

**FORMOSA TAFFETA CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020 AND 2019**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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

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

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

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

### **Valuation of allowance for uncollectible accounts**

#### Description

Refer to Note 4(11) for accounting policy on impairment of financial assets, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(5) for details of allowance for uncollectible accounts. As of December 31, 2020, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT\$3,105,207 thousand and NT\$63,055 thousand, respectively.

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

#### How our audit addressed the matter

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

- A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
- B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and
- C. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

## **Valuation of inventory**

### Description

Refer to Note 4(13) for accounting policy on inventory valuation, Note 5(3) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation loss. As of December 31, 2020, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$7,755,391 thousand and NT\$906,374 thousand, respectively.

The Group is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realizable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we consider the valuation of inventory a key audit matter.

### How our audit addressed the matter

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

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

### ***Other matter – Audits of other independent auditors***

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using the equity method) of NT\$10,464,559 thousand and NT\$12,525,080 thousand, constituting 13% and 16% of consolidated total assets as of December 31, 2020 and 2019, respectively, and operating income of NT\$5,226,488 thousand and NT\$6,899,797 thousand, constituting 18% and 19% of consolidated total operating income for the years then ended, respectively, and

comprehensive income was NT\$195,395 thousand and NT\$157,132 thousand, constituting 13% and (29%) of total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiary and investees, is based solely on the audit reports of the other independent auditors.

***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Taffeta Co., Ltd. as at and for the years ended December 31, 2020 and 2019.

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

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

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

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

***Auditors’ responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Wu, Han-Chi

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2021

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent auditors 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)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	3,083,322	4	\$	3,236,624	4
1110	Financial assets at fair value through profit or loss - current	6(2)		82	-		119	-
1120	Current financial assets at fair value through other comprehensive income	6(3)		1,409,817	2		1,446,808	2
1136	Current financial assets at amortised cost	6(4)		27,148	-		-	-
1150	Notes receivable, net	6(5)		43,015	-		27,399	-
1160	Notes receivable - related parties	7		4,260	-		6,395	-
1170	Accounts receivable, net	6(5)		3,105,207	4		3,115,039	4
1180	Accounts receivable - related parties	7		161,586	-		223,189	-
1200	Other receivables	7		221,203	-		365,837	1
130X	Inventory	6(6)		6,849,017	9		8,083,639	10
1410	Prepayments			415,065	1		683,781	1
1470	Other current assets			259,536	-		323,927	-
11XX	Total current assets			15,579,258	20		17,512,757	22
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		40,032,761	50		40,448,025	50
1550	Investments accounted for using the equity method	6(7)		9,626,525	12		8,158,239	10
1600	Property, plant and equipment	6(8) and 8		12,322,002	16		12,698,739	16
1755	Right-of-use assets	6(9)		1,009,957	1		1,090,720	1
1760	Investment property, net	6(10) and 7		609,408	1		543,924	1
1840	Deferred income tax assets	6(29)		103,811	-		137,962	-
1900	Other non-current assets			178,336	-		171,507	-
15XX	Total non-current assets			63,882,800	80		63,249,116	78
1XXX	Total assets		\$	79,462,058	100	\$	80,761,873	100

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

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12) and 8	\$ 3,266,405	4	\$ 3,753,377	5
2110	Short-term notes and bills payable	6(13)	499,979	1	-	-
2120	Financial liabilities at fair value through profit or loss - current	6(14)	137	-	80	-
2150	Notes payable		202,880	-	221,426	
2160	Notes payable - related parties	7	150,655	-	49,088	-
2170	Accounts payable		1,107,244	2	1,208,744	2
2180	Accounts payable - related parties	7	834,831	1	1,160,956	1
2200	Other payables	6(15) and 7	975,871	1	1,375,784	2
2230	Current income tax liabilities		83,539	-	397,971	-
2280	Current lease liabilities	6(9)	100,957	-	130,043	-
2300	Other current liabilities	6(16)	443,599	1	185,281	-
21XX	Total current liabilities		7,666,097	10	8,482,750	10
Non-current liabilities						
2540	Long-term borrowings	6(16)	8,900,000	11	6,459,892	8
2570	Deferred income tax liabilities	6(29)	399,959	1	373,749	-
2580	Non-current lease liabilities	6(9)	682,086	1	719,752	1
2600	Other non-current liabilities	6(17)	330,328	-	501,830	1
25XX	Total non-current liabilities		10,312,373	13	8,055,223	10
2XXX	Total liabilities		17,978,470	23	16,537,973	20
Equity attributable to owners of parent						
	Share capital	6(18)				
3110	Common stock		16,846,646	21	16,846,646	21
	Capital surplus	6(19)				
3200	Capital surplus		1,297,081	2	1,289,642	2
	Retained earnings	6(20)				
3310	Legal reserve		8,560,207	11	8,041,335	10
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		8,228,927	10	10,835,955	13
	Other equity interest	6(21)				
3400	Other equity interest		24,355,213	30	25,010,157	31
3500	Treasury stocks	6(18)	( 19,064)	-	( 19,064)	-
31XX	Equity attributable to owners of the parent		61,483,588	77	64,219,249	80
36XX	Non-controlling interest	6(21)	-	-	4,651	-
3XXX	Total equity		61,483,588	77	64,223,900	80
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant event after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 79,462,058	100	\$ 80,761,873	100

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 for earnings per share amount)

Items		Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(22) and 7	\$ 28,783,492	100	\$ 36,647,721	100
5000	Operating costs	6(6)(26)(27) and 7	( 25,770,665)	( 90)	( 32,926,402)	( 90)
5900	Net operating margin		3,012,827	10	3,721,319	10
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		( 1,635,798)	( 5)	( 1,807,526)	( 5)
6200	General and administrative expenses		( 800,683)	( 3)	( 847,695)	( 2)
6000	Total operating expenses		( 2,436,481)	( 8)	( 2,655,221)	( 7)
6900	Operating profit		576,346	2	1,066,098	3
	Non-operating income and expenses					
7100	Interest income	6(23)	13,244	-	26,624	-
7010	Other income	6(24) and 7	1,476,272	5	2,165,405	6
7020	Other gains and losses	6(25)	( 150,981)	-	1,883,119	5
7050	Finance costs	6(28)	( 161,693)	( 1)	( 218,381)	( 1)
7060	Share of profit of associates and joint ventures accounted for using the equity method	6(7)	509,374	2	239,308	1
7000	Total non-operating income and expenses		1,686,216	6	4,096,075	11
7900	<b>Profit before income tax</b>		2,262,562	8	5,162,173	14
7950	Income tax expense	6(29)	( 166,772)	( 1)	( 536,960)	( 1)
8000	<b>Profit for the year from continuing operations</b>		2,095,790	7	4,625,213	13
8100	(Loss) profit from discontinued operations	6(11)	( 484)	-	1,204,254	3
8200	<b>Profit for the year</b>		\$ 2,095,306	7	\$ 5,829,467	16

(Continued)

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

		Year ended December 31			
		2020		2019	
Items	Notes	AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>	6(21)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	6(3)				
8311 Actuarial gains (losses) on defined benefit plans		\$ 108,400	1	(\$ 83,820)	-
8316 Unrealized loss on valuation of financial assets at fair value through other comprehensive income		( 536,786)	( 2)	( 4,224,653)	( 11)
8320 Share of other comprehensive loss of associates and joint ventures accounted for using the equity method		( 7,810)	-	( 1,745,174)	( 5)
8310 Other comprehensive loss that will not be reclassified to profit or loss		( 436,196)	( 1)	( 6,053,647)	( 16)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 251,629)	( 1)	( 246,306)	( 1)
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method		60,839	-	64,499	-
8360 Other comprehensive loss that will be reclassified to profit or loss		( 190,790)	( 1)	( 310,805)	( 1)
8300 <b>Total other comprehensive loss for the year</b>		(\$ 626,986)	( 2)	(\$ 6,364,452)	( 17)
8500 <b>Total comprehensive income (loss) for the year</b>		\$ 1,468,320	5	(\$ 534,985)	( 1)
Profit (loss) attributable to:					
8610 Owners of the parent		\$ 2,095,548	7	\$ 5,188,729	14
8620 Non-controlling interest		( 242)	-	640,738	2
		\$ 2,095,306	7	\$ 5,829,467	16
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		\$ 1,468,562	5	(\$ 1,175,723)	( 3)
8720 Non-controlling interest		( 242)	-	640,738	2
		\$ 1,468,320	5	(\$ 534,985)	( 1)
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
<b>Basic and diluted earnings per share (in dollars)</b>	6(30)				
Profit for the year from continuing operations		\$ 1.30	\$ 1.25	\$ 3.07	\$ 2.75
Profit for the year from discontinued operations		-	-	0.91	0.71
Non-controlling interest		-	-	( 0.65 )	( 0.38 )
Profit attributable to common shareholders of the parent		\$ 1.30	\$ 1.25	\$ 3.33	\$ 3.08
<b>Assuming shares held by subsidiaries are not deemed as treasury stock:</b>					
Profit for the year from continuing operations		\$ 1.30	\$ 1.24	\$ 3.06	\$ 2.75
Profit for the year from discontinued operations		-	-	0.91	0.71
Non-controlling interest		-	-	( 0.65 )	( 0.38 )
Profit attributable to common shareholders of the parent		\$ 1.30	\$ 1.24	\$ 3.32	\$ 3.08

