\$ 7,567,594	\$ 2,214,578	\$ 9,743,048	(\$ 744,846)	\$ 32,036,824	\$ -	(\$ 19,500)	\$ 68,913,204	\$ 6,055,486	\$ 74,968,690
Profit for the year	-	-	-	-	3,255,474	-	-	-	-	3,255,474	509,594	3,765,068
Other comprehensive income (loss) 6(18)	-	-	-	-	-	83,375	(5,137,411)	-	-	(5,054,036)	(65,607)	(5,119,643)
Total comprehensive income (loss)	-	-	-	-	3,255,474	83,375	(5,137,411)	-	-	(1,798,562)	443,987	(1,354,575)
Appropriations of 2018 earnings												
Legal reserve	-	-	473,741	-	(473,741)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,537,796)	-	-	-	-	(3,537,796)	-	(3,537,796)
Disposal of treasury stock 6(15)(16)	-	1,194	-	-	-	-	-	-	435	1,629	-	1,629
Expired cash dividends transferred to capital surplus	-	46	-	-	-	-	-	-	-	46	-	46
Adjustment of cash dividends paid to consolidated subsidiaries acquired 6(16)	-	4,606	-	-	-	-	-	-	-	4,606	-	4,606
Paid expired cash dividends transferred to capital surplus 6(16)	-	(30)	-	-	-	-	-	-	-	(30)	-	(30)
Cash dividends paid by consolidated subsidiaries 6(18)	-	-	-	-	-	-	-	-	-	-	(591,379)	(591,379)
Balance at September 30, 2019	\$ 16,846,646	\$ 1,274,676	\$ 8,041,335	\$ 2,214,578	\$ 8,986,985	(\$ 661,471)	\$ 26,899,413	\$ -	(\$ 19,065)	\$ 63,583,097	\$ 5,908,094	\$ 69,491,191

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Nine months ended September 30,	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 4,481,013	\$ 5,854,240
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(22)	2,194,542	1,666,209
Interest expense	6(8)(24)	178,336	161,199
Interest income	6(20)	(31,191)	(19,627)
Dividend income	6(20)	(2,134,212)	(2,672,388)
Gain on valuation of financial assets	6(2)(21)	(2,010)	(2,128)
Gain on valuation of financial liabilities	6(11)(21)	(326)	196
Share of profit of associates and joint ventures accounted for under equity method	6(6)	(234,876)	(222,158)
Gain on disposal and scrap of property, plant and equipment	6(21)	(26,381)	(896,975)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		480,875	-
Current contract assets	(	503,464)	(218,872)
Notes receivable, net		30,659	38,426
Notes receivable - related parties		724	7,531
Accounts receivable, net	(	493,746)	(1,044,530)
Accounts receivable - related parties	(	750,135)	(133,622)
Other receivables	(	39,807)	19,873
Inventory		185,022	(132,512)
Prepayments	(	231,306)	8,037
Guarantee deposits paid	(	3,071)	-
Other current assets		107,207	1,910
Changes in operating liabilities			
Notes payable	(	82,759)	(18,736)
Notes payable - related parties	(	141,142)	120,986
Accounts payable		543,656	(79,132)
Accounts payable - related parties		140,119	(93,671)
Other payables	(	11,556)	(17,458)
Other current liabilities	(	28,080)	15,649
Other non-current liabilities		21,738	(80,521)
Cash inflow generated from operations		3,649,829	2,261,926
Interest received		31,972	21,225
Cash dividends received		2,245,784	2,863,738
Interest paid	(	190,578)	(167,597)
Income tax paid	(652,663)	(588,896)
Net cash flows from operating activities		5,084,344	4,390,396

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Nine months ended September 30,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 373,096)	(\$ 594,950)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	769,609
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		-	5,780
Acquisition of property, plant and equipment	6(27)	(1,817,317)	(3,458,489)
Proceeds from disposal of property, plant and equipment		66,503	1,313,442
Increase in other non-current assets		(77,550)	(105,167)
Net cash flows used in investing activities		(2,201,460)	(2,069,775)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(28)	166,909	785,865
Decrease (increase) in short-term notes and bills payable	6(28)	300,000	(1,299,806)
Payment of long-term borrowings		(8,072,206)	(6,400,000)
Increase in long-term borrowings		8,000,000	4,234,949
Cash dividends paid		(4,129,205)	(3,580,953)
Payment of lease principal	6(8)	(112,775)	-
Change in share of consolidated subsidiaries		-	862,142
Change in non-controlling interest		-	2,177,729
Net cash flows used in financing activities		(3,847,277)	(3,220,074)
Effect of foreign exchange rate		(22,820)	(21,540)
Net decrease in cash and cash equivalents		(987,213)	(920,993)
Cash and cash equivalents at beginning of period	6(1)	3,391,896	4,942,919
Cash and cash equivalents at end of period	6(1)	<u>\$ 2,404,683</u>	<u>\$ 4,021,926</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

(1) Formosa Taffeta Co., Ltd. (the “Company”) was incorporated on April 19, 1973 under the provisions of the Company Law of the Republic of China (R.O.C.). Factories were established in Douliou City of Yulin County, R.O.C. On December 24, 1985, the Company’s common stock was officially listed on the Taiwan Stock Exchange. The major operations of the Company’s various departments are as follows:

<u>Business departments</u>	<u>Major activities</u>
Primary department: Fabrics, dyeing and others	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastic bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers
Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits

(2) Formosa Chemicals & Fiber Corp. has significant control over the Company since Formosa Chemicals & Fiber Corp. holds over half of the Board seats after the stockholders’ meeting on June 27, 2008. Since June 27, 2008, Formosa Chemicals & Fiber Corp. became the Company’s parent company and accordingly, the Company and its subsidiaries are included in its consolidated financial statements.

(3) As of September 30, 2019, the Company and its subsidiaries (collectively referred herein as the “Group”) had 10,318 employees.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on November 1, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$1,048,552 (including \$260,897 reclassified from long-term prepaid rent) and 'lease liability' by \$787,655 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
 - (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.01%.
- E. The Group recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments

under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 859,527
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 859,527</u>
Incremental borrowing interest rate at the date of initial application	1.01%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	<u>\$ 787,655</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- The basis for preparation of the consolidated financial statements is the same with the consolidated financial statements as of and for the year ended December 31, 2018.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	46.68	46.68	46.68	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100	100	100	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residences and buildings, and development of new community and specialised zones	100	100	100	Note 2
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning	100	100	100	Note 2
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100	100	100	Note 2
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRIY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	50	50	50	Note 2
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100	100	100	Note 2
Formosa Taffeta Co., Ltd.	Formosa Taffeta Dong Nai Co., Ltd.	Manufacturing of nylon and polyester filament products	100	100	100	Note 2
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding company	100	100	100	Note 2
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100	100	100	Note 2
Formosa Development Co., Ltd.	Public More International Company Ltd.	Employment service, manpower allocation and agency service etc.	100	100	100	Note 2

Note 1: The Company sold shares of Formosa Advanced Technologies Co., Ltd. to Nan Ya Technology Corp. in July, 2018. The Company owns more than half of the seats in the Board of Directors of Formosa Advanced Technologies Co., Ltd. and has substantive control over the latter.

Note 2: The financial statements of the entity as of and for the nine months ended September 30,

2019 and 2018 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of September 30, 2019, December 31, 2018 and September 30, 2018, the non-controlling interest amounted to \$5,908,094, \$6,055,486 and \$6,167,849, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		September 30, 2019		December 31, 2018	
		Amount	Ownership (%)	Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 5,909,907	53.32	\$ 6,055,275	53.32

Name of subsidiary	Principal place of business	Non-controlling interest	
		September 30, 2018	
		Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 6,168,127	53.32

Summarized financial information on the subsidiaries:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.		
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 6,287,991	\$ 6,792,443	\$ 7,305,931
Non-current assets	6,623,131	5,882,131	5,538,894
Current liabilities	(1,229,925)	(1,231,815)	(1,196,228)
Non-current liabilities	(597,351)	(86,280)	(80,466)
Total net assets	\$ 11,083,846	\$ 11,356,479	\$ 11,568,131

Statements of comprehensive income

		Formosa Advanced Technologies Co., Ltd.	
		Three months ended September 30,	
		2019	2018
Revenue		\$ 2,456,336	\$ 2,281,452
Profit before income tax		427,713	549,082
Income tax expense	(	71,896)	(86,216)
Profit for the period		355,817	462,866
Other comprehensive loss, net of tax	(	181,790)	(56,861)
Total comprehensive income for the period		\$ 174,027	\$ 406,005
Comprehensive income attributable to non- controlling interest		\$ 92,791	\$ 202,390
		Formosa Advanced Technologies Co., Ltd.	
		Nine months ended September 30,	
		2019	2018
Revenue		\$ 6,899,134	\$ 6,556,523
Profit before income tax		1,218,713	1,465,436
Income tax expense	(	262,707)	(277,163)
Profit for the period		956,006	1,188,273
Other comprehensive (loss) income, net of tax	(	123,182)	305,002
Total comprehensive income for the period		\$ 832,824	\$ 1,493,275
Comprehensive income attributable to non- controlling interest		\$ 444,062	\$ 575,541

Statements of cash flows

		Formosa Advanced Technologies Co., Ltd.	
		Nine months ended September 30,	
		2019	2018
Net cash provided by operating activities		\$ 1,647,828	\$ 1,488,953
Net cash used in investing activities	(	1,557,304)	(2,516,906)
Net cash used in financing activities	(	1,128,287)	(1,105,556)
Decrease in cash and cash equivalents	(	1,037,763)	(2,133,509)
Cash and cash equivalents, beginning of period		1,267,335	3,479,352
Cash and cash equivalents, end of period		\$ 229,572	\$ 1,345,843

(4) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(5) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension

cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. The related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(6) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance

sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements as of and for the year ended December 31, 2018 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Cash on hand and petty cash	\$ 135,453	\$ 156,022	\$ 154,930
Checking accounts and demand deposits	1,757,676	1,797,743	2,027,728
Time deposits	290,625	419,938	202,219
Commercial paper	220,929	1,018,193	1,637,049
	<u>\$ 2,404,683</u>	<u>\$ 3,391,896</u>	<u>\$ 4,021,926</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The interest rates of time deposits on September 30, 2019, December 31, 2018 and September 30, 2018 ranged from 1.75%~5.35%, 2.75%~5.47% and 1.72%~5.43%, respectively.
- C. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Beneficiary certificates	\$ -	\$ 466,353	\$ 619,504
Forward foreign exchange contracts	625	-	452
	625	466,353	619,956
Valuation adjustment	-	13,137	12,568
	<u>\$ 625</u>	<u>\$ 479,490</u>	<u>\$ 632,524</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Three months ended September 30,	
	2019	2018
Beneficiary certificates	\$ 395	\$ 695
Forward foreign exchange contracts	625	(25)
	<u>\$ 1,020</u>	<u>\$ 670</u>
	Nine months ended September 30,	
	2019	2018
Beneficiary certificates	\$ 1,385	\$ 2,073
Forward foreign exchange contracts	625	55
	<u>\$ 2,010</u>	<u>\$ 2,128</u>

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative Instruments	September 30, 2019		September 30, 2018	
	Contract Amount (Notional Principal)	Contract Period	Contract Amount (Notional Principal)	Contract Period
Current items:				
Forward foreign exchange contracts				
Taipei Fubon Bank	JPY 83,180	2019.08~2019.10	JPY 50,000	2018.08~2018.10

The Group had no financial assets held for trading on December 31, 2018.

The forward exchange contracts are buy and sell to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Equity instruments			
Listed stocks	\$ 2,786,029	\$ 2,482,503	\$ 2,311,395
Unlisted stocks	100,000	100,000	100,000
	2,886,029	2,582,503	2,411,395
Valuation adjustment	474,288	1,091,714	1,927,888
	<u>\$ 3,360,317</u>	<u>\$ 3,674,217</u>	<u>\$ 4,339,283</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 8,739,607	\$ 8,739,607	\$ 8,739,607
Unlisted stocks	6,879,771	6,747,554	6,710,723
	15,619,378	15,487,161	15,450,330
Valuation adjustment	26,456,460	31,025,540	45,099,070
	<u>\$ 42,075,838</u>	<u>\$ 46,512,701</u>	<u>\$ 60,549,400</u>

- A. The Group has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$45,436,155, \$50,186,918 and \$64,888,683 as at September 30, 2019, December 31, 2018 and September 30, 2018, respectively.
- B. Aiming to satisfy the operating capital needs, the Group sold its equity investment in Nan Ya Technology Corp. at fair value of \$772,686 which resulted in loss on disposal (including the portion attributable to non-controlling interests) of (\$1,804,708) during the nine months ended September 30, 2018 which was reclassified to retained earnings.
- C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended September 30,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 5,485,826)	\$ 7,920,723
Cumulative losses reclassified to retained earnings due to derecognition (including the portion attributable to non-controlling interest)	\$ -	\$ 5,666

	Nine months ended September 30,	
	2019	2018
<u>Equity instruments at fair value through other</u>		
comprehensive income		
Fair value change recognized in other		
comprehensive income	(\$ 5,203,092)	\$ 11,456,494
Cumulative losses reclassified to		
retained earnings due to derecognition		
(including the portion attributable to		
non-controlling interest)	\$ -	(\$ 1,799,042)

D. As at September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$45,436,155, \$50,186,918 and \$64,888,683, respectively.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Notes and accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	\$ 85,852	\$ 116,511	\$ 125,885
Accounts receivable	\$ 4,674,690	\$ 4,181,310	\$ 4,688,080
Less: Allowance for uncollectible			
accounts	(70,667)	(71,033)	(75,819)
	\$ 4,604,023	\$ 4,110,277	\$ 4,612,261

A. The ageing analysis of notes and accounts receivable is as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Not past due	\$ 4,550,105	\$ 4,092,982	\$ 4,613,812
Up to 30 days	140,733	154,591	120,386
31 to 90 days	66,370	45,066	62,494
Over 90 days	3,334	5,182	17,273
	\$ 4,760,542	\$ 4,297,821	\$ 4,813,965

The above ageing analysis was based on past due date.

B. As of September 30, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$3,808,563.

C. As at September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$4,760,542, \$4,297,821 and \$4,813,965, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	September 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,749,693	(\$ 108,824)	\$ 1,640,869
Supplies	290,532	(5,421)	285,111
Work in process	2,642,435	(7,371)	2,635,064
Finished goods	3,577,648	(609,556)	2,968,092
Merchandise inventory	239,321	-	239,321
Materials in transit	444,729	-	444,729
Outsourced processed materials	254,024	(94)	253,930
Construction in progress	35,675	-	35,675
Land for construction	22,224	-	22,224
	<u>\$ 9,256,281</u>	<u>(\$ 731,266)</u>	<u>\$ 8,525,015</u>
	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,762,233	(\$ 94,897)	\$ 1,667,336
Supplies	212,154	(3,968)	208,186
Work in process	2,866,411	(6,643)	2,859,768
Finished goods	3,789,718	(578,621)	3,211,097
Merchandise inventory	159,786	-	159,786
Materials in transit	348,702	-	348,702
Outsourced processed materials	216,874	(71)	216,803
Construction in progress	16,135	-	16,135
Land for construction	22,224	-	22,224
	<u>\$ 9,394,237</u>	<u>(\$ 684,200)</u>	<u>\$ 8,710,037</u>

	September 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,686,523	(\$ 42,253)	\$ 1,644,270
Supplies	263,491	(4,074)	259,417
Work in process	2,545,213	(6,587)	2,538,626
Finished goods	3,323,436	(470,826)	2,852,610
Merchandise inventory	338,229	-	338,229
Materials in transit	281,722	-	281,722
Outsourced processed materials	228,332	(80)	228,252
Construction in progress	26,995	-	26,995
Land for construction	22,224	-	22,224
	<u>\$ 8,716,165</u>	<u>(\$ 523,820)</u>	<u>\$ 8,192,345</u>

Information about the inventories that were pledged to others as collateral is provided in Note 8.

The cost of inventories recognized as expense for the period:

	Three months ended September 30,	
	2019	2018
Cost of goods sold	\$ 9,969,847	\$ 10,019,663
Inventory valuation loss (gain)(Note 1)	8,519	(28,450)
Others (Note 2)	(2,048)	(28,459)
	<u>\$ 9,976,318</u>	<u>\$ 9,962,754</u>
	Nine months ended September 30,	
	2019	2018
Cost of goods sold	\$ 31,039,765	\$ 29,624,036
Inventory valuation loss	47,066	3,087
Others (Note 2)	(19,931)	(57,768)
	<u>\$ 31,066,900</u>	<u>\$ 29,569,355</u>

Note 1: Gain on inventory for the three months ended September 30, 2018 arose from inventories which were previously provided with allowance but were subsequently sold.

Note 2: Others consist of inventory overage/shortage and disposal of scrap and defective materials and service costs.

(6) Investments accounted for using equity method

	September 30, 2019	December 31, 2018	September 30, 2018
Formosa Industries Co., Ltd.	\$ 2,090,391	\$ 2,008,842	\$ 1,968,686
Quang Viet Enterprise Co., Ltd.	1,255,088	1,191,261	1,188,101
Changshu Yu Yuan Development Co., Ltd.	15,652	16,403	16,448
	<u>\$ 3,361,131</u>	<u>\$ 3,216,506</u>	<u>\$ 3,173,235</u>

A. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		September 30, 2019	December 31, 2018	September 30, 2018		
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	17.99%	17.99%	17.92%	Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%	40.78%	40.78%	Associate	Equity method

(b) The summarized financial information of the associates that are material to the Group is shown below:

Balance sheets

	Formosa Industries Co., Ltd.		
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 19,773,533	\$ 12,272,938	\$ 20,227,561
Non-current assets	21,129,704	21,232,063	22,525,120
Current liabilities	(14,777,020)	(11,529,804)	(16,943,776)
Non-current liabilities	(6,123,659)	(2,749,255)	(6,903,804)
Total net assets	<u>\$ 20,002,558</u>	<u>\$ 19,225,942</u>	<u>\$ 18,905,101</u>
Share in associate's net assets	\$ 2,000,256	\$ 1,922,594	\$ 1,890,510
Dividends receivable	-	-	62,211
Difference	90,135	86,248	15,965
Carrying amount of the associate	<u>\$ 2,090,391</u>	<u>\$ 2,008,842</u>	<u>\$ 1,968,686</u>

	Quang Viet Enterprise Co., Ltd.		
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 10,295,816	\$ 7,605,631	\$ 9,772,490
Non-current assets	3,368,651	3,222,091	3,023,810
Current liabilities	(5,536,363)	(3,043,953)	(5,355,506)
Non-current liabilities	(337,354)	(329,187)	(85,834)
Total net assets	<u>\$ 7,790,750</u>	<u>\$ 7,454,582</u>	<u>\$ 7,354,960</u>
Share in associate's net assets	\$ 1,401,556	\$ 1,341,079	\$ 1,318,009
Difference	(146,468)	(149,818)	(129,908)
Carrying amount of the associate	<u>\$ 1,255,088</u>	<u>\$ 1,191,261</u>	<u>\$ 1,188,101</u>

	Changshu Yu Yuan Development Co., Ltd.		
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 82,471	\$ 96,864	\$ 96,391
Non-current assets	35	106	147
Current liabilities	(14,010)	(26,867)	(26,576)
Total net assets	<u>\$ 68,496</u>	<u>\$ 70,103</u>	<u>\$ 69,962</u>
Share in associate's net assets	\$ 27,933	\$ 28,588	\$ 28,530
Difference	(12,281)	(12,185)	(12,082)
Carrying amount of the associate	<u>\$ 15,652</u>	<u>\$ 16,403</u>	<u>\$ 16,448</u>

Statements of comprehensive income

	Formosa Industries Co., Ltd.	
	Three months ended September 30,	
	2019	2018
Revenue	<u>\$ 6,626,196</u>	<u>\$ 7,774,822</u>
Profit for the period from continuing operations		
(Total comprehensive income)	<u>\$ 154,209</u>	<u>\$ 234,123</u>

	Formosa Industries Co., Ltd.	
	Nine months ended September 30,	
	2019	2018
Revenue	<u>\$ 21,178,472</u>	<u>\$ 23,662,787</u>
Profit for the period from continuing operations		
(Total comprehensive income)	<u>\$ 572,891</u>	<u>\$ 1,006,924</u>

	Quang Viet Enterprise Co., Ltd.	
	Three months ended September 30,	
	2019	2018
Revenue	<u>\$ 6,790,155</u>	<u>\$ 6,142,645</u>
Profit for the period from continuing operations	<u>\$ 701,388</u>	<u>\$ 640,304</u>
Other comprehensive loss, net of tax	<u>(38,959)</u>	<u>-</u>
Total comprehensive income	<u>\$ 662,429</u>	<u>\$ 640,304</u>

	Quang Viet Enterprise Co., Ltd.	
	Nine months ended September 30,	
	2019	2018
Revenue	\$ 13,143,259	\$ 10,245,050
Profit for the period from continuing operations	\$ 1,083,303	\$ 806,537
Other comprehensive income, net of tax	-	9
Total comprehensive income	\$ 1,083,303	\$ 806,546

	Changshu Yu Yuan Development Co., Ltd.	
	Three months ended September 30,	
	2019	2018
Revenue	\$ -	\$ -
Profit (loss) for the period from continuing operations (Total comprehensive income (loss))	\$ 159	(\$ 1,224)

	Changshu Yu Yuan Development Co., Ltd.	
	Nine months ended September 30,	
	2019	2018
Revenue	\$ -	\$ -
(Loss) profit for the period from continuing operations (Total comprehensive (loss) income)	(\$ 238)	\$ 210

- B. The investment income of \$138,308, \$157,021, \$234,876 and \$222,158 for the three months ended September 30, 2019 and 2018, and nine months ended September 30, 2019 and 2018, respectively, were accounted for under the equity method based on the unreviewed financial statements of the investee companies.
- C. The Group is the director of Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. and has significant impact to its operations, thus, Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. are accounted for under the equity method.
- D. The Group's material associate, Quang Viet Enterprise Co., Ltd., has quoted market prices. As of September 30, 2019, December 31, 2018 and September 30, 2018, the fair value were \$2,603,349, \$1,952,512 and \$2,556,861, respectively.