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

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

Equity attributable to owners of the parent												
Notes	Share capital - common stock	Retained Earnings			Other Equity Interest					Non-controlling interest	Total equity	
		Capital surplus	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		Treasury stocks			Total
Year ended December 31, 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	-	-	-	-	5,188,729	-	-	-	5,188,729	640,738	5,829,467	
Other comprehensive loss	-	-	-	-	(83,820)	(310,805)	(5,969,827)	-	(6,364,452)	-	(6,364,452)	
Total comprehensive income (loss)	-	-	-	-	5,104,909	(310,805)	(5,969,827)	-	(1,175,723)	640,738	(534,985)	
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	-	-	-	-	-	-	-	436	1,630	-	1,630	
Changes in the net interest of associates recognised under the equity method	-	1,194	-	-	-	-	-	-	-	-	-	
Expired cash dividends transferred to capital surplus	-	12,719	-	-	(1,654)	-	-	-	11,065	-	11,065	
Adjustment of cash dividends paid to consolidated subsidiaries acquired	-	2,263	-	-	-	-	-	-	2,263	-	2,263	
Disposal of financial assets at fair value through other comprehensive income	-	4,606	-	-	-	-	-	-	4,606	-	4,606	
Cash dividends paid by consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	
Decrease in non-controlling interest	-	-	-	-	1,189	-	(1,189)	-	-	-	-	
Balance at December 31, 2019	\$ 16,846,646	\$ 1,289,642	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	(\$ 1,055,651)	\$ 26,065,808	(\$19,064)	\$ 64,219,249	\$ 4,651	\$ 64,223,900	
Year ended December 31, 2020												
Balance at January 1, 2020	\$ 16,846,646	\$ 1,289,642	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	(\$ 1,055,651)	\$ 26,065,808	(\$19,064)	\$ 64,219,249	\$ 4,651	\$ 64,223,900	
Profit for the year	-	-	-	-	2,095,548	(190,790)	(544,977)	-	2,095,548	242	2,095,306	
Other comprehensive income (loss)	-	-	-	-	108,781	(190,790)	(544,977)	-	(626,986)	-	(626,986)	
Total comprehensive income (loss)	-	-	-	-	2,204,329	(190,790)	(544,977)	-	1,468,562	242	1,468,320	
Appropriations of 2019 earnings:												
Legal reserve	-	-	518,872	-	(518,872)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(4,211,662)	-	-	-	(4,211,662)	-	(4,211,662)	
Paid expired cash dividends transferred to capital surplus	-	(144)	-	-	-	-	-	-	(144)	-	(144)	
Expired cash dividends transferred to capital surplus	-	2,100	-	-	-	-	-	-	2,100	-	2,100	
Adjustment of cash dividends paid to consolidated subsidiaries acquired	-	5,483	-	-	-	-	-	-	5,483	-	5,483	
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(80,823)	-	80,823	-	-	-	-	
Decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	(4,409)	(4,409)	
Balance at December 31, 2020	\$ 16,846,646	\$ 1,297,081	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441)	\$ 25,601,654	(\$19,064)	\$ 61,483,588	\$ -	\$ 61,483,588	

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)

		Year ended December 31	
	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit from continuing operations before tax		\$ 2,262,562	\$ 5,162,173
Profit from discontinued operations before tax	6(11)	484	1,527,839
Profit before tax		2,263,046	6,690,012
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(26)	1,341,228	2,831,335
Amortization		7,547	123,727
Interest expense	6(9)(28)	172,577	223,972
Interest income	6(23)	( 13,244 )	( 38,078 )
Dividend income	6(24)	( 1,156,765 )	( 2,134,691 )
Loss (gain) on valuation of financial assets	6(2)(25)	37	( 1,504 )
Loss (gain) on valuation of financial liabilities	6(14)(25)	57	( 694 )
Share of profit of associates and joint ventures accounted for using the equity method	6(7)	( 509,374 )	( 239,308 )
Loss (gain) on disposal of investments	6(25)	734	( 2,016,760 )
Gain on disposal and scrap of property, plant and equipment	6(25)	( 11,972 )	( 6,166 )
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		-	( 550,813 )
Notes receivable, net		( 15,616 )	87,827
Notes receivable - related parties		2,135	( 1,966 )
Accounts receivable, net		10,009	440,245
Accounts receivable - related parties		61,603	( 297,415 )
Other receivables		144,115	( 43,221 )
Inventory		1,234,622	182,033
Prepayments		218,520	( 155,555 )
Other current assets		56,844	35,880
Changes in operating liabilities			
Notes payable		( 18,546 )	11,395
Notes payable - related parties		101,567	( 286,742 )
Accounts payable		( 101,500 )	239,286
Accounts payable - related parties		( 326,125 )	226,011
Other payables		( 456,138 )	115,364
Other current liabilities		258,318	( 9,160 )
Other non-current liabilities		( 63,103 )	( 41,896 )
Cash inflow generated from operations		3,200,576	5,383,118
Interest received		13,762	38,367
Cash dividends received		1,595,848	2,246,263
Interest paid		( 171,449 )	( 236,214 )
Income tax paid		( 419,983 )	( 679,729 )
Net cash flows from operating activities		4,218,754	6,751,805

(Continued)

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

		Year ended December 31	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		( \$ 129,100 )	( \$ 373,096 )
Proceeds from disposal of financial assets at fair value through profit or loss		-	780,875
Acquisition of property, plant and equipment	6(31)	( 983,058 )	( 2,941,368 )
Proceeds from disposal of property, plant and equipment		34,900	145,875
(Increase) decrease in other non-current assets		( 30,470 )	60,597
Acquisition of financial assets at fair value through profit or loss		-	( 300,000 )
Acquisition of financial assets at amortized cost		( 27,148 )	-
Acquisition of investment accounted for using the equity method		( 1,353,514 )	-
Proceeds from disposal of subsidiary	6(31)	( 23,556 )	1,556,230
Guarantee deposits received		<u>23,641</u>	<u>-</u>
Net cash flows used in investing activities		( <u>2,488,305</u> )	( <u>1,070,887</u> )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) Increase in short-term borrowings	6(32)	( 486,972 )	114,839
Increase in short-term notes and bills payable	6(32)	499,979	-
Payment of long-term borrowings		( 9,258,722 )	( 10,866,899 )
Increase in long-term borrowings		11,700,000	9,200,000
Cash dividends paid		( 4,209,383 )	( 3,537,796 )
Cash dividends paid non-controlling interest		-	( 591,379 )
Payment of lease principal	6(9)	( <u>155,585</u> )	( <u>150,467</u> )
Net cash flows used in financing activities		( <u>1,910,683</u> )	( <u>5,831,702</u> )
Effect of foreign exchange rate		<u>26,932</u>	( <u>4,488</u> )
Net decrease in cash and cash equivalents		( 153,302 )	( 155,272 )
Cash and cash equivalents at beginning of year	6(1)	<u>3,236,624</u>	<u>3,391,896</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 3,083,322</u>	<u>\$ 3,236,624</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  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

**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. (Note)	Assembly, testing, model processing and research and development of various integrated circuits

Note : The Group sold its 16% equity interest in Formosa Advanced Technologies Co., Ltd. and lost control over it on December 16, 2019. Therefore, the Group reclassified the investment from a consolidated entity to ‘investments accounted for using equity method’. Please refer to Note 6(7) for details.

- (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 December 31, 2020, the Company and its subsidiaries (collectively referred herein as the “Group”) had 7,625 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 March 12, 2021.

### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

#### (1) Effect of the 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 endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

#### (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 endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	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.



(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 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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 applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(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 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:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
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	
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residential and buildings, and development of new community and specialised zones	100	100	
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 supplies	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100	100	
Formosa Taffeta Co., Ltd.	Scholler Asia 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	Note 1
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	Note 2
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding Company	-	100	Note 3
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	
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100	100	

Note 1: The Group sold all its interest in Schoeller F.T.C (Hong Kong) Co., Ltd. (Schoeller Asia Co., Ltd) on March 16, 2020.

Note 2: In July 2020, Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. has been dissolved.

Note 3: The Board of Directors during its meeting on May 7, 2020 resolved to dissolve and liquidate its subsidiary, Formosa Taffeta (Cayman) Limited. Thus, 3.847% equity of Formosa HA TINH (CAYMAN) Limited held by Formosa Taffeta (Cayman) Limited was transferred to the Company. Procedures of the transaction was completed in November 2020.

For the year ended December 31, 2020, except for the subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta Dong Nai Co., Ltd. whose financial statements were audited by other independent auditors, the financial statements of other subsidiaries were audited by the parent company's auditors.

For the year ended December 31, 2019, except for the subsidiaries, Formosa Taffeta Vietnam Co., Ltd., Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., Formosa Taffeta Dong Nai Co., Ltd. and Schoeller Asia Co., Ltd. (Schoeller F.T.C. (Hong Kong) Co., Ltd.) whose financial statements were audited by other independent auditors, the financial statements of other subsidiaries were audited by the parent company's auditors.

- 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: None.

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

##### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

##### B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

#### (5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.
- E. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs.

The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

- C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant



assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Leasing arrangements (lessor) — lease receivables/ operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Items	Estimated useful lives
Land improvements	3 ~ 15 years
Buildings	10 ~ 60 years
Machinery and equipment	2 ~ 20 years
Transportation equipment	3 ~ 15 years
Other equipment	2 ~ 17 years

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

- 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.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 27~30 years.

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial

liabilities held for trading unless they are designated as hedges.

- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(23) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount 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.

(25) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(26) 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. Pension

(a) Defined contribution plans

For defined contribution plan, 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 plan

- 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 plan 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 plan 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.
- 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.

(27) 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.

(28) Share capital

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(30) Revenue recognition

- A. The Group manufactures and sells various fabrics, and renders services as an oil distributor. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(31) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which

the Group recognises expenses for the related costs for which the grants are intended to compensate.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Impairment assessment of investments accounted for using the equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recovered. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

(2) Impairment assessment of accounts receivable

In evaluating impairment, the Group determines future recoverability of accounts receivable based on subjective judgement and estimates, taking into consideration the customer's financial condition, internal credit rating, and historical transaction records. If the future indicators declined, the impairment of accounts receivable may be significant.

(3) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid product innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$6,849,017.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	\$ 61,532	\$ 50,402
Checking accounts and demand deposits	1,399,609	1,393,841
Time deposits	1,095,359	983,331
Commercial paper	526,822	809,050
	<u>\$ 3,083,322</u>	<u>\$ 3,236,624</u>

- A. The Group associates 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 range of time deposit rate for the year ended December 31, 2020 and 2019 are 0.15%~3.8% and 1.58%~5.57%, respectively.
- C. The range of commercial paper rate for the year ended December 31, 2020 and 2019 are 0.19%~0.21% and 0.54%~0.56%, respectively.
- D. The Group has no cash and cash equivalents pledged to others.

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

Items	December 31, 2020	December 31, 2019
Current items:		
Forward foreign exchange contracts	<u>\$ 82</u>	<u>\$ 119</u>

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

	Years ended December 31,	
	2020	2019
Forward foreign exchange contracts	(\$ 37)	\$ 119
Beneficiary certificates	-	1,385
	( 37)	1,504
Less: gain on valuation from discontinued operations	-	( 1,385)
	<u>(\$ 37)</u>	<u>\$ 119</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	December 31, 2020			December 31, 2019		
	Contract Amount (Notional Principal)		Contract Period	Contract Amount (Notional Principal)		Contract Period
	(in thousands)			(in thousands)		
Current items:						
Forward foreign exchange contracts						
Taipei Fubon Bank	USD	415	2020.12-2021.1	JPY	86,800	2019.12-2020.2
Taipei Fubon Bank		-	-	JPY	86,800	2019.12-2020.2

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(3).

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

	December 31, 2020	December 31, 2019
Current items:		
Equity instruments		
Listed stocks	\$ 900,285	\$ 900,285
Unlisted stocks	100,000	100,000
	1,000,285	1,000,285
Valuation adjustment	409,532	446,523
	<u>\$ 1,409,817</u>	<u>\$ 1,446,808</u>
	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,163,126	\$ 8,163,125
Unlisted stocks	6,647,116	6,590,222
	14,810,242	14,753,347
Valuation adjustment	25,222,519	25,694,678
	<u>\$ 40,032,761</u>	<u>\$ 40,448,025</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 \$41,442,578 and \$41,894,833 as at December 31, 2020 and 2019, respectively.



B. 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:

	Years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 536,786	(\$ 6,020,672)
Cumulative losses reclassified to retained earnings due to derecognition	(\$ 84,122)	\$ -

C. As at December 31, 2020 and 2019, 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 \$41,442,578 and \$41,894,833, respectively.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Financial assets at amortized cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposit	\$ 27,148	\$ -

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2020	2019
Interest income	\$ 1,046	\$ -

B. As at December 31, 2020 and 2019, 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 amortized cost held by the Group was \$27,148 and \$0, respectively.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(3).

(5) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 43,015	\$ 27,399
Accounts receivable	\$ 3,168,262	\$ 3,178,274
Less: Allowance for bad debts	( 63,055)	( 63,235)
	\$ 3,105,207	\$ 3,115,039

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

	December 31, 2020	December 31, 2019
Not past due	\$ 3,170,562	\$ 3,067,145
Up to 30 days	29,715	86,772
31 to 90 days	5,862	48,039
Over 90 days	5,138	3,717
	<u>\$ 3,211,277</u>	<u>\$ 3,205,673</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$4,297,821.

C. As at December 31, 2020 and 2019, 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 \$3,148,222 and \$3,142,438, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(3).

(6) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,192,694	(\$ 102,141)	\$ 1,090,553
Supplies	224,132	( 4,372)	219,760
Work in process	2,237,676	( 5,448)	2,232,228
Finished goods	3,459,449	( 794,323)	2,665,126
Merchandise inventory	236,878	-	236,878
Materials in transit	119,061	-	119,061
Outsourced processed materials	207,406	( 90)	207,316
Construction in progress	59,525	-	59,525
Land for construction	18,570	-	18,570
	<u>\$ 7,755,391</u>	<u>(\$ 906,374)</u>	<u>\$ 6,849,017</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,310,964	(\$ 93,509)	\$ 1,217,455
Supplies	218,497	( 4,280)	214,217
Work in process	2,716,838	( 6,306)	2,710,532
Finished goods	3,865,595	( 901,854)	2,963,741
Merchandise inventory	302,421	-	302,421
Materials in transit	356,388	-	356,388
Outsourced processed materials	254,942	( 82)	254,860
Construction in progress	41,801	-	41,801
Land for construction	22,224	-	22,224
	<u>\$ 9,089,670</u>	<u>(\$ 1,006,031)</u>	<u>\$ 8,083,639</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 years ended December 31, 2020 and 2019 were as follows:

	Years ended December 31,	
	2020	2019
Cost of inventories sold	\$ 25,834,758	\$ 39,913,637
Inventory valuation (gain) loss (Note 1)	( 81,287)	339,274
Others (Note 2)	29,559	51,574
	<u>25,783,030</u>	<u>40,304,485</u>
Less: Cost of inventories recognized as expense from discontinued operations	( 12,365)	( 7,378,083)
	<u>\$ 25,770,665</u>	<u>\$ 32,926,402</u>

Note 1: Gain on inventory for the year ended December 31, 2020 arose from inventories which were previously provided with allowance but were subsequently sold.

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

(7) Investments accounted for using the equity method

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Formosa Advanced Technologies Co., Ltd.	\$ 5,003,040	\$ 4,884,465
Formosa Industries Co., Ltd.	1,972,294	2,010,641
Schoeller Textil AG	1,270,603	-
Quang Viet Enterprise Co., Ltd.	1,167,551	1,247,694
Nan Ya Photonics Inc.	196,554	-
Changshu Yu Yuan Development Co., Ltd.	16,483	15,439
	<u>\$ 9,626,525</u>	<u>\$ 8,158,239</u>

- A. In August 2020, the Group increased its investments in Nan Ya Photonics Inc. by \$66,938 thousand. As of December 31, 2020, the Group's shareholding ratio was 15.22% and the Group was the director of the company. As the Group has significant influence over its operations, the investment is accounted for using the equity method.
- B. 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 in the amount of CHF 39,580 thousand equivalent to \$ 1,285,507 thousand for an equity interest of 50%. The Group obtained 50% equity interest in Schoeller Textil AG after the capital increase on March 18, 2020. As the significant matter must be resolved upon by the Board and conducted after reaching a consensus, the Group has significant influence on Schoeller Textil AG, but not substantial control. Accordingly the investment was accounted for using the equity method.
- C. During its meeting on December 13, 2019, the Group's board of directors resolved to dispose its 16% equity interest in FORMOSA ADVANCED TECHNOLOGIES CO., LTD. to Nan Ya Technology Corp. and Nan Ya Printed Circuit Board Co., for a consideration of \$2,514,064. The equity transfer was completed on December 16, 2019. After the disposal, the Group's shareholding ratio was reduced to 30.68% and the Group recognized \$2,016,760 as gain on disposal in 2019. Accordingly, the Group lost its control over FORMOSA ADVANCED TECHNOLOGIES CO., LTD., which became an associate accounted for using the equity method.
- D. The investment income of \$509,374 and \$239,308 for the years ended December 31, 2020 and 2019, respectively, were accounted for under the equity method based on the audited financial statements of the investee companies, except for FORMOSA ADVANCED TECHNOLOGIES CO., LTD. and Quang Viet Enterprise Co., Ltd.
- E. The Group is the director of Formosa Industries Co., Ltd., Quang Viet Enterprise Co., Ltd. and Nan Ya Photonics Inc. and has significant influence over its operations, thus, Formosa Industries Co., Ltd., Quang Viet Enterprise Co., Ltd. and Nan Ya Photonics Inc. are accounted for using the equity method.

1. The Group's material associates have quoted market prices as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Formosa Advanced Technologies Co., Ltd.	\$ 5,146,696	\$ 5,078,618
Quang Viet Enterprise Co., Ltd.	2,009,378	2,826,494
	<u>\$ 7,156,074</u>	<u>\$ 7,905,112</u>

F. 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
		December 31, 2020	December 31, 2019		
Formosa Advanced Technologies Co., Ltd.	Taiwan	30.68%	30.68%	Investments accounted for using the equity method	Equity method
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Investments accounted for using the equity method	Equity method

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

Balance sheets

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 7,816,528	\$ 6,631,748
Non-current assets	5,792,482	6,643,175
Current liabilities	( 1,238,254)	( 1,250,356)
Non-current liabilities	( 555,589)	( 594,494)
Total net assets	<u>\$ 11,815,167</u>	<u>\$ 11,430,073</u>
Share in associate's net assets	\$ 3,637,785	\$ 3,519,210
Difference	<u>1,365,255</u>	<u>1,365,255</u>
Carrying amount of the associate	<u>\$ 5,003,040</u>	<u>\$ 4,884,465</u>

	Formosa Industries Co., Ltd.	
	December 31, 2020	December 31, 2019
Current assets	\$ 10,071,348	\$ 11,143,747
Non-current assets	18,393,571	20,787,398
Current liabilities	( 2,454,688)	( 7,560,572)
Non-current liabilities	( 7,188,638)	( 5,165,507)
Total net assets	<u>\$ 18,821,593</u>	<u>\$ 19,205,066</u>
Share in associate's net assets	\$ 1,882,160	\$ 1,920,507
Difference	<u>90,134</u>	<u>90,134</u>
Carrying amount of the associate	<u>\$ 1,972,294</u>	<u>\$ 2,010,641</u>

Statements of comprehensive income

	Formosa Advanced Technologies Co., Ltd.	
	Years ended December 31,	
	2020	2019
Revenue	\$ 9,706,776	\$ 9,457,849
Profit for the year from continuing operations	\$ 1,402,677	\$ 1,262,496
Other comprehensive loss, net of tax	( 44,738)	( 83,445)
Total comprehensive income	<u>\$ 1,357,939</u>	<u>\$ 1,179,051</u>

	Formosa Industries Co., Ltd.	
	Years ended December 31,	
	2020	2019
Revenue	\$ 19,994,485	\$ 27,385,174
Profit for the year from continuing operations		
(Total comprehensive income)	<u>\$ 595,303</u>	<u>\$ 350,580</u>

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial associates amounted to \$2,651,191 and \$1,263,133, respectively.