(7) Property, plant and equipment

<u>At January 1, 2019</u>	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment and other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Cost	\$ 2,202,809	\$ 11,402,399	\$ 44,120,710	\$ 8,938,006	\$ 1,310,921	\$ 67,974,845
Accumulated depreciation	(14,616)	(6,199,016)	(34,499,873)	(8,334,527)	-	(49,048,032)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	<u>\$ 2,032,455</u>	<u>\$ 5,203,383</u>	<u>\$ 9,620,720</u>	<u>\$ 603,479</u>	<u>\$ 1,310,921</u>	<u>\$ 18,770,958</u>
<u>Nine months ended September 30, 2019</u>						
Opening net book amount	\$ 2,032,455	\$ 5,203,383	\$ 9,620,720	\$ 603,479	\$ 1,310,921	\$ 18,770,958
Additions	3,014	-	1,900	65	1,821,631	1,826,610
Disposals	(53)	-	(36,953)	(3,116)	-	(40,122)
Transfers	-	39,808	1,780,769	70,269	(1,890,846)	-
Depreciation charge	(2,864)	(270,734)	(1,682,542)	(123,931)	-	(2,080,071)
Net exchange differences	(340)	1,072	14,578	541	3,186	19,037
Closing net book amount	<u>\$ 2,032,212</u>	<u>\$ 4,973,529</u>	<u>\$ 9,698,472</u>	<u>\$ 547,307</u>	<u>\$ 1,244,892</u>	<u>\$ 18,496,412</u>
<u>At September 30, 2019</u>						
Cost	\$ 2,202,505	\$ 11,414,244	\$ 45,349,229	\$ 8,914,773	\$ 1,244,892	\$ 69,125,643
Accumulated depreciation	(14,555)	(6,440,715)	(35,650,640)	(8,367,466)	-	(50,473,376)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	<u>\$ 2,032,212</u>	<u>\$ 4,973,529</u>	<u>\$ 9,698,472</u>	<u>\$ 547,307</u>	<u>\$ 1,244,892</u>	<u>\$ 18,496,412</u>

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2018</u>						
Cost	\$ 2,545,786	\$ 11,047,542	\$ 41,347,517	\$ 9,003,970	\$ 1,976,014	\$ 65,920,829
Accumulated depreciation	(14,598)	(5,864,637)	(34,546,863)	(8,316,598)	-	(48,742,696)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	<u>\$ 2,375,450</u>	<u>\$ 5,182,905</u>	<u>\$ 6,800,537</u>	<u>\$ 687,372</u>	<u>\$ 1,976,014</u>	<u>\$ 17,022,278</u>

Nine months ended September 30, 2018

Opening net book amount	\$ 2,375,450	\$ 5,182,905	\$ 6,800,537	\$ 687,372	\$ 1,976,014	\$ 17,022,278
Additions	-	-	-	5	3,510,587	3,510,592
Disposals	(342,670)	-	(58,268)	(563)	(14,966)	(416,467)
Transfers (Note)	-	367,874	3,740,385	79,167	(4,131,331)	56,095
Depreciation charge	(222)	(273,793)	(1,242,315)	(149,879)	-	(1,666,209)
Net exchange differences	(44)	(32,837)	(25,178)	(2,712)	(4,204)	(64,975)
Closing net book amount	<u>\$ 2,032,514</u>	<u>\$ 5,244,149</u>	<u>\$ 9,215,161</u>	<u>\$ 613,390</u>	<u>\$ 1,336,100</u>	<u>\$ 18,441,314</u>

At September 30, 2018

Cost	\$ 2,202,683	\$ 11,347,229	\$ 43,772,960	\$ 8,960,278	\$ 1,336,100	\$ 67,619,250
Accumulated depreciation	(14,431)	(6,103,080)	(34,557,682)	(8,346,888)	-	(49,022,081)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	<u>\$ 2,032,514</u>	<u>\$ 5,244,149</u>	<u>\$ 9,215,161</u>	<u>\$ 613,390</u>	<u>\$ 1,336,100</u>	<u>\$ 18,441,314</u>

Note: Transferred from prepayments

- A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	Three months ended September 30,	
	2019	2018
Amount capitalized	\$ 2,796	\$ 5,909
	Nine months ended September 30,	
	2019	2018
Amount capitalized	\$ 8,359	\$ 9,920
Range of the interest rates for capitalization	0.99%-4.8%	0.94%~4.5%

- B. The significant components and useful lives of property, plant and equipment are as follows:

Items	Significant components	Estimated useful lives
Land improvements	Pipelines	3 ~ 15 years
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	2 ~ 20 years
Transportation equipment	Pallet trucks and fork lift trucks	3 ~ 15 years
Other equipment	Cogeneration power generation equipment	2 ~ 17 years

- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

- D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles of land which the Company has acquired for future plant expansion are under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of September 30, 2019, December 31, 2018 and September 30, 2018, the land mortgaged to the Company was \$808,300.

(8) Leasing arrangements — lessee

Effective 2019

- A. The Group leases various assets including land. Rental contracts are typically made for periods of 3 to 25 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	September 30, 2019	
	Carrying amount	
Land	\$	1,121,696
	Three months ended September 30, 2019	
	Depreciation charge	
Land	\$ 38,350	\$ 114,471
	Nine months ended September 30, 2019	
	Depreciation charge	

- C. For the nine months ended September 30, 2019, the additions to right-of-use assets was \$135,997.

D. The information on income and expense accounts relating to lease contracts is as follows:

	Three months ended September 30, 2019		Nine months ended September 30, 2019	
<u>Items affecting profit or loss</u>				
Interest expense on lease liabilities	\$	2,071	\$	7,411
Expense on short-term lease contracts		485		1,561

E. For the nine months ended September 30, 2019, the Group's total cash outflow for leases was \$112,775.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Mortgage loan	\$ <u>3,805,447</u>	1.4%-3.7%	Property, plant and equipment and inventories

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Mortgage loan	\$ <u>3,638,538</u>	1.40%~4.35%	Property, plant and equipment and inventories

<u>Type of borrowings</u>	<u>September 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Mortgage loan	\$ 3,586,830	1.40%~3.31%	Property, plant and equipment and inventories
Purchase loans	4,725	0.31%~0.37%	-
	\$ <u>3,591,555</u>		

(10) Short-term notes and bills payable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Commercial paper payable	\$ <u>300,000</u>	\$ <u>-</u>	\$ <u>-</u>
Interest rate	<u>0.7%</u>	<u>-</u>	<u>-</u>

The abovementioned commercial paper payable is issued by Taishin International Bank.

(11) Financial liabilities at fair value through profit or loss - current

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Forward foreign exchange contracts	\$ <u>448</u>	\$ <u>774</u>	\$ <u>196</u>

A. The Group recognized net gain (loss) of \$0, (\$196), \$326 and (\$196) on financial liabilities held for trading for the three months ended September 30, 2019 and 2018, and nine months ended

September 30, 2019 and 2018, respectively.

- B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

	September 30, 2019			December 31, 2018		
Derivative Financial Liabilities	Contract Amount (Notional Principal)		Contract Period	Contract Amount (Notional Principal)		Contract Period
Current items:						
Forward foreign exchange contracts						
Taipei Fubon Bank	JPY	83,180	2019.08~2019.10	JPY	50,000	2018.12~2019.2
Taipei Fubon Bank	JPY	83,180	2019.09~2019.10	JPY	56,800	2018.12~2019.2
Chang Hwa Bank		-	-	JPY	50,000	2018.12~2019.1
Chang Hwa Bank		-	-	JPY	50,210	2018.12~2019.1
	December 31, 2018					
Derivative Financial Liabilities	Contract Amount (Notional Principal)			Contract Amount (Notional Principal)		Contract Period
Current items:						
Forward foreign exchange contracts						
Taipei Fubon Bank				USD	477	2018.09~2018.10

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(12) Other payables

	September 30, 2019	December 31, 2018	September 30, 2018
Salaries and year-end bonus payable	\$ 634,120	\$ 784,330	\$ 674,040
Accrued utilities expenses	162,829	130,048	152,455
Payable on equipment	72,107	62,814	139,058
Commission payable	57,425	54,564	69,066
Dividend payable	14,478	9,943	-
Others	986,622	907,798	805,235
	<u>\$ 1,927,581</u>	<u>\$ 1,949,497</u>	<u>\$ 1,839,854</u>

(13) Long-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Credit borrowings	\$ 8,123,082	\$ 8,192,200	\$ 9,060,706
Less: Current portion	(130,428)	(169,901)	(70,797)
	<u>\$ 7,992,654</u>	<u>\$ 8,022,299</u>	<u>\$ 8,989,909</u>
Interest rate	<u>0.94%~4.52%</u>	<u>0.98%~4.45%</u>	<u>0.95%~4.50%</u>

(14) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2%~15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned employees pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$7,257, \$9,869, \$21,771 and \$29,607 for the three months ended September 30, 2019 and 2018, and nine months ended September 30, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2020 amount to \$88,821.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company's mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd., and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of the employees' monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.
- (c) The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd., have defined contribution plans. Contributions of social security to an

independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.

- (d) Formosa Taffeta (Hong Kong) Co., Ltd. and Schoeller FTC (Hong Kong) Co., Ltd. have defined contribution plans whereby contributions are made to the mandatory provident fund based on a percentage of the employees' salaries and wages as full-time employees' pension benefit.
- (e) Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulations.
- (f) The pension costs under the defined contribution pension plans of the Group for the three months ended September 30, 2019 and 2018, and nine months ended September 30, 2019 and 2018 were \$38,384, \$37,105, \$113,297 and \$110,044, respectively.

(15) Share capital

- A. As of September 30, 2019, the Company's authorized and issued capital was \$16,846,646, consisting of 1,684,665,000 shares of common stock, with a par value of \$10 per share.
- B. For the nine months ended September 30, 2019 and 2018, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Nine months ended September 30, 2019			
		Beginning shares	Additions	Disposal	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,243	-	(50)	2,193

Reason for reacquisition	Investee company	Nine months ended September 30, 2018			
		Beginning shares	Additions	Disposal (Note)	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,293	-	(50)	2,243

- C. The abovementioned treasury stocks were acquired by the subsidiary, Formosa Development Co., Ltd., for investment purposes.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to

issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

Nine months ended September 30, 2019					
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1, 2019	\$ 25,297	\$ 1,650	\$ 2,032	\$ 1,236,557	\$ 3,324
Disposal of treasury shares	1,194	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	4,606	-	-	-	-
Expired cash dividends transferred to capital surplus	-	-	-	46	-
Paid expired cash dividends transferred to capital surplus	-	-	-	-	(30)
At September 30, 2019	<u>\$ 31,097</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,236,603</u>	<u>\$ 3,294</u>
Nine months ended September 30, 2018					
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1, 2018	\$ 19,899	\$ 545	\$ 2,032	\$ 250,345	\$ 1,502
Disposal of treasury shares	1,041	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	4,357	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired	-	982,053	-	-	-
Paid expired cash dividends transferred to capital surplus	-	-	-	-	(1)
At September 30, 2018	<u>\$ 25,297</u>	<u>\$ 982,598</u>	<u>\$ 2,032</u>	<u>\$ 250,345</u>	<u>\$ 1,501</u>

(17) Retained earnings

A. According to the R.O.C. Securities and Exchange Act No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. If the valuation or

contra-account in stockholders' equity belongs to prior periods, the same amount from prior period earnings should be considered as special reserve and cannot be distributed. The special reserve includes: i) reserve for special purposes, ii) investment income recognized under the equity method, iii) net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section; and iv) other special reserves set out by legal provisions.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the dividend policy includes cash dividends, stock dividends and capital increase by earnings recapitalization. At least 50% of the Company's distributable earnings shall be appropriated as dividends after deducting the legal reserve and special reserves. The Company would prefer distributing cash dividends. However, if significant investment measures are taken or the Company's financial structure needs to be improved, part of the dividends would be in the form of stock dividends but not to exceed 50% of the total dividends.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. The appropriations of 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 20, 2019 and June 22, 2018, respectively. Details are summarized below:

	2018 earnings		2017 earnings	
	Amount	Dividends	Amount	Dividends
	(in thousands)	per share	(in thousands)	per share
		(in dollars)		(in dollars)
Legal reserve	\$ 473,741		\$ 427,987	
Cash dividends	3,537,796	\$ 2.10	3,200,863	\$ 1.90

The estimated appropriations of 2018 and 2017 earnings proposed by the Board of Directors were the same as the actual appropriations approved by the shareholders. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange Corporation.

E. As of September 30, 2019, December 31, 2018 and September 30, 2018, unpaid stock dividends amounted to \$14,478, \$9,943 and \$11,305, respectively.

F. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(23).

(18) Other equity items

	Unrealized gains on valuation	Currency translation	Non-controlling interest
January 1, 2019	\$ 32,036,824	(\$ 744,846)	\$ 6,055,486
Revaluation			
— Group	(5,136,610)	-	-
— Associates	(801)	-	-
— Non-controlling interest	-	-	(65,681)
Difference of currency translation			
— Group	-	60,600	-
— Associates	-	22,775	-
— Non-controlling interest	-	-	74
Net income of non-controlling interest	-	-	509,594
Cash dividends paid by consolidated subsidiaries	-	-	(591,379)
September 30, 2019	<u>\$ 26,899,413</u>	<u>(\$ 661,471)</u>	<u>\$ 5,908,094</u>

	Unrealized gains on valuation	Currency translation	Non-controlling interest
January 1, 2018	\$ 38,440,218	(\$ 914,267)	\$ 3,803,175
Retrospective adjustments	(4,760,072)	-	33,939
January 1, 2018 after adjustments	33,680,146	(914,267)	3,837,114
Revaluation			
— Group	11,362,408	-	-
— Associates	2,243	-	-
— Non-controlling interest	-	-	91,843
Revaluation transferred to retained earnings			
— Group	1,804,960	-	-
— Non-controlling interest	-	-	3,114
Difference of currency translation			
— Group	-	38,141	-
— Associates	-	(10,563)	-
— Non-controlling interest	-	-	239
Net income of non-controlling interest	-	-	459,133
Difference between consideration and carrying amount of subsidiaries acquired	(118,806)	-	(1,105)
Change in net share under equity method	(2,577)	-	-
Changes in share of consolidated subsidiaries	-	-	(20,129)
Cash dividends paid by consolidated subsidiaries	-	-	(380,089)
Change in non-controlling interest	-	-	2,177,729
September 30, 2018	<u>\$ 46,728,374</u>	<u>(\$ 886,689)</u>	<u>\$ 6,167,849</u>

(19) Operating revenue

	Three months ended September 30,	
	2019	2018
Sales revenue	\$ 11,264,309	\$ 11,256,873
Service revenue	76,488	79,825
	<u>\$ 11,340,797</u>	<u>\$ 11,336,698</u>
	Nine months ended September 30,	
	2019	2018
Sales revenue	\$ 35,237,026	\$ 33,583,030
Service revenue	193,366	221,349
	<u>\$ 35,430,392</u>	<u>\$ 33,804,379</u>

A. Contract assets

Formosa Advanced Technologies Co., Ltd. has recognized the following IC revenue-related contract assets:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Contract assets relating to IC revenue	<u>\$ 1,292,107</u>	<u>\$ 788,643</u>	<u>\$ 710,504</u>

B. All Formosa Advanced Technologies Co., Ltd.'s. assembly and testing services contracts of various integrated circuits are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(20) Other income

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income from bank deposits	\$ 13,831	\$ 6,979
Dividend income	190,688	2,607,533
Other income (expenses)	21,887	(4,235)
	<u>\$ 226,406</u>	<u>\$ 2,610,277</u>
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income from bank deposits	\$ 31,191	\$ 19,627
Dividend income	2,134,212	2,672,388
Other income	129,758	116,524
	<u>\$ 2,295,161</u>	<u>\$ 2,808,539</u>

(21) Other gains and losses

	Three months ended September 30,	
	2019	2018
Gains on disposals of property, plant and equipment	\$ 4,750	\$ 57,062
Net currency exchange gains (loss)	9,980 (	50,575)
Gains on financial assets at fair value value through profit or loss	1,020	474
Gains on financial liabilities at fair value through profit or loss	6	-
Bank charges	(9,507) (	9,980)
Other gains and losses	(18,408) (	13,189)
	<u>(\$ 12,159)</u>	<u>(\$ 16,208)</u>
	Nine months ended September 30,	
	2019	2018
Gains on disposals of property, plant and equipment	\$ 26,381	\$ 896,975
Net currency exchange gains	59,380	29,387
Gains on financial assets at fair value value through profit or loss	2,010	2,128
Gains (losses) on financial liabilities at fair value through profit or loss	326 (	196)
Bank charges	(27,994) (	28,255)
Other gains and losses	(57,784) (	35,483)
	<u>\$ 2,319</u>	<u>\$ 864,556</u>

(22) Expenses by nature

	Three months ended September 30,	
	2019	2018
Employee benefit expense	\$ 1,251,142	\$ 1,241,832
Depreciation charges on property, plant and equipment	719,227	604,119
	<u>\$ 1,970,369</u>	<u>\$ 1,845,951</u>
	Nine months ended September 30,	
	2019	2018
Employee benefit expense	\$ 3,835,458	\$ 3,784,967
Depreciation charges on property, plant and equipment	2,194,542	1,666,209
	<u>\$ 6,030,000</u>	<u>\$ 5,451,176</u>

(23) Employee benefit expense

	Three months ended September 30,	
	2019	2018
Wages and salaries	\$ 1,042,550	\$ 1,038,548
Labor and health insurance fees	119,436	111,884
Pension costs	45,640	46,974
Other personnel expenses	43,516	44,426
	<u>\$ 1,251,142</u>	<u>\$ 1,241,832</u>
	Nine months ended September 30,	
	2019	2018
Wages and salaries	\$ 3,213,439	\$ 3,177,082
Labor and health insurance fees	359,129	340,508
Pension costs	135,067	139,651
Other personnel expenses	127,823	127,726
	<u>\$ 3,835,458</u>	<u>\$ 3,784,967</u>

A. In accordance with the Company's Articles of Incorporation, a ratio of distributable profit of the current year after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.05%-0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.

B. For the three months ended September 30, 2019 and 2018, and nine months ended September 30, 2019 and 2018, employees' compensation was accrued at \$500, \$500, \$1500 and \$1,333 respectively; while directors' and supervisors' remuneration was accrued at \$250, \$250, \$750 and \$667, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the Company's Articles of Incorporation of profit of current year distributable for the nine months ended September 30, 2019.