	Years ended December 31,	
	2020	2019
Loss for the year from continuing operations	\$ 518,315	\$ 1,097,074
Other comprehensive income, net of tax	<u>149,373</u>	<u>4,405</u>
Total comprehensive income (loss)	<u>\$ 667,688</u>	<u>\$ 1,101,479</u>

(8) Property, plant and equipment

2020								
	Land and land improvements		Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total	
<u>At January 1</u>	\$	2,195,581	\$	10,464,411	\$	22,122,591	\$	40,269,816
Cost								
Accumulated depreciation	(	13,535)	(	6,124,307)	(	16,754,076)	(	27,415,339)
Accumulated impairment	(	155,738)	-	-	-	-	-	155,738)
	\$	2,026,308	\$	4,340,104	\$	5,368,515	\$	12,698,739
Opening net book amount as at January 1								
Additions	\$	2,026,308	\$	4,340,104	\$	5,368,515	\$	12,698,739
Disposals	(	3,004)	(	3,906)	(	12,745)	(	22,928)
Transfers (Note)	-	-	8,925	829,592	71,895	(1,004,104)	(	93,692)
Depreciation charge	-	-	(324,184)	(756,346)	(75,178)	-	(	1,155,708)
Disposals - discontinued operations	-	-	-	-	(14)	-	(	14)
Net exchange differences	15	(74,460)	(122,222)	(7,307)	(15,975)	(	219,949)	
Closing net book amount as at December 31	\$	2,023,319	\$	3,946,479	\$	5,306,794	\$	12,322,002
<u>At December 31</u>								
Cost	\$	2,189,947	\$	10,365,740	\$	23,138,515	\$	41,248,766
Accumulated depreciation	(	10,890)	(	6,419,261)	(	17,831,721)	(	28,771,026)
Accumulated impairment	(	155,738)	-	-	-	-	-	155,738)
	\$	2,023,319	\$	3,946,479	\$	5,306,794	\$	12,322,002
Note: Transferred to investment property.								

Note: Transferred to investment property.

2019

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</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>
Opening net book amount as at January 1	\$ 2,032,455	\$ 5,203,383	\$ 9,620,720	\$ 603,479	\$ 1,310,921	\$ 18,770,958
Additions	3,014	-	1,900	86	2,738,417	2,743,417
Disposals	-	( 40)	( 136,017)	( 3,652)	-	( 139,709)
Transfers (Note)	( 7,892)	( 467,575)	2,706,515	94,712	( 2,895,668)	( 569,908)
Depreciation charge	( 2,887)	( 332,889)	( 2,157,041)	( 160,119)	-	( 2,652,936)
Disposals - discontinued operations	-	-	( 4,569,235)	( 83,207)	( 690,866)	( 5,343,308)
Net exchange differences	1,618	( 62,775)	( 98,327)	( 5,596)	55,305	( 109,775)
Closing net book amount as at December 31	<u>\$ 2,026,308</u>	<u>\$ 4,340,104</u>	<u>\$ 5,368,515</u>	<u>\$ 445,703</u>	<u>\$ 518,109</u>	<u>\$ 12,698,739</u>
<u>At December 31</u>						
Cost	\$ 2,195,581	\$ 10,464,411	\$ 22,122,591	\$ 4,969,124	\$ 518,109	\$ 40,269,816
Accumulated depreciation	( 13,535)	( 6,124,307)	( 16,754,076)	( 4,523,421)	-	( 27,415,339)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,026,308</u>	<u>\$ 4,340,104</u>	<u>\$ 5,368,515</u>	<u>\$ 445,703</u>	<u>\$ 518,109</u>	<u>\$ 12,698,739</u>

Note: Transferred to investment property.



- 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:

	Years ended December 31,	
	2020	2019
Amount capitalized	\$ 5,575	\$ 10,191
Range of the interest rates for capitalization	0.80%~4.25%	0.98%~4.80%

- B. The 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 is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of December 31, 2020 and 2019, the land mortgaged to the Company was \$808,300.

(9) Leasing arrangements — lessee

- 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:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Right-of-use asset - land	\$ 1,009,957	\$ 1,090,720

  

	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Right-of-use asset - land	\$ 155,521	\$ 152,415

- C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$110,528 and \$207,965, respectively.

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

	Years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 10,883	\$ 10,839
Expense on short-term lease contracts	2,386	-

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$155,585 and \$160,297, respectively.

(10) Investment property

	2020		
	Land	Buildings	Total
At January 1			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	( 370,090)	( 370,090)
	<u>\$ 7,892</u>	<u>\$ 536,032</u>	<u>\$ 543,924</u>
Opening net book amount as at January 1	\$ 7,892	\$ 536,032	\$ 543,924
Transfers (Note)	-	93,693	93,693
Depreciation charge	-	( 29,999)	( 29,999)
Net exchange differences	-	1,790	1,790
Closing net book amount as at December 31	<u>\$ 7,892</u>	<u>\$ 601,516</u>	<u>\$ 609,408</u>
At December 31	\$ 7,892	\$ 1,013,317	\$ 1,021,209
Cost	-	( 411,801)	( 411,801)
Accumulated depreciation	<u>\$ 7,892</u>	<u>\$ 601,516</u>	<u>\$ 609,408</u>
2019			
	Land	Buildings	Total
Opening net book amount as at January 1	\$ -	\$ -	\$ -
Additions - from disposal of subsidiary	6,833	466,825	473,658
Transfers (Note)	1,059	95,191	96,250
Depreciation charge	-	( 25,984)	( 25,984)
Closing net book amount	<u>\$ 7,892</u>	<u>\$ 536,032</u>	<u>\$ 543,924</u>
At December 31	\$ 7,892	\$ 906,122	\$ 914,014
Cost	-	( 370,090)	( 370,090)
Accumulated depreciation	<u>\$ 7,892</u>	<u>\$ 536,032</u>	<u>\$ 543,924</u>

Note: It mainly refers to transfers from property, plant and equipment to the investment property held by the Group.

A. Rental income from investment property is as follow:

	Years ended December 31,	
	2020	2019
Rental income from investment property	\$ 53,429	\$ 40,408

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was \$675,233 and \$595,151, respectively, which was by reference to the transaction prices of similar prices in the neighboring areas.

(11) Discontinued operations

A. On October 17, 2019, the Company's Board of Directors resolved to sell all its equity interest in the Group's subsidiary, Schoeller F.T.C (Hong Kong) Co., Ltd., to Schoeller Textil AG. The selling price was \$6,028 and investment gain was \$165. Schoeller F.T.C (Hong Kong) Co., Ltd. was presented as discontinued operations as it has met the definition of discontinued operations. The transfer of shares was completed on March 16, 2020.

B. On December 13, 2019, the Company's Board of Directors resolved to sell its 16% equity interest in the Group's subsidiary, Formosa Advanced Technologies Co., Ltd., to Nan Ya Technology Corp. and Nan Ya Printed Circuit Board Corp. for a consideration of \$2,514,064. Formosa Advanced Technologies Co., Ltd. was presented as discontinued operations as it has met the definition of discontinued operations. The transfer of shares was completed on December 16, 2019. As the Group has significant influence on Formosa Advanced Technologies Co., Ltd., said investment was reclassified from a consolidated entity to 'investments accounted for using the equity method'. Please refer to Note 6(6) for details.

C. The cash flow information of the discontinued operations is as follows:

	Years ended December 31,	
	2020	2019
Operating cash flows	(\$ 2,519)	\$ 2,271,220
Investing cash flows	- (	1,495,386)
Financing cash flows	- (	1,142,420)
Total cash flows	(\$ 2,519)	(\$ 366,586)

D. Analysis of the result of discontinued operations, and the result recognized on the remeasurement of assets or disposal group, is as follows:

	Years ended December 31,	
	2020	2019
Operating revenue	\$ 17,555	\$ 8,982,340
Operating costs	( 12,365)	( 7,378,083)
Operating expenses	( 5,589)	( 200,714)
Total non-operating income and expenses	( 85)	124,296
(Loss) profit before tax of discontinued operations	( 484)	1,527,839
Income tax expense	-	( 323,524)
(Loss) profit from discontinued operations	<u>(\$ 484)</u>	<u>\$ 1,204,315</u>

E. The Group completed the Formosa Advanced Technologies Co., Ltd.'s transfer of shares in December 2019 for a disposal proceeds amounting to \$2,514,064. The gain on disposal is as follows:

Gain on disposal of shares	\$ 684,314
Gain on retained investment remeasured at fair value	<u>1,332,446</u>
Gain on disposal of discontinued operations	<u>\$ 2,016,760</u>

(12) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 3,221,622	0.76%~4.05%	-
Secured borrowings	40,000	1.40%	Property, plant and equipment and Inventories
Purchase loans	<u>4,783</u>	0.84%	-
	<u>\$ 3,266,405</u>		
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 3,741,053	1.40%~4.35%	Property, plant and equipment and Inventories
Purchase loans	<u>12,324</u>	0.37%	-
	<u>\$ 3,753,377</u>		

(13) Short-term notes and bills payable

	December 31, 2020	December 31, 2019
Commercial paper payable	\$ 500,000	\$ -
Less: Commercial paper payable discount	( 21)	-
	<u>\$ 499,979</u>	<u>\$ -</u>
Interest rate	<u>0.20%~0.25%</u>	<u>-</u>

The abovementioned commercial paper payable is issued by Taishin International Bank and China

Bills Finance Corporation, etc.