The employees' compensation and directors' and supervisors' remuneration for 2018 as approved by shareholders were the same as the amounts shown in the 2018 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Finance costs

	Three months ended September 30,	
	2019	2018
Interest expense:		
Bank borrowings	\$ 60,018	\$ 60,557
Other financial expense	2,071	-
Less: Capitalization of qualifying assets	(2,796)	(5,909)
	<u>\$ 59,293</u>	<u>\$ 54,648</u>
	Nine months ended September 30,	
	2019	2018
Interest expense:		
Bank borrowings	\$ 179,284	\$ 171,119
Other financial expense	7,411	-
Less: Capitalization of qualifying assets	(8,359)	(9,920)
	<u>\$ 178,336</u>	<u>\$ 161,199</u>

(25) Income tax

A. Components of income tax expense

	Three months ended September 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 132,112	\$ 156,213
Prior year income tax underestimation (overestimation)	2,520 (	65)
Effect of foreign exchange rate	(391)	(218)
Total current tax	<u>134,241</u>	<u>155,930</u>
Deferred tax:		
Origination and reversal of temporary differences	(3,693)	(50,118)
Total deferred tax	<u>(3,693)</u>	<u>(50,118)</u>
Income tax expense	<u>\$ 130,548</u>	<u>\$ 105,812</u>

	Nine months ended September 30,	
	2019	2018
Current tax:		
Current tax on profit for the period	\$ 440,005	\$ 431,921
Land value increment tax	-	129,638
Tax on undistributed surplus earnings	232,354	46,659
Prior year income tax underestimation	36,369	134,949
Effect of foreign exchange rate	(536)	(912)
Total current tax	<u>708,192</u>	<u>742,255</u>
Deferred tax:		
Origination and reversal of temporary differences	7,753	91,513
Impact of change in tax rate	-	(7,731)
Total deferred tax	<u>7,753</u>	<u>83,782</u>
Income tax expense	<u>\$ 715,945</u>	<u>\$ 826,037</u>

- B. The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd., Formosa Development Co., Ltd. and Public More International Company Ltd. through 2017, 2016, 2017 and 2017 have been assessed and approved by the Tax Authority, respectively.
- C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.
- D. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. is based on 25% of income generated within and outside Mainland China. In addition, Formosa Taffeta (Zhong Shan) Co., Ltd. was certified as high-tech enterprise by Guangdong Provincial Government and qualified to the applicable income tax rate of 15% for 3 years from 2018.
- E. The income tax rate of Formosa Taffeta Vietnam Co., Ltd. was approved by Vietnam government to be 10% for 15 years from the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit-making year and 20% income tax exemption for the next 4 years.
- F. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 20% after 12 years. The Company was granted income tax exemption for 3 years from the first profit-making year and income tax reduction of 15% or 20% for the next 4 to 10 years.
- G. In accordance with local tax regulations, the applicable income tax rate of Schoeller F.T.C. (Hong Kong) Co., Ltd. and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

(26) Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share is profit or loss attributable to the common stockholders of the Company's parent company divided by the weighted average number of outstanding common stocks for the period.

	Three months ended September 30, 2019				
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 915,978	\$ 785,430	<u>1,682,439</u>	\$ 0.54	\$ 0.47
Profit attributable to the non-controlling interest	(288,587)	(189,583)		(0.17)	(0.11)
Profit attributable to the parent	<u>\$ 627,391</u>	<u>\$ 595,847</u>		<u>\$ 0.37</u>	<u>\$ 0.36</u>

	Three months ended September 30, 2018				
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 3,343,512	\$ 3,237,700	<u>1,682,373</u>	\$ 1.99	\$ 1.93
Profit attributable to the non-controlling interest	(307,550)	(209,352)		(0.18)	(0.12)
Profit attributable to the parent	<u>\$ 3,035,962</u>	<u>\$ 3,028,348</u>		<u>\$ 1.81</u>	<u>\$ 1.81</u>

Nine months ended September 30, 2019					
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 4,481,013	\$ 3,765,068	<u>1,682,439</u>	\$ 2.66	\$ 2.23
Profit attributable to the non-controlling interest	(878,536)	(509,594)		(0.52)	(0.30)
Profit attributable to the parent	<u>\$ 3,602,477</u>	<u>\$ 3,255,474</u>		<u>\$ 2.14</u>	<u>\$ 1.93</u>

Nine months ended September 30, 2018					
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 5,854,240	\$ 5,028,203	<u>1,682,373</u>	\$ 3.48	\$ 2.99
Profit attributable to the non-controlling interest	(860,535)	(459,133)		(0.51)	(0.27)
Profit attributable to the parent	<u>\$ 4,993,705</u>	<u>\$ 4,569,070</u>		<u>\$ 2.97</u>	<u>\$ 2.72</u>

The following is earnings per share assuming the shares of the Company held by its subsidiary, Formosa Development Co., Ltd., are not deemed as treasury stock:

Three months ended September 30, 2019					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 915,978	\$ 785,430	<u>1,684,665</u>	\$ 0.54	\$ 0.47
Profit attributable to the non-controlling interest	(288,587)	(189,583)		(0.17)	(0.11)
Profit attributable to the parent	<u>\$ 627,391</u>	<u>\$ 595,847</u>		<u>\$ 0.37</u>	<u>\$ 0.36</u>

Three months ended September 30, 2018					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 3,343,512	\$ 3,237,700	<u>1,684,665</u>	\$ 1.99	\$ 1.92
Profit attributable to the non-controlling interest	(307,550)	(209,352)		(0.19)	(0.12)
Profit attributable to the parent	<u>\$ 3,035,962</u>	<u>\$ 3,028,348</u>		<u>\$ 1.80</u>	<u>\$ 1.80</u>
Nine months ended September 30, 2019					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 4,481,013	\$ 3,765,068	<u>1,684,665</u>	\$ 2.66	\$ 2.23
Profit attributable to the non-controlling interest	(878,536)	(509,594)		(0.52)	(0.30)
Profit attributable to the parent	<u>\$ 3,602,477</u>	<u>\$ 3,255,474</u>		<u>\$ 2.14</u>	<u>\$ 1.93</u>
Nine months ended September 30, 2018					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 5,854,240	\$ 5,028,203	<u>1,684,665</u>	\$ 3.48	\$ 2.98
Profit attributable to the non-controlling interest	(860,535)	(459,133)		(0.52)	(0.27)
Profit attributable to the parent	<u>\$ 4,993,705</u>	<u>\$ 4,569,070</u>		<u>\$ 2.96</u>	<u>\$ 2.71</u>

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and diluted earnings per share for the three months ended September 30, 2019 and 2018, and nine months ended September 30, 2019 and 2018.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine months ended September 30,	
	2019	2018
Purchase of property, plant and equipment	\$ 1,826,610	\$ 3,510,592
Add: Opening balance of payable on equipment	62,814	86,955
Less: Ending balance of payable on equipment	(72,107)	(139,058)
Cash paid during the period	<u>\$ 1,817,317</u>	<u>\$ 3,458,489</u>

(28) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2019	\$ 3,638,538	\$ -	\$ 8,192,200	\$ 11,830,738
Changes in cash flow from financing activities	166,909	300,000	(72,206)	394,703
Impact of changes in foreign exchange rate	-	-	3,088	3,088
At September 30, 2019	<u>\$ 3,805,447</u>	<u>\$ 300,000</u>	<u>\$ 8,123,082</u>	<u>\$ 12,228,529</u>

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2018	\$ 2,805,690	\$ 1,299,806	\$ 11,222,071	\$ 15,327,567
Changes in cash flow from financing activities	785,865	(1,299,806)	(2,165,051)	(2,678,992)
Impact of changes in foreign exchange rate	-	-	3,686	3,686
At September 30, 2018	<u>\$ 3,591,555</u>	<u>\$ -</u>	<u>\$ 9,060,706</u>	<u>\$ 12,652,261</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by FORMOSA CHEMICALS & FIBRE CORPORATION (incorporated in R.O.C), which owns 37.4% of the Company's shares, and is also the ultimate controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Formosa Chemicals & Fibre Corp.	Parent company
Quang Viet Enterprise Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Formosa Biomedical Technology Corp.	Other related party
Toa Resin Corp.	Other related party
Formosa Petrochemical Corp.	Other related party
Formosa Heavy Industries Corp.	Other related party
Formosa Network Technology Corp.	Other related party
Formosa Plastics Corp.	Other related party
Formosa Plastics Transport Corp.	Other related party
Formosa Asahi Spandex Corp.	Other related party
Nan Ya Technology Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Nan Ya PCB Corp.	Other related party
Nan Ya Photonics Inc.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nanya Plastic (Guangzhou) Co.,Ltd.	Other related party
Nan Ya (Kunshan) Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
Piecemakers Technology, Inc. (Not related parties since February,2018)	Other related party
Kong You Industrial Co., Ltd.	Other related party
Jiaying Quang Viet Garment Co., Ltd.	Other related party
Formosa HA Tinh(Cayman) Limited	Other related party
FG INC.	Other related party
NKFG	Other related party

(3) Significant related party transactions and balances

A. Operating revenue

		Three months ended September 30,	
		2019	2018
Sales of goods:			
— Ultimate parent	\$	126	\$ 125
— Associates		23,098	65,179
— Other related party			
Nan Ya Technology Corp.		1,833,392	1,587,386
Others		243,321	213,906
	\$	<u>2,099,937</u>	<u>\$ 1,866,596</u>
		Nine months ended September 30,	
		2019	2018
Sales of goods:			
— Ultimate parent	\$	781	\$ 421
— Associates		299,973	346,174
— Other related party			
Nan Ya Technology Corp.		5,183,993	4,560,496
Others		916,886	775,084
	\$	<u>6,401,633</u>	<u>\$ 5,682,175</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases of goods

		Three months ended September 30,	
		2019	2018
Purchases of goods:			
— Ultimate parent	\$	465,897	\$ 659,810
— Associates		195,332	246,685
— Other related party			
Formosa Petrochemical Corp.		2,609,711	3,041,352
Others		438,122	354,746
	\$	<u>3,709,062</u>	<u>\$ 4,302,593</u>
		Nine months ended September 30,	
		2019	2018
Purchases of goods:			
— Ultimate parent	\$	1,531,803	\$ 1,758,269
— Associates		693,013	654,651
— Other related party			
Formosa Petrochemical Corp.		8,069,789	8,293,801
Others		1,373,524	1,305,239
	\$	<u>11,668,129</u>	<u>\$ 12,011,960</u>

Goods and services are purchased from ultimate parent and other related parties on normal commercial terms and conditions.

C. Receivables from related parties

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes and accounts receivable:			
— Ultimate parent	\$ 78	\$ 98	\$ 38
— Associates	19,607	41,091	46,007
— Other related party			
Nan Ya Technology Corp.	1,700,716	1,006,359	1,036,274
Others	<u>261,867</u>	<u>185,309</u>	<u>225,094</u>
	1,982,268	1,232,857	1,307,413
Other receivables - dividends			
— Associates			
Formosa Industries Corp.	-	-	63,211
	<u>\$ 1,982,268</u>	<u>\$ 1,232,857</u>	<u>\$ 1,370,624</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sale. There are no provisions held against receivables from related parties.

D. Notes and accounts payable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes and accounts payable:			
— Ultimate parent	\$ 628,951	\$ 693,798	\$ 651,332
— Associates	50,344	46,854	72,484
— Other related party			
Formosa Petrochemical Corp.	436,180	397,563	554,434
Others	<u>215,343</u>	<u>193,626</u>	<u>136,594</u>
	<u>\$ 1,330,818</u>	<u>\$ 1,331,841</u>	<u>\$ 1,414,844</u>

The payables to related parties arise mainly from purchase transactions and are due 15~60 days after the date of purchase. The payables bear no interest.