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

Items	December 31, 2020	December 31, 2019
Financial liabilities held for trading		
Forward foreign exchange contracts	\$ 137	\$ 80

A. The Group recognized net (loss) gain of (\$57) and \$694 on financial liabilities held for trading for the years ended December 31, 2020 and 2019, 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:

Derivative Financial Liabilities	December 31, 2020			December 31, 2019		
	Contract Amount (Notional Principal) (in thousands)	Contract Period		Contract Amount (Notional Principal) (in thousands)	Contract Period	
Current items:						
Forward foreign exchange contracts						
Taipei Fubon Bank	USD 415	2020.12~2021.1	JPY 86,800	2019.12~2020.2		
Taipei Fubon Bank	USD 583	2020.12~2021.2	-	-		

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.

(15) Other payables

	December 31, 2020	December 31, 2019
Salaries and year-end bonus payable	\$ 430,180	\$ 530,508
Accrued utilities expenses	90,683	85,840
Commission payable	59,763	50,384
Payable on equipment	85,562	3,262
Dividends payable	12,985	10,562
Others	296,698	695,228
	<u>\$ 975,871</u>	<u>\$ 1,375,784</u>

(16) Long-term borrowings

	December 31, 2020	December 31, 2019
Credit borrowings	\$ 8,956,822	\$ 6,519,783
Less: Current portion	( 56,822)	( 59,891)
	<u>\$ 8,900,000</u>	<u>\$ 6,459,892</u>
Interest rate	<u>0.72%~2.27%</u>	<u>0.89%~4.25%</u>

(17) 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 12% 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 not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 2,030,408	\$ 2,286,947
Fair value of plan assets	( 1,717,106)	( 1,816,757)
Net defined benefit liability	<u>\$ 313,302</u>	<u>\$ 470,190</u>

(Blank)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 2,286,947	(\$ 1,816,757)	\$ 470,190
Current service cost	16,490	-	16,490
Interest expense (income)	28,587	(23,152)	5,435
	<u>2,332,024</u>	<u>(1,839,909)</u>	<u>492,115</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(54,284)	(54,284)
Change in financial assumptions	-	-	-
Experience adjustments	(54,116)	-	(54,116)
	<u>(54,116)</u>	<u>(54,284)</u>	<u>(108,400)</u>
Less:			
Pension fund contribution	-	(60,530)	(60,530)
Paid pension	(246,399)	237,617	(8,782)
Transfer to related party	(1,101)	-	(1,101)
Balance at December 31	<u>\$ 2,030,408</u>	<u>(\$ 1,717,106)</u>	<u>\$ 313,302</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 2,674,363	(\$ 2,157,689)	\$ 516,674
Current service cost	22,465	-	22,465
Interest expense (income)	31,261	(26,384)	4,877
	<u>2,728,089</u>	<u>(2,184,073)</u>	<u>544,016</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(75,285)	(75,285)
Change in financial assumptions	-	-	-
Experience adjustments	159,106	-	159,106
	<u>159,106</u>	<u>(75,285)</u>	<u>83,821</u>
Less:			
Effect from disposal of subsidiary	(173,512)	88,888	(84,624)
Pension fund contribution	-	(70,751)	(70,751)
Paid pension	(426,736)	424,464	(2,272)
Balance at December 31	<u>\$ 2,286,947</u>	<u>(\$ 1,816,757)</u>	<u>\$ 470,190</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2020	2019
Discount rate	1.00%	1.25%
Future salary increases	1.00%	1.00%

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2020 and 2019, respectively.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 20,002)	\$ 20,722	\$ 89,189	(\$ 79,234)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 25,591)	\$ 26,543	\$ 114,528	(\$ 101,152)

The sensitivity analysis above was based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once.



The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$21,925 and \$27,342, respectively.
  - (g) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 are \$60,530.
  - (h) As of December 31, 2020, the Company's weighted average duration of that retirement plan is 6.8 years.
- 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 regulation.
  - (f) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$93,945 and \$178,131, respectively.

(18) Share capital

- A. As of December 31, 2020, the Company's 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 years ended December 31, 2020 and 2019, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Year ended December 31, 2020			
		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.	2,193	-	-	2,193

Reason for reacquisition	Investee company	Year ended December 31, 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

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

(19) 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 Law requires that the amount of capital surplus to be capitalised 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.

Year ended December 31, 2020					
	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, 2020	\$ 31,097	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 5,587
Expired cash dividends transferred to capital surplus	-	-	-	-	2,100
Paid expired cash dividends transferred to capital surplus	-	-	-	-	( 144)
Adjustment of cash dividends paid to consolidated subsidiaries	5,483	-	-	-	-
At December 31, 2020	<u>\$ 36,580</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,249,276</u>	<u>\$ 7,543</u>
Year ended December 31, 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	-
Changes in the net interest of associates recognized under the equity method	-	-	-	12,673	-
Expired cash dividends transferred to capital surplus	-	-	-	-	2,263
At December 31, 2019	<u>\$ 31,097</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,249,276</u>	<u>\$ 5,587</u>

(20) Retained earnings

A. According to the R.O.C. Securities Exchange Law 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 special reserve and cannot be distributed. The special reserve includes: i) reserve for special purposes, ii) investment income recognised 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 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 19, 2020 and June 20, 2019, respectively. Details are summarized below:

	2019 earnings		2018 earnings	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 518,872		\$ 473,741	
Cash dividends	4,211,662	\$ 2.50	3,537,796	\$ 2.10

E. As of December 31, 2020 and 2019, unpaid stock dividends amounted to \$12,985 and \$10,562, respectively.

F. The appropriations of 2020 earnings had been resolved by the Board of Directors on March 12, 2021. Details are summarized below:

	2020 earnings	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 212,351	
Cash dividends	1,684,665	\$ 1.00

As of March 12, 2021, the above appropriations of 2020 earnings has not yet been resolved by the shareholders.

G. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(27).

(21) Other equity items

	Unrealized gains on valuation	Currency translation	Non-controlling interest
January 1, 2020	\$ 26,065,808	(\$ 1,055,651)	\$ 4,651
Revaluation			
– Group	( 536,786)	-	-
– Associates	( 8,191)	-	-
Revaluation transferred to retained earnings			
– Group	84,122	-	-
– Associates	( 3,299)	-	-
Difference of currency translation			
– Group	- ( 251,629)	-	-
– Associates	- 60,839	-	-
Net income of non-controlling interest	-	- ( 242)	-
Net change of non-controlling interest	-	- ( 4,409)	-
December 31, 2020	<u>\$ 25,601,654</u>	<u>(\$ 1,246,441)</u>	<u>\$ -</u>
	Unrealized gains on valuation	Currency translation	Non-controlling interest
January 1, 2019	\$ 32,036,824	(\$ 744,846)	\$ 6,055,486
Revaluation			
– Group	( 5,969,966)	-	-
– Associates	139	-	-
– Non-controlling interest	-	- ( 50,845)	-
Revaluation transferred to retained earnings	( 1,189)	-	-
Difference of currency translation			
– Group	- ( 246,306)	-	-
– Associates	- ( 64,499)	-	-
– Non-controlling interest	-	- ( 67)	-
Remeasurement of defined benefit plan			
– Non-controlling interest	-	- ( 3,510)	-
Net income of non-controlling interest	-	- 640,737	-
Cash dividends paid by consolidated subsidiaries	-	- ( 591,379)	-
Net change of non-controlling interest	-	- ( 6,045,771)	-
December 31, 2019	<u>\$ 26,065,808</u>	<u>(\$ 1,055,651)</u>	<u>\$ 4,651</u>

(22) Operating revenue

	Years ended December 31,	
	2020	2019
Sales revenue	\$ 28,649,677	\$ 45,373,177
Service revenue	151,370	256,884
	28,801,047	45,630,061
Less: Operating revenue from discontinued operations	( 17,555)	( 8,982,340)
	<u>\$ 28,783,492</u>	<u>\$ 36,647,721</u>

(23) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 13,316	\$ 38,078
Less: Interest income from discontinued operations	( 72)	( 11,454)
	<u>\$ 13,244</u>	<u>\$ 26,624</u>

(24) Other income

	Years ended December 31,	
	2020	2019
Dividend income	\$ 1,156,765	\$ 2,134,691
Other income	319,507	212,934
	1,476,272	2,347,625
Less: Other income from discontinued operations	-	( 182,220)
	<u>\$ 1,476,272</u>	<u>\$ 2,165,405</u>

(25) Other gains and losses

	Years ended December 31,	
	2020	2019
Gain on disposal of property, plant and equipment	\$ 11,972	\$ 6,166
(Loss) gain on disposals of investments	( 734)	2,016,760
Foreign exchange losses	( 72,570)	( 25,518)
Forward foreign exchange contracts		
Net (loss) gain on financial assets at fair value through profit or loss	( 37)	1,504
Net (loss) gain on financial liabilities at fair value through profit or loss	( 57)	694
Bank charges	( 29,326)	( 37,628)
Other losses	( 60,386)	( 142,646)
	( 151,138)	1,819,332
Less: Other losses from discontinued operations	157	63,787
	<u>(\$ 150,981)</u>	<u>\$ 1,883,119</u>

(26) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 3,247,931	\$ 5,115,592
Depreciation charges (including right-of-use assets and investment property)	<u>1,341,228</u>	<u>2,831,335</u>
	4,589,159	7,946,927
Less: Employee benefit expense from discontinued operations	( 535)	( 1,417,256)
Depreciation charges from discontinued operations	( 231)	( 1,484,101)
	<u>\$ 4,588,393</u>	<u>\$ 5,045,570</u>

(27) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 2,693,589	\$ 4,210,908
Labor and health insurance fees	296,130	544,664
Pension costs	115,870	205,473
Other personnel expenses	142,342	154,547
	<u>3,247,931</u>	<u>5,115,592</u>
Less: Employee benefit expense from from discontinued operations	( 535)	( 1,417,256)
	<u>\$ 3,247,396</u>	<u>\$ 3,698,336</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 years ended December 31, 2020 and 2019, employees' compensation was accrued at \$4,394 and \$11,200, respectively; while directors' and supervisors' remuneration was accrued at \$2,197 and \$5,610, 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 year ended December 31, 2020.