E. Property transactions

(a) Acquisition of property, plant and equipment:

	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Other related party	<u>\$ 46,354</u>	<u>\$ -</u>	<u>\$ 54,164</u>	<u>\$ -</u>

(b) Disposal of property, plant and equipment:

The Group had no disposal transactions from January 1 to September 30, 2019.

	Three months ended September 30, 2018		Nine months ended September 30, 2018	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Other related party	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 14,966</u>	<u>\$ -</u>

(c) Acquisition of financial assets:

The Group had no acquisition transactions from June 1 to September 30, 2018 and 2019.

	Accounts	No. of shares	Objects	Nine months ended September 30, 2019
				Consideration
Other related party	Non-current financial assets at fair value through other comprehensive income	-	FG INC.	<u>\$ 69,570</u>

	Accounts	No. of shares	Objects	Nine months ended September 30, 2018
				Consideration
Other related party	Non-current financial assets at fair value through other comprehensive income	19,000,970	Formose Ha Tinh (Cayman) Limited	<u>\$ 566,417</u>

F. Others

Formosa Taffeta Dong Nai Co., Ltd. was engaged by the related party, Formosa Industry, to provide management services to Nhon Trach 3 Industrial Zone. In accordance with the yearly service consignment contract signed by Formosa Taffeta Dong Nai Co., Ltd. and Nhon Trach 3 Industrial Zone, Formosa Taffeta Dong Nai Co., Ltd. is responsible for managing land that is available for rent, meter reading and payment collection of water, electricity, steam and other utilities sold to lessees in investment district, repairing and performing services on various public facilities of power plant. Under the contract, Formosa Taffeta Dong Nai Co., Ltd. shall collect a service fee as follows:

- Land lease fee: 3% of Formosa Industry's land rent revenue
- Utilities service fee: 3% of Formosa Industry's monthly sale of electricity to lessees in investment district
- Management fee: the full amount of management fee collected from lessees in investment district to Formosa Industry shall be paid to the Company and its subsidiaries.

For the three months ended September 30, 2019 and 2018, and nine months ended September 30,

2019 and 2018, Formosa Taffeta Dong Nai Co., Ltd. has recognized lease service fee income in investment district of \$8,867, \$9,047, \$26,228 and \$25,275, respectively, for rendering the abovementioned consigned services. As of September 30, 2019, December 31, 2018 and September 30, 2018, the uncollected amount of \$3,196, \$3,241 and \$4,804, respectively, was recognized under ‘other receivables’.

For the above land leasing, as of September 30, 2019, December 31, 2018 and September 30, 2018, the total management expenses and utility expenses which Formosa Taffeta Dong Nai Co., Ltd. is due to collect from the related party, Formosa Industry, were \$34,553, \$37,745 and \$33,225, respectively, and was recognized under ‘other payables’.

(4) Key management compensation

	Three months ended September 30,	
	2019	2018
Salaries and other short-term employee benefits	\$ 8,356	\$ 7,988
Post-employment benefits	14	27
	<u>\$ 8,370</u>	<u>\$ 8,015</u>
	Nine months ended September 30,	
	2019	2018
Salaries and other short-term employee benefits	\$ 37,692	\$ 37,674
Post-employment benefits	68	78
	<u>\$ 37,760</u>	<u>\$ 37,752</u>

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

Item	Book Value			Purpose
	September 30, 2019	December 31, 2018	September 30, 2018	
Property, plant and equipment	\$ 137,436	\$ 137,962	\$ 138,137	Security for short-term borrowings
Inventories				Security for short-term borrowings
(Held-to-maturity land)	21,264	21,264	21,264	
	<u>\$ 158,700</u>	<u>\$ 159,226</u>	<u>\$ 159,401</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Formosa Advanced Technologies Co., Ltd. is engaged in the processing of various integrated circuits packaging test and is responsible for custody for which the subsidiary needs to be compensated if lost. As of September 30, 2019, the items in custody are as follows:

September 30, 2019									
	Quantity (Unit : PC)	Market value (per PC)	Quantity (Unit : piece)	Market value (per piece)	Quantity (Unit : bar)	Market value (per bar)	Quantity (Unit : stick)	Market value (stick)	
A. Work in process									
LED	461,111	NTD 0.015~0.792	-	-	-	-	-	-	-
FBGA	84,651,323	USD 1.4~20	-	-	-	-	-	-	-
TSOP	3,876,180	USD 0.3~0.8	-	-	-	-	-	-	-
LED assembly	3,355,351	NTD 0.34~10.43	-	-	-	-	604	NTD 24~1,307	-
Module	2,983,567	USD 0.3~20	-	-	96,591	USD 9.5~ 290	-	-	-
MICRO-SD	557,074	USD 1.4~9.403	-	-	-	-	-	-	-
Others	88,389	USD 1.2~6.5	794	USD 1,600	-	-	-	-	-
	<u>95,972,995</u>		<u>794</u>		<u>96,591</u>		<u>604</u>		
B. Finished goods									
LED	594,403	NTD 0.015~0.792	-	-	-	-	-	-	-
FBGA	204,723,431	USD 1.4~20	-	-	-	-	-	-	-
TSOP	5,581,490	USD 0.3~0.8	-	-	-	-	-	-	-
LED assembly	7,429,573	NTD 0.34~10.43	-	-	-	-	668	NTD 24~1,307	-
Module	815,555	USD 0.3~20	-	-	44,715	USD 9.5~ 290	-	-	-
MICRO-SD	98,519	USD 1.4~9.403	-	-	-	-	-	-	-
Others	60,440	USD 1.2~6.5	538	USD 1,600	-	-	-	-	-
	<u>219,303,411</u>		<u>538</u>		<u>44,715</u>		<u>668</u>		

(2) The Company leases factory and land of gas station. The lease expense estimated to be incurred is as follows:

Effective 2018

	December 31, 2018	September 30, 2018
Less than 1 year	\$ 133,799	\$ 133,524
Between 1 and 5 years	398,418	405,755
More than 5 years	327,310	331,962
	<u>\$ 859,527</u>	<u>\$ 871,241</u>

(3) Significant commitments and contingent liabilities

As of September 30, 2019, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

Currency	September 30, 2019
	Amount (In Thousands)
USD	\$ 1,487
JPY	256,689

(4) Endorsements and guarantees

As of September 30, 2019, in order to assist the subsidiaries is obtaining a credit line, the Company has guaranteed the following amounts for subsidiaries:

Name of company	September 30, 2019
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 1,023,660
Formosa Taffeta Vietnam Co., Ltd.	1,551,000
Formosa Taffeta (Changshu) Co., Ltd.	1,706,100
Formosa Taffeta Dong Nai Co., Ltd.	4,528,920
Formosa HA Tinh (Cayman) Limited	7,195,837
Public More International Company Ltd.	3,000

(5) Contingencies-Lawsuit

In August 2019, Taiwan Cooperative Bank Ltd. and DBS Bank (Taiwan) Ltd. filed a complaint against the Company and the subsidiary, Formosa Taffeta Dong Nai Co., Ltd, alleging that several employees of the Company and Formosa Taffeta Dong Nai Co., Ltd., instead of making the truthful representations during the credit assessment procedures, cooperated with New Site Industries INC. and New Brite Industries INC. to conduct false statements and provide misleading information with regard to the fact that New Site Industries INC. and New Brite Industries INC. owned the accounts receivable due from the Company and Formosa Taffeta Dong Nai Co., Ltd., thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that the Company and Formosa Taffeta Dong Nai Co., Ltd. shall be liable for the losses incurred due to poor supervision. The Company and Formosa Taffeta Dong Nai Co., Ltd. have appointed a legal counsel to represent them. Based on the opinion of the legal counsel, it is difficult to predict the judge's decision at this stage as the case is still in the

course of preliminary proceedings at the court of first instance. Therefore, the outcome and impact of the case cannot yet be determined.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Owing to the capital increase of Schoeller Textil AG, the Board of Directors during its meeting on October 17, 2019 resolved to invest in Schoeller Textil AG for an equity interest of 50%. The estimated investment amount shall not exceed 40,000 Swiss francs.

12. OTHERS

(1) Capital management

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2018 for related information.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss	\$ 625	\$ 479,490	\$ 632,524
Financial assets measured at fair value through other comprehensive income	45,436,155	50,186,918	64,888,683
Financial assets at amortized cost	<u>9,442,655</u>	<u>9,178,343</u>	<u>10,467,922</u>
	<u>\$ 54,879,435</u>	<u>\$ 59,844,751</u>	<u>\$ 75,989,129</u>
<u>Financial liabilities</u>			
Financial liabilities measured at fair value through profit or loss	\$ 448	\$ 774	\$ 196
Financial liabilities at amortized cost	17,512,002	16,676,253	17,454,679
Lease liabilities	<u>872,030</u>	<u>-</u>	<u>-</u>
	<u>\$ 18,384,480</u>	<u>\$ 16,677,027</u>	<u>\$ 17,454,875</u>

Note: Financial assets at amortized cost includes cash, notes and accounts receivable (including related parties) and other receivables; financial liabilities at amortized cost includes short-term borrowings, short-term notes and bills payable, notes and accounts payables (including related parties), other payables and long-term borrowings.

B. Financial risk management policies

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2018 for related information.

C. Significant financial risks and degrees of financial risks

Except for the following items, there was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31,

2018 for related information.

(a) Market risk

Foreign exchange risk

- i. Some of the Group's transactions are conducted in foreign currencies, which are subject to exchange rate fluctuation. The information on foreign currency denominated assets and liabilities are as follows:

September 30, 2019			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 121,969	31.04	\$ 3,785,918
USD:RMB	10,095	7.07	313,349
<u>Non-monetary items</u>			
VND:NTD	4,914,689,836	0.0013	6,389,097
HKD:NTD	297,039	3.96	1,176,274
RMB:NTD	643,818	4.39	2,826,361
USD:NTD	146,319	31.04	4,541,742
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	4,173	31.04	129,530
USD:RMB	13,446	7.07	417,364
December 31, 2018			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 117,372	30.73	\$ 3,606,842
JPY:NTD	412,840	0.28	115,595
<u>Non-monetary items</u>			
VND:NTD	4,723,641,239	0.0013	6,140,734
HKD:NTD	289,967	3.93	1,139,570
RMB:NTD	439,400	4.48	1,968,512
USD:NTD	183,430	30.73	5,636,804
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,951	30.73	121,414

September 30, 2018

Foreign Currency			
	Amount		Book Value
	(In Thousands)	Exchange Rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 121,541	30.55	\$ 3,713,078
USD:RMB	9,306	6.88	284,298
JPY:NTD	488,476	0.28	136,773
<u>Non-monetary items</u>			
VND:NTD	4,646,629,205	0.0013	6,040,618
HKD:NTD	286,631	3.91	1,120,727
RMB:NTD	589,031	4.44	2,615,298
USD:NTD	171,396	30.55	5,236,148
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	17,267	6.88	527,507

- ii. The total exchange income, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended September 30, 2019 and 2018, and nine months ended September 30, 2019 and 2018 amounted to \$9,980, (\$50,575), \$59,380 and \$29,387, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Nine months ended September 30, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 37,859	\$ -
USD:RMB	1%	3,133	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	63,891
HKD:NTD	1%	-	11,763
RMB:NTD	1%	-	28,264
USD:NTD	1%	-	45,417
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	1,295	-
USD:RMB	1%	4,174	-

Nine months ended September 30, 2018			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 37,131	\$ -
USD:RMB	1%	2,843	-
JPY:NTD	1%	1,368	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	60,406
HKD:NTD	1%	-	11,207
RMB:NTD	1%	-	26,153
USD:NTD	1%	-	52,361
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	1%	5,275	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the nine months ended September 30, 2019 and 2018 would have increased/decreased by \$5 and \$5,060, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$454,362 and \$648,887, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the nine months ended September 30, 2019 and 2018, the Group's borrowings at variable rate were denominated in the NTD and USD.
- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes

in market interest rates.

- iii. If the borrowing interest rate of NTD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the nine months ended September 30, 2019 and 2018 would have decreased/increased by \$63,200 and \$69,600, respectively. The main factor is that changes in interest expense result from floating rate borrowings.
- iv. If the borrowing interest rate of USD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the nine months ended September 30, 2019 and 2018 would have decreased/increased by \$741 and \$2,319, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On September 30, 2019, December 31, 2018 and September 30, 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At September 30, 2019</u>					
Expected loss rate	0%	7%	62%	100%	
Total book value	\$ 4,550,105	\$ 140,733	\$ 66,370	\$ 3,334	\$ 4,760,542
Loss allowance	16,273	9,890	41,170	3,334	70,667

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At December 31, 2018</u>					
Expected loss rate	1%	9%	47%	75%	
Total book value	\$ 4,092,982	\$ 154,591	\$ 45,066	\$ 5,182	\$ 4,297,821
Loss allowance	31,694	14,088	21,367	3,884	71,033

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At September 30, 2018</u>					
Expected loss rate	0%	17%	37%	82%	
Total book value	\$ 4,613,812	\$ 120,386	\$ 62,494	\$ 17,273	\$ 4,813,965
Loss allowance	17,761	20,419	23,411	14,228	75,819

- viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes receivable, accounts receivable and contract assets are as follows:

<u>Nine months ended September 30, 2019</u>			
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Contract assets</u>
At January 1	\$ -	(\$ 71,033)	\$ -
Effect of foreign exchange	-	366	-
At September 30	<u>\$ -</u>	<u>(\$ 70,667)</u>	<u>\$ -</u>
<u>Nine months ended September 30, 2018</u>			
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Contract assets</u>
At January 1	\$ -	(\$ 76,521)	\$ -
Effect of foreign exchange	-	702	-
At September 30	<u>\$ -</u>	<u>(\$ 75,819)</u>	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, commercial paper and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at September 30, 2019, December 31, 2018 and September 30, 2018, the Group held money market position of \$47,706,010, \$53,902,282 and \$69,388,203, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities:

	<u>Less than 1 year</u>	<u>Over 1 year</u>
Long-term borrowings (including current portion)		
September 30, 2019	\$ 130,428	\$ 7,992,654
December 31, 2018	169,901	8,022,299
September 30, 2018	70,797	8,989,909
Lease liability		
September 30, 2019	\$ 133,539	\$ 738,491

Except for the above, the Group's non-derivative financial liabilities were all due in one year.

- (d) The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a

market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in some unlisted stocks and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables, short-term borrowings, short-term bills payable, notes payable (including related parties), accounts payable (including related parties), other payables and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

<u>September 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 625	\$ -	\$ 625
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	40,111,015	333,100	4,992,040	45,436,155
	<u>\$ 40,111,015</u>	<u>\$ 333,725</u>	<u>\$ 4,992,040</u>	<u>\$ 45,436,780</u>
Financial liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 448	\$ -	\$ 448

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 479,490	\$ -	\$ -	\$ 479,490
Financial assets at fair value through other comprehensive income				
Equity securities	43,914,680	403,500	5,868,738	50,186,918
	<u>\$ 44,394,170</u>	<u>\$ 403,500</u>	<u>\$ 5,868,738</u>	<u>\$ 50,666,408</u>
Financial liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 774	\$ -	\$ 774
<u>September 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 452	\$ -	\$ 452
Beneficiary certificates	632,072	-	-	632,072
Financial assets at fair value through other comprehensive income				
Equity securities	58,725,152	550,300	5,613,231	64,888,683
	<u>\$ 59,357,224</u>	<u>\$ 550,752</u>	<u>\$ 5,613,231</u>	<u>\$ 65,521,207</u>
Financial liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 196	\$ -	\$ 196

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value
<p>ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques such as current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including applying a model using market information available at the consolidated balance sheet date.</p> <p>iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.</p> <p>iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.</p>		
D. For the nine months ended September 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.		
E. The following chart is the movement of Level 3 for the nine months ended September 30, 2019 and 2018:		
	<u>Nine months ended September 30, 2019</u> <u>Non-derivative equity instruments</u>	
At January 1	\$	5,868,738
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	932,240)
Effect of exchange rate changes		55,542
At September 30	\$	<u>4,992,040</u>
	<u>Nine months ended September 30, 2018</u> <u>Non-derivative equity instruments</u>	
At January 1	\$	5,786,870
Retrospective adjustments		65,372
At January 1 after adjustments		5,852,242
Acquired in the period		566,417
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	936,821)
Effect of exchange rate changes		131,393
At September 30	\$	<u>5,613,231</u>
F. For the nine months ended September 30, 2019 and 2018, there was no transfer into or out from		

Level 3.

- G. The accounting segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

The accounting segment set up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS. The related valuation results are reported to the supervisor of accounting segment monthly. The supervisor is responsible for managing and reviewing valuation processes.

- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$	450,364	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value
		4,541,676	Net asset value	Not applicable	Not applicable

		Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
<hr/>					
Non-derivative equity instrument:					
Unlisted shares	\$	344,372	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value
		5,524,366	Net asset value	Not applicable	Not applicable
<hr/>					
		Fair value at September 30, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
<hr/>					
Non-derivative equity instrument:					
Unlisted shares	\$	377,000	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value
		5,236,231	Net asset value	Not applicable	Not applicable

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		September 30, 2019		
		Recognized in other comprehensive income		
		Favourable change	Unfavourable change	
	Input	Change		
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	\$ 4,504	\$ 4,504
			December 31, 2018	
			Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	\$ 3,444	\$ 3,444
			September 30, 2018	
			Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	\$ 3,770	\$ 3,770

13. SUPPLEMENTARY DISCLOSURES

(4) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the nine months ended September 30, 2019 are stated as follows. Furthermore, the inter-company transactions were eliminated based on the financial statements of investees which were not reviewed by other independent accountants, except for the reviewed

financial statements of Formosa Advanced Technologies Co., Ltd. The following disclosures are for reference only.

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(11) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(5) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(6) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

- A. The Group operates and sets policies from product and service perspective; thus, management also identifies reportable segments using the same method.
- B. The Group has four reportable segments: First business group, Second business group consisting of Cord fabric department, Gasoline department and FORMOSA ADVANCED TECHNOLOGIES CO., LTD. (FATC) department. Details are as follows:
 - (a) First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries—FORMOSA TAFFETA (ZHONG SHAN) CO., LTD., FORMOSA TAFFETA VIETNAM CO., LTD. and FORMOSA TAFFETA (HONG KONG) CO., LTD, etc.
 - (b) Cord fabric department: Mainly produces and provides tire cords.
 - (c) Gasoline department: Mainly operates gasoline stations, sells gasoline and provides car washing.

(d) FATC department: The subsidiary – FORMOSA ADVANCED TECHNOLOGIES CO., LTD. mainly provides installation and testing of various integrated circuit and engages in processing and research and development of modules.

(2) Measurement of segment information

The measurement based on each operating segment's profit before tax excludes the effects of non-recurring expenditure, i.e. from the unrealized gain or loss on financial instruments. Furthermore, interest income and expense are not allocated to operating segments.

(3) Information about segment profit or loss and assets

	Nine months ended September 30, 2019						
		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
Segment revenue							
Revenue from							
external customers	\$ 12,367,703	\$ 5,986,294	\$ 8,841,303	\$ 1,335,958	\$ 6,899,134	\$ -	\$ 35,430,392
Inter-segment revenue	<u>1,166,406</u>	<u>251,747</u>	<u>-</u>	<u>222,141</u>	<u>-</u>	<u>(1,640,294)</u>	<u>-</u>
Total segment revenue	<u>\$ 13,534,109</u>	<u>\$ 6,238,041</u>	<u>\$ 8,841,303</u>	<u>\$ 1,558,099</u>	<u>\$ 6,899,134</u>	<u>(\$ 1,640,294)</u>	<u>\$ 35,430,392</u>
Segment income	<u>\$ 3,691,445</u>	<u>\$ (25,300)</u>	<u>\$ 329,136</u>	<u>\$ 58,698</u>	<u>\$ 1,218,713</u>	<u>(\$ 791,679)</u>	<u>\$ 4,481,013</u>
Segment assets							
Identifiable assets	<u>\$ 14,593,354</u>	<u>\$ 6,607,639</u>	<u>\$ 1,282,502</u>	<u>\$ 3,245,612</u>	<u>\$ 7,967,989</u>	<u>(\$ 3,525)</u>	\$ 33,693,570
Investments accounted for under equity method							3,361,131
General assets							<u>52,263,036</u>
Total assets							\$ 89,317,737

Nine months ended September 30, 2018

		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 11,105,059	\$ 5,677,085	\$ 9,080,440	\$ 1,385,272	\$ 6,556,523	\$ -	\$ 33,804,379
Inter-segment revenue	<u>1,029,822</u>	<u>240,754</u>	<u>-</u>	<u>118,447</u>	<u>-</u>	<u>(1,389,023)</u>	<u>-</u>
Total segment revenue	<u>\$ 12,134,881</u>	<u>\$ 5,917,839</u>	<u>\$ 9,080,440</u>	<u>\$ 1,503,719</u>	<u>\$ 6,556,523</u>	<u>(\$ 1,389,023)</u>	<u>\$ 33,804,379</u>
Segment income	<u>\$ 4,675,763</u>	<u>\$ 201,022</u>	<u>\$ 310,336</u>	<u>\$ 104,205</u>	<u>\$ 1,465,436</u>	<u>(\$ 902,522)</u>	<u>\$ 5,854,240</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 14,078,061</u>	<u>\$ 6,623,534</u>	<u>\$ 1,407,920</u>	<u>\$ 3,586,550</u>	<u>\$ 7,086,513</u>	<u>(\$ 103,360)</u>	\$ 32,679,218
Investments accounted for under equity method							3,173,235
General assets							<u>72,429,526</u>
Total assets							<u>\$ 108,281,979</u>

(4) Reconciliation for segment income (loss)

- A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.
- B. The total consolidated profit (loss) after adjustment and reconciliation information for profit after tax of reportable segments are provided in Note 14(3).