The employees' compensation and directors' and supervisors' remuneration for 2019 as approved by shareholders were the same as the amounts shown in the 2019 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.

(28) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 156,385	\$ 217,734
Other financial expense	10,883	16,429
Less: Capitalization of qualifying assets	( 5,575)	( 10,191)
Less: Finance costs from discontinued operations	-	( 5,591)
	<u>\$ 161,693</u>	<u>\$ 218,381</u>



(29) Income tax

A. Income tax expense

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 121,133	\$ 521,555
Land value increment tax	566	-
Tax on undistributed surplus earnings	1,771	232,442
Adjustments in respect of prior period	( 17,059)	38,438
Effect from Alternative Minimum tax	-	46,026
Impact of change in exchange rate	-	1,239
Total current tax	<u>106,411</u>	<u>839,700</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>60,361</u>	<u>20,845</u>
Total deferred tax	<u>60,361</u>	<u>20,845</u>
Less: Income tax expense from discontinued operations	-	( 323,585)
Income tax expense	<u>\$ 166,772</u>	<u>\$ 536,960</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 498,148	\$ 1,538,674
Effect from permanent differences of income tax	( 324,774)	( 652,456)
Effect from temporary differences of income tax	( 52,241)	( 30,729)
Adjustments in respect of prior period	( 17,059)	38,438
Effect from Alternative Minimum tax	-	46,026
Net change in deferred tax assets and liabilities	60,361	20,845
Land value increment tax from selling land	566	-
Tax on undistributed earnings	1,771	232,442
Suspension of securities trading income	-	( 332,695)
	<u>166,772</u>	<u>860,545</u>
Less: Income tax expenses from discontinued operations	-	( 323,585)
Tax expense	<u>\$ 166,772</u>	<u>\$ 536,960</u>

Note: The basis for computing the applicable tax rate is the rate applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward and investment tax credits are as follows:

Year ended December 31, 2020					
			Recognized in other comprehensive income	Disposal of discontinued operations	
	January 1	Recognized in profit or loss			December 31
Deferred tax assets:					
-Temporary differences					
Provision for inventory obsolescence	\$ 125,140	(\$ 25,574)	\$ -	\$ -	\$ 99,566
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	-	2,503
Unrealized gains on disposal of equipment	5,394	( 3,652)	-	-	1,742
Unrealized foreign exchange loss	4,925	( 4,925)	-	-	-
	137,962	( 34,151)	-	-	103,811
Deferred tax liabilities:					
-Temporary differences					
Unrealized foreign exchange gain	-	( 2,721)	-	-	( 2,721)
Investment income accounted for under equity method	( 377,608)	( 19,630)	-	-	( 397,238)
Others	3,859	( 3,859)	-	-	-
	( 373,749)	( 26,210)	-	-	( 399,959)
	(\$ 235,787)	(\$ 60,361)	\$ -	\$ -	(\$ 296,148)

Year ended December 31, 2019					
			Recognized in other comprehensive income	Disposal of discontinued operations	
	January 1	Recognized in profit or loss			December 31
Deferred tax assets:					
-Temporary differences					
Provision for inventory obsolescence	\$ 69,446	\$ 61,370	\$ -	(\$ 5,676)	\$ 125,140
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	-	2,503
Unrealized gains on disposal of equipment	12,057	( 6,663)	-	-	5,394
Accrued pension liabilities	9,410	( 175)	-	( 9,235)	-
Unrealized foreign exchange loss	381	6,207	1,349	( 3,012)	4,925
	<u>93,797</u>	<u>60,739</u>	<u>1,349</u>	<u>( 17,923)</u>	<u>137,962</u>
Deferred tax liabilities:					
-Temporary differences					
Investment income accounted for under equity method	( 284,293)	( 93,315)	-	-	( 377,608)
Others	( 7,872)	11,731	-	-	3,859
	<u>( 292,165)</u>	<u>( 81,584)</u>	<u>-</u>	<u>-</u>	<u>( 373,749)</u>
	<u>(\$ 198,368)</u>	<u>(\$ 20,845)</u>	<u>\$ 1,349</u>	<u>(\$ 17,923)</u>	<u>(\$ 235,787)</u>

- D. The income tax returns of the Company, Formosa Development Co., Ltd. and Public More Internation Company Ltd. through 2018 have all been assessed and approved by the Tax Authority.
- E. 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 accordingly, is entitled to the applicable income tax rate of 15% for 3 years from 2018.
- F. The income tax rate of Formosa Taffeta Vietnam Co., Ltd. was approved by the 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.

G. In accordance with local tax regulations, the applicable income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was 20%.

H. 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%.

(30) 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 divided by the weighted average number of outstanding common stocks for the period.

	Year ended December 31, 2020				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 2,190,465	\$ 2,095,790	<u>1,682,471</u>	\$ 1.30	\$ 1.25
Profit from discontinued operations	( 484)	( 484)		-	-
Profit attributable to the non-controlling interest	<u>242</u>	<u>242</u>		-	-
Profit attributable to owners of the parent	<u>\$ 2,190,223</u>	<u>\$ 2,095,548</u>		<u>\$ 1.30</u>	<u>\$ 1.25</u>

  

	Year ended December 31, 2019				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 5,162,173	\$ 4,625,213	<u>1,682,448</u>	\$ 3.07	\$ 2.75
Profit from discontinued operations	1,527,839	1,204,254		0.91	0.72
Profit attributable to the non-controlling interest	( 1,096,625)	( 640,738)		( 0.65)	( 0.39)
Profit attributable to owners of the parent	<u>\$ 5,593,387</u>	<u>\$ 5,188,729</u>		<u>\$ 3.33</u>	<u>\$ 3.08</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:

Year ended December 31, 2020					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 2,190,465	\$ 2,095,790	<u>1,684,665</u>	\$ 1.30	\$ 1.24
Profit from discontinued operations	( 484)	( 484)		-	-
Profit attributable to the non-controlling interest	<u>242</u>	<u>242</u>		-	-
Profit attributable to owners of the parent	<u>\$ 2,190,223</u>	<u>\$ 2,095,548</u>		<u>\$ 1.30</u>	<u>\$ 1.24</u>
Year ended December 31, 2019					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 5,162,173	\$ 4,625,213	<u>1,684,665</u>	\$ 3.06	\$ 2.75
Profit from discontinued operations	1,527,839	1,204,254		0.91	0.71
Profit attributable to the non-controlling interest	( 1,096,625)	( 640,738)		( 0.65)	( 0.38)
Profit attributable to owners of the parent	<u>\$ 5,593,387</u>	<u>\$ 5,188,729</u>		<u>\$ 3.32</u>	<u>\$ 3.08</u>

B. Employees' compensation could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the years ended December 31, 2020 and 2019.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 1,115,554	\$ 2,743,417
Add: Opening balance of payable on equipment	3,262	62,814
Ending balance of prepayment on equipment	88,203	138,399
Less: Ending balance of payable on equipment	( 85,562)	( 3,262)
Opening balance of prepayment on equipment	( 138,399)	-
Cash paid during the year	<u>\$ 983,058</u>	<u>\$ 2,941,368</u>

B. Disposal of subsidiaries:

	Years ended December 31,	
	2020	2019
Selling price	\$ 6,028	\$ 2,514,064
Less: Cash of subsidiaries	( 29,584)	( 957,834)
	<u>(\$ 23,556)</u>	<u>\$ 1,556,230</u>

(32) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2020	\$3,753,377	\$ -	\$ 6,519,783	\$ 10,273,160
Changes in cash flow from financing activities	( 486,972)	499,979	2,441,278	2,454,285
Impact of changes in foreign exchange rate	-	-	( 4,239)	( 4,239)
At December 31, 2020	<u>\$3,266,405</u>	<u>\$ 499,979</u>	<u>\$ 8,956,822</u>	<u>\$ 12,723,206</u>

	Short-term borrowings	Short-term notes 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	114,839	-	( 1,666,899)	( 1,552,060)
Impact of changes in foreign exchange rate	-	-	( 5,518)	( 5,518)
At December 31, 2019	<u>\$3,753,377</u>	<u>\$ -</u>	<u>\$ 6,519,783</u>	<u>\$ 10,273,160</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

The Company is controlled by Formosa Chemicals & Fibre Corp. (incorporated in R.O.C), which owns 37.4% of the Company's shares. The ultimate controlling party of the Company is Formosa Chemicals & Fibre Corp.

(Blank)

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Formosa Chemicals & Fibre Corporation	Parent company
Formosa Advanced Technologies Co., Ltd. (Note 1)	Associate
Quang Viet Enterprise Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Schoeller Textil AG	Associate
Nan Ya Photonics Inc.	Associate
Schoeller Asia Co., Ltd. (Note 2)	Other related party
(Shoeller F.T.C (Hong Kong) Co., Ltd.)	
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 Plastics Corp.	Other related party
Nan Ya PCB Corp.	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
Nan Ya Plastic (Guangzhou) Co., Ltd.	Other related party
Nan Ya Technology Corp.	Other related party
Nan Ya Printed Circuit Board (Kunshan) Corp.	Other related party
Jiaying Quang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
KONG YOU INDUSTRIAL CO., LTD.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Schoeller Holding AG	Other related party
FG INC	Other related party
NKFG Corp.	Other related party

Note 1: The Group sold its 16% equity interest and lost its control over Formosa Advanced Technologies Co., Ltd. on December 16, 2019. Therefore, the investment in Formosa Advanced Technologies Co., Ltd. was reclassified as investment accounted for using the equity method.

Note 2: The Group disposed all its equity investment in Shoeller F.T.C (Hong Kong) Co., Ltd.



(Shoeller F.T.C (Hong Kong) Co., Ltd.) on March 16, 2020. Therefore, Shoeller F.T.C (Hong Kong) Co., Ltd. was reclassified as other related party.

(3) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2020	2019
Sales of goods:		
– Ultimate parent company	\$ 1,083	\$ 904
– Associates	281,456	380,074
– Other related party		
Nan Ya Technology Corp.	-	6,650,312
Others	964,133	1,106,713
	<u>\$ 1,246,672</u>	<u>\$ 8,138,003</u>

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

B. Purchases of goods

	Years ended December 31,	
	2020	2019
Purchases of goods:		
– Ultimate parent company	\$ 1,511,504	\$ 2,052,678
– Associates	687,688	879,399
– Other related party		
Formosa Petrochemical Corp.	8,144,370	10,726,911
Others	999,645	1,870,925
	<u>\$ 11,343,207</u>	<u>\$ 15,529,913</u>

Goods and services are purchased from associates and an entity controlled by key management personnel on normal commercial terms and conditions.

C. Receivables from related parties

	December 31, 2020	December 31, 2019
Notes and accounts receivable:		
– Ultimate parent company	\$ 31	\$ 82
– Associates	39,427	72,254
– Other related party		
Others	126,388	157,248
	<u>\$ 165,846</u>	<u>\$ 229,584</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>December 31, 2020</u>	<u>December 31, 2019</u>
Notes and accounts payable:		
– Ultimate parent company	\$ 339,547	\$ 550,298
– Associates	137,555	70,536
– Other related party		
Formosa Petrochemical Corp.	401,483	440,852
Others	106,901	148,358
	<u>\$ 985,486</u>	<u>\$ 1,210,044</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 and investment property

##### (a) Acquisition of property, plant and equipment:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Other related party	\$ 734	\$ 70,849

##### (b) Acquisition of financial assets:

				<u>Year ended December 31, 2020</u>
	<u>Accounts</u>	<u>No. of shares (in thousand shares)</u>	<u>Object</u>	<u>Consideration</u>
Other related party	Non-current financial assets at fair value through other comprehensive income	-	FG INC.	\$ 73,680
Other related party	Non-current financial assets at fair value through other comprehensive income	5,540	NKFG Corp.	\$ 55,400
Associates	Investments accounted for using the equity method	22	Scheoller Textil AG	\$ 1,285,507
				<u>Year ended December 31, 2019</u>
	<u>Accounts</u>	<u>No. of shares (in thousand shares)</u>	<u>Object</u>	<u>Consideration</u>
Other related party	Non-current financial assets at fair value through other comprehensive income	-	FG INC.	\$ 69,570

(c) Disposal of financial assets:

The Group had no disposal transactions for the year ended December 31, 2020.

	Accounts	No. of shares (in thousand shares)	Object	Year ended December 31, 2019	
				Proceeds	Gain/(loss) Note
Other related party	Investments accounted for using the equity method	70,756	Formosa Advanced Technologies Co., Ltd.	\$ 2,514,064	\$ 2,016,760

Note: The Group sold some shares in Formosa Advanced Technologies Co., Ltd. on December 13, 2019. After the disposal, the shareholder ratio decreased to 30.68% and lost control over it. Accordingly, Formosa Advanced Technologies Co., Ltd. became an associate accounted for using equity method.

(d) Rent income (shown as 'other income')

The Group leases buildings at No. 319, 329 and 331, Henan St., Douliu City, Yunlin County, No. 497-1, Sec. Neilin, land and employees' dorms at No. 132 and 136, Sec. Meilin river, Douliu City to Formosa Advanced Technologies Co., Ltd. Rents which were determined by reference to general rental price in local market are payable at the beginning of each month based on the mutual agreement. Rent income for the years ended December 31, 2020 and 2019 amounted to \$42,237 and \$40,408, respectively.

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 service consignment contract signed by Formosa Taffeta (Dong Nai) Co., Ltd. and Nhon Trach 3 Industrial Zone each year, 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 public liquid sold to lessees in investment district, repairing and performing service on various public facilities of power plant. In accordance with the contract, Formosa Taffeta (Dong Nai) Co., Ltd.'s collectible service expense is as follows:

- i. Land lease expense: 3% of Formosa Industry's land rent revenue
- ii. Public liquid service expense: 3% of Formosa Industry's monthly sale of electricity to lessees in investment district
- iii. Management expense: the full amount of management expense collected from lessees in investment district to Formosa Industry is to be paid to the Company and its subsidiaries.

For the years ended December 31, 2020 and 2019, Formosa Taffeta (Dong Nai) Co., Ltd. has recognized lease service income in investment district of \$31,992 and \$35,060, respectively, for rendering the abovementioned consigned services. As of December 31, 2020 and 2019, the uncollected amount of \$3,135 and \$3,220, respectively, was recognized under 'other receivables'.

For the above land leasing, as of December 31, 2020 and 2019, the management expense and utility expense which Formosa Taffeta (Dong Nai) Co., Ltd. is due to collect from the related party, Formosa Industry, amounted to \$28,125 and \$30,901, respectively.

Other income pertains to the Group's collections and payment transfer of utilities, steam and waste disposal costs, etc. for Formosa Advanced Technologies Co., Ltd. for the years ended December 31, 2020 and 2019 in the amount of \$13,749 and \$19,408, respectively.

(4) Key management compensation

	Years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 48,508	\$ 40,998
Post-employment benefits	-	84
Less: Key management compensation from discontinued operations	-	(15,091)
	<u>\$ 48,508</u>	<u>\$ 25,991</u>

8. PLEDGED ASSETS

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

Item	Book Value		Purpose
	December 31, 2020	December 31, 2019	
Property, plant and equipment	\$ 136,561	\$ 137,261	Security for short-term borrowings
Inventories (Held-to-maturity land)	17,610	21,264	Security for short-term borrowings
	<u>\$ 154,171</u>	<u>\$ 158,525</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2020, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

Currency	Amount
USD	\$ 744
JPY	45,504
EUR	514

(2) Endorsements and guarantees

As of December 31, 2020, in order to assist the subsidiaries is obtaining credit line, the Group has guaranteed the following amounts for subsidiaries:

Name of company	December 31, 2020
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 939,840
Formosa Taffeta Vietnam Co., Ltd.	1,509,440
Formosa Taffeta (Changshu) Co., Ltd.	1,566,400
Formosa Taffeta Dong Nai Co., Ltd.	4,044,160
Formosa HA TINH (CAYMAN) LIMITED	6,376,541

(3) Contingencies - Significant lawsuit

- A. 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, the ultimate outcome of this litigation is not presently determinable as the case is still in oral arguments proceedings, and no evidence investigation or substantive trial has been conducted.
- B. In August 2019, O-Bank Co., Ltd. filed a complaint against the Company. Several employees of the Company, instead of making the truthful representations during the credit assessment procedures, cooperated with New Site Industries Inc., New Brite Industries Inc., Highlite Industries, Inc. and Loomtech Industries Inc. (together referred herein as New Brite Group) 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, thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that the Company shall be liable for the losses incurred due to poor supervision. The Company has appointed a legal counsel to represent them. Based on the opinion of the legal counsel, the ultimate outcome of this litigation is not presently determinable as the case is still in the course of debate process.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) The Group was ordered by the Environmental Protection Bureau of Yunlin County Government to cease operating its sewage recycling facilities and pay a fine for violating Article 18-1 and Article

20 of the "Water Pollution Prevention and Control Law". The shutdown of equipment has no significant impact on the Group's operations and financial performance. As of March 12, 2021, the case is still under investigation by the Environmental Protection Bureau of Yunlin County.

- (2) Please refer to Note 6(20) F for the distribution of 2020 earnings which was proposed by the Board of Directors on March 12, 2021.

## 12. OTHERS

- (1) The Group's operating revenue for the year ended December 31, 2020 decreased by 20% compared to 2019. Such decline was driven by the COVID-19 outbreak, resulting in a sluggish global economy and the reduction and the cancellation of major sporting events. In addition, the demand in the overall consumer market decreased due to the COVID-19 pandemic. However, there was no significant effect on the Group's financial position and assets impairment and the Group will continue to monitor the impact of future pandemic control conditions and consumer market demand.