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine months ended September 30, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA	FORMOSA TAFFETA	2	\$ 41,329,013	\$ 1,042,800	\$ 1,023,660	\$ 108,750	\$ -	1.61	\$ 82,658,026	Y	N	Y	
0	TAFFETA CO., LTD.	(ZHONG SHAN) CO., LTD.												
0	FORMOSA	FORMOSA TAFFETA	2	41,329,013	1,580,000	1,551,000	529,348	-	2.44	82,658,026	Y	N	N	
0	TAFFETA CO., LTD.	VIETNAM CO., LTD.												
0	FORMOSA	FORMOSA TAFFETA	2	41,329,013	1,738,000	1,706,100	350,695	-	2.68	82,658,026	Y	N	Y	
0	TAFFETA CO., LTD.	(CHANGSHU) CO., LTD.												
0	FORMOSA	FORMOSA TAFFETA DONG	2	41,329,013	4,803,200	4,528,920	2,994,134	-	7.12	82,658,026	Y	N	N	
0	TAFFETA CO., LTD.	NAI CO., LTD.												
0	FORMOSA	FORMOSA HA TINH	6	41,329,013	7,330,382	7,195,837	7,195,837	-	11.32	82,658,026	N	N	N	
0	TAFFETA CO., LTD.	(CAYMAN) LIMITED												
1	FORMOSA	PUBLIC MORE	2	188,563	3,000	3,000	3,000	-	1.03	377,127	Y	N	N	
	DEVELOPMENT	INTERNATIONAL COMPANY												
	CO., LTD.	LTD.												

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories.

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 1.3 times of the Company's net assets, and limit on endorsement/guarantee to a single party is 50% of the aforementioned total am

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the nine months ended September 30, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2019				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	\$ 1,055,105	0.21	\$ 1,055,105	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	32	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	61	-	61	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	33,609	0.01	33,609	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Current financial assets at fair value through other comprehensive income	10,000,000	333,100	2.35	333,100	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,711,010	620,736	0.25	620,736	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	35,869,276	3.83	35,869,276	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	191,885	4,970	0.45	4,970	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	35,621	10.00	35,621	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	730,556	17,365	1.20	17,365	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	1,348,731	12,394	3.17	12,394	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	4,393,973	69,161	9.53	69,161	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the nine months ended September 30, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2019				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	\$ 274,616	3.00	\$ 274,616	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	4,541,676	3.85	4,541,676	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,193,228	74,131	0.13	74,131	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	146,388	13,833	-	13,833	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	2,907,512	202,655	0.04	202,655	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	16,812,000	1,457,600	0.29	1,457,600	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Current financial assets at fair value through other comprehensive income	2,692,000	264,354	0.03	264,354	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,376,215	593,786	0.24	593,786	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	2,196,986	34,580	4.77	34,580	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	65,939	1,657	0.15	1,657	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the nine months ended September 30, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)(Note 4)		Disposal (Note 3)		Gain (loss) on disposal		Balance as at September 30, 2019	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	Financial assets at fair value through profit or loss - current	-	-	15,147,454	\$ 224,084	20,240,320	\$ 300,000	35,387,774	\$ 524,629	\$ 524,325	\$ 304	-	\$ -

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the nine months ended September 30, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions						
							(Note 1)		Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Credit term	Unit price	Credit term	Balance		Percentage of		Footnote (Note 2)
			Purchases (sales)	Amount	(sales)						total purchases	total notes/accounts receivable (payable)	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 299,973)	(1.42)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 19,607	0.80		
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Associate	Sales	(198,749)	(0.94)	60 days after monthly billings	-	-	Accounts receivable	40,460	1.64		
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(217,899)	(1.03)	Pay 120 days after delivery	-	-	Accounts receivable	75,007	3.04		
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	8,069,789	46.20	Pay every 15 days by mail transfer	-	-	Accounts payable	(436,180)	(22.47)		
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,256,675	7.19	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	(181,207)	(9.34)		
									Accounts payable	(405,953)	(20.91)		
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	661,782	3.79	Pay every 15 days by mail transfer	-	-	Accounts payable	(90,209)	(4.65)		
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Purchases	187,217	1.07	Pay every 15 days by mail transfer	-	-	Accounts payable	(17,889)	(0.92)		
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Sales	(5,183,993)	(75.14)	60 days after monthly billings	-	-	Accounts receivable	1,700,716	73.94		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO.,	Associate	Sales	(334,955)	(22.33)	60 days after monthly billings	-	-	Accounts receivable	228,583	66.17		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(104,243)	(6.95)	60 days after monthly billings	-	-	Accounts receivable	7,786	2.25		

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the nine months ended September 30, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions						
							(Note 1)		Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction										Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)		
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	\$ 136,884	37.26	60 days after monthly billings	\$ -	-	Accounts payable	(\$ 9,570)	(6.94)		
FORMOSA TAFFETA VIETNAM CO., LTD.	KWANG VIET GARMENT CO., LTD.	Associate	Sales	(121,517)	(5.28)	60 days after monthly billings	-	-	Accounts receivable	45,036	7.42		
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(299,245)	(7.78)	60 days after monthly billings	-	-	Accounts receivable	45,554	3.84		
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(313,901)	(8.16)	60 days after monthly billings	-	-	Accounts receivable	74,449	6.28		
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(180,516)	(4.69)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	56,475	4.77		
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	538,020	17.13	60 days after monthly billings	-	-	Accounts payable	(38,730)	(7.66)		
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	270,948	8.63	60 days after monthly billings	-	-	Accounts payable	(40,984)	(8.11)		
FORMOSA TAFFETA (CHANGSHU) CO.,	JIAXING QUANG VIET GARMENT CO., LTD.	Other related party	Sales	(170,675)	(12.82)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	10,309	5.33		

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: The transactions are disclosed by presenting revenues. The related transactions are not disclosed.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

For the nine months ended September 30, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	\$ 1,700,716	5.11	\$ -	-	\$ 1,078,025	\$ -
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	228,583	2.03	-	-	38,465	-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the nine months ended September 30, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	\$ 1,256,675	Draw promissory notes due in 2 months after inspection	3.55
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	405,953	Draw promissory notes due in 2 months after inspection	0.45
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	181,207	Draw promissory notes due in 2 months after inspection	0.20

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The amount of transactions which is listed in the table is determined by its material.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the nine months ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine months ended September 30, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the nine months ended September 30, 2019 (Note 2(3))	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (HONG KONG) CO., LTD.	Hong Kong	Sale of spun fabrics and filament textile	\$ 1,356,862	\$ 1,356,862	-	100.00	\$ 1,175,297	\$ 63,396	\$ 63,396	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	2,681,906	206,442,472	46.68	5,223,126	956,006	446,264	
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	114,912	114,912	16,100,000	100.00	211,482	10,105	5,500	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,130,411	144,387	144,387	
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	2,958	2,958	-	50.00	3,500	1,733	867	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the nine months ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine months ended September 30, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the nine months ended September 30, 2019 (Note 2(3))	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	\$ 213,771	\$ 213,771	18,595,352	17.99	\$ 1,255,088	\$ 1,083,303	\$ 175,161	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,090,391	572,891	59,812	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	6,241,670	171,028,736	100.00	4,541,729	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100.00	2,355,053	24,854	24,854	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the nine months ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine months ended September 30, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the nine months ended September 30, 2019 (Note 2(3))	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	\$ 21,119	\$ 21,119	469,500	0.11	\$ 23,755	\$ 956,006	\$ 1,015	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATIONAL COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	10,977	5,335	5,335	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at September 30, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the nine months ended September 30, 2019' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the nine months ended September 30, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the nine months ended September 30, 2019

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Net income of investee for the nine months ended September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2019 (Note 2)	Book value of investments in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	(1)	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	\$ 96,400	100.00	\$ 96,400	\$ 1,755,450	\$ -	Note 3
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	15,273	(1)	15,273	-	-	15,273	(156)	100.00	(156)	12,741	-	Note 4
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	63,391	100.00	63,391	1,057,438	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	(238)	40.78	(97)	15,652	-	Note 6

Note 1: Investment methods are classified into the following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The amount of 'Investment income (loss) recognised by the Company for the nine months ended September 30, 2019 were derived from financial statements which were reviewed by independent accountants.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and September 30, 2019 are both US\$46,400,000 (remitted out US\$46,388,800 and equipment amounted to US\$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and September 30, 2019 are both US\$570,000.

Note 5: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 is US\$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US\$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of September 30, 2019 was US\$41,100,000.

Note 6: The Company was the surviving company after the consolidation of Changshu Yu Yuan Development.Co.,Ltd. and Changshu Fushun Enterprise Management Co., Ltd. Its paid-in capital is RMB\$13,592,920.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,402,085	\$ 1,440,256	\$ 41,694,714
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,693	41,694,714
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,303,680	41,694,714

Note :

(1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US\$46,400,000.

(2)The investment in XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US\$570,000.

(3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US\$42,000,000, while the company reduced its capital and divided some part of housing land to Changshu Fushun Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.

(4)The original currency of paid-in capital was translated at USD:TWD = 1:31.04

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
For the nine months ended September 30, 2019

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Balance at		Balance at		Maximum balance during		Interest during the						Others
	Amount	%	Amount	%	September 30, 2019	%	September 30, 2019	Purpose	the nine months ended September 30, 2019	Balance at September 30, 2019	Interest rate	September 30, 2019	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 13,852	0.07	\$ -	-	\$ 1,080	0.04	\$ 1,023,660	For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	33,728	0.16	-	-	5,441	0.22	1,706,100	For short-tem loans from financial institutions	-	-	-	-	