### (2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current, non-current borrowings and short-term notes and bills payable' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2020, the Group's strategy was unchanged from 2019. The gearing ratios at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total borrowings	\$ 12,723,205	\$ 10,273,160
Less: Cash and cash equivalents	( 3,083,322)	( 3,236,624)
Net debt	9,639,883	7,036,536
Total equity	61,483,588	64,223,900
Total capital	<u>\$ 71,123,471</u>	<u>\$ 71,260,436</u>
Gearing ratio	<u>14%</u>	<u>10%</u>

(3) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 82	\$ 119
Financial assets at fair value through other comprehensive income	41,442,578	41,894,833
Financial assets at amortized cost	6,645,741	6,974,483
	<u>\$ 48,088,401</u>	<u>\$ 48,869,435</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ 137	\$ 80
Financial liabilities at amortized cost	15,994,687	14,289,158
Lease liabilities	783,043	849,795
	<u>\$ 16,777,867</u>	<u>\$ 15,139,033</u>

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

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Group focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.
- (b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## C. Significant financial risks and degrees of financial risks

### (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 is as follows:

December 31, 2020			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 71,317	\$ 28.51	\$ 2,033,248
USD:VND	22,503	23,103.73	641,561
USD:RMB	23,305	6.53	664,426
<u>Non-monetary items</u>			
VND:NTD	5,088,833,063	0.0012	6,106,600
HKD:NTD	326,280	3.63	1,184,396
RMB:NTD	675,069	4.37	2,950,052
USD:NTD	89,780	28.51	2,559,628
CHF:NTD	39,325	32.31	1,270,591
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	106,046	23,103.73	3,023,371
December 31, 2019			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 76,526	30.11	\$ 2,304,198
<u>Non-monetary items</u>			
VND:NTD	4,953,113,164	0.0013	6,439,047
HKD:NTD	299,251	3.86	1,155,108
RMB:NTD	467,986	4.32	2,021,701
USD:NTD	125,391	30.11	3,775,523
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	5,930	6.98	178,552



- ii. The total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$72,570 and \$25,518, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2020			
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%	\$ 20,332	\$ -
USD:VND	1%	6,416	-
USD:RMB	1%	6,644	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	61,066
HKD:NTD	1%	-	11,844
RMB:NTD	1%	-	29,501
USD:NTD	1%	-	25,596
CHF:NTD	1%	-	12,706
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	1%	30,234	-
Year ended December 31, 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%	\$ 23,042	\$ -
<u>Non-monetary items</u>			
VND:NTD	1%	-	64,390
HKD:NTD	1%	-	11,551
RMB:NTD	1%	-	20,217
USD:NTD	1%	-	37,755
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	1%	1,786	-

### 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 years ended December 31, 2020 and 2019 would have increased/decreased by \$0 for both years, 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 \$414,426 and \$418,948, 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 years ended December 31, 2020 and 2019, 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 years ended December 31, 2020 and 2019 would have decreased/increased by \$71,200 and \$51,200, 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 years ended December 31, 2020 and 2019 would have decreased/increased by \$455 and \$479, 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 its 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 the provision matrix to estimate expected credit loss.
- 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 December 31, 2020 and 2019, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>At December 31, 2020</u>					
Expected loss rate	2%	11%	93%	100%	
Total book value	\$ 3,170,562	\$ 29,715	\$ 5,862	\$ 5,138	\$ 3,211,277
Loss allowance	49,333	3,122	5,462	5,138	63,055

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>At December 31, 2019</u>					
Expected loss rate	1%	7%	55%	100%	
Total book value	\$ 3,067,145	\$ 86,772	\$ 48,039	\$ 3,717	\$ 3,205,673
Loss allowance	26,581	6,504	26,433	3,717	63,235

- 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:

	2020		
	Notes receivable	Accounts receivable	
At January 1	\$ -	(\$ 63,235)	
Effect of foreign exchange	-	180	
At December 31	\$ -	(\$ 63,055)	

  

	2019		
	Notes receivable	Accounts receivable	Contract assets
At January 1	\$ -	(\$ 71,033)	\$ -
Effect from disposal of subsidiaries	-	6,779	-
Effect of foreign exchange	-	1,019	-
At December 31	\$ -	(\$ 63,235)	\$ -

(c) Liquidity risk

- 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 and compliance with internal balance sheet ratio targets.
- 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 December 31, 2020 and 2019, the Group held money market position of \$44,464,449 and \$45,081,174, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- 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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Long-term borrowings (including current portion)				
December 31, 2020	\$ 56,822	\$ 8,000,000	\$ 900,000	\$ -
December 31, 2019	59,891	4,259,892	2,200,000	-
Lease liability				
December 31, 2020	\$ 100,957	\$ 115,729	\$ 260,377	\$ 350,980
December 31, 2019	130,043	106,487	232,019	381,246

(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.

(4) Fair value estimation

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 on 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 on the nature of the assets and liabilities is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 82	\$ -	\$ 82
Financial assets at fair value through other comprehensive income assets				
Equity securities	<u>38,188,517</u>	<u>344,320</u>	<u>2,909,741</u>	<u>41,442,578</u>
	<u>\$ 38,188,517</u>	<u>\$ 344,402</u>	<u>\$ 2,909,741</u>	<u>\$ 41,442,660</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 137</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 119	\$ -	\$ 119
Financial assets at fair value through other comprehensive income assets				
Equity securities	<u>37,356,695</u>	<u>346,800</u>	<u>4,191,338</u>	<u>41,894,833</u>
	<u>\$ 37,356,695</u>	<u>\$ 346,919</u>	<u>\$ 4,191,338</u>	<u>\$ 41,894,952</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 80</u>

(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:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- 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.
  - 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.
  - 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.
- D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	<u>Year ended December 31, 2020</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 4,191,338
Gains and losses recognized in other comprehensive income	
Recorded as unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	( 1,468,986)
Acquired during the year	129,100
Transfers out from level 3	( 196,389)
Effect of exchange rate changes	254,678
At December 31	<u>\$ 2,909,741</u>
	<u>Year ended December 31, 2019</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 5,868,738
Acquired during the year	69,570
Recorded as unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	( 1,652,723)
Effect of exchange rate changes	( 94,247)
At December 31	<u>\$ 4,191,338</u>

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

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G. 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 December 31, 2020	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 336,945	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	2,572,796	Net asset value	Not applicable	Not applicable
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 415,853	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	3,775,485	Net asset value	Not applicable	Not applicable

H. 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:

		December 31, 2020	
		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%	
		\$ 3,369	\$ 3,369
		December 31, 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%	
		\$ 4,159	\$ 4,159

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the year ended December 31, 2020 are stated as follows. Furthermore, the inter-company transactions were eliminated when preparing financial statements of investees which were audited by other independent auditors. 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(14) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

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

#### (3) 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.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 10.

#### 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.

##### (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.

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(3) Information about segment profit or loss and assets

	Year ended December 31, 2020				
	Second business group				Total
	First business group	Cord fabric department	Gasoline department	Other segment	
<u>Segment revenue</u>				Adjustment and write-off	Discontinued operations
Revenue from					
external customers	\$ 11,811,388	\$ 6,126,786	\$ 9,414,248	\$ 1,448,625	\$ 17,555)
Inter-segment revenue	904,443	95,723	-	177,621	-
Total segment revenue	\$ 12,715,831	\$ 6,222,509	\$ 9,414,248	\$ 1,626,246	\$ 17,555)
Segment income	\$ 2,200,850	(\$ 209,027)	\$ 394,596	\$ 71,318	\$ 484
<u>Segment assets</u>					
Identifiable assets	\$ 12,691,530	\$ 5,333,901	\$ 1,319,306	\$ 3,407,195	\$ -
Investments using the equity method					
General assets					9,626,525
Total assets					47,350,446
					\$ 79,462,058

Year ended December 31, 2019

	Second business group					Discontinued operations	Total
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 15,598,799	\$ 7,644,738	\$ 11,744,169	\$ 1,774,483	\$ 8,867,872	\$ - (\$ 8,982,340)	\$ 36,647,721
Inter-segment revenue	<u>1,580,364</u>	<u>307,059</u>	<u>-</u>	<u>285,392</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total segment revenue	\$ 17,179,163	\$ 7,951,797	\$ 11,744,169	\$ 2,059,875	\$ 8,867,872	\$ 2,172,815 (\$ 8,982,340)	\$ 36,647,721
Segment income	<u>\$ 6,889,526</u>	<u>(\$ 268,038)</u>	<u>428,630</u>	<u>(\$ 883,641)</u>	<u>\$ 1,526,054</u>	<u>(\$ 1,002,519)</u>	<u>\$ 5,162,173</u>
<u>Segment assets</u>							
Identifiable assets	\$ 13,823,985	\$ 5,985,014	\$ 1,312,025	\$ 3,571,650	\$ -	\$ 538,274	\$ 24,154,400
Investments using the equity method							8,158,239
General assets							<u>48,449,234</u>
Total assets							<u>\$ 80,761,873</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).

(5) Information on product and service

Please refer to Note 6(22).

(6) Geographical information

	Year ended December 31, 2020				
	Internal	Asia	Adjustment and write-off	Discontinued operations	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	\$ 21,347,348	\$ 7,453,699	\$ -	(\$ 17,555)	\$ 28,783,492
Revenue from parent company and consolidated subsidiaries	235,782	942,005	( 1,177,787)	-	-
Total revenue	\$ 21,583,130	\$ 8,395,704	(\$ 1,177,787)	(\$ 17,555)	\$ 28,783,492
Segment income (loss)	\$ 2,038,883	\$ 418,854	(\$ 195,659)	\$ 484	\$ 2,262,562
Identifiable assets	\$ 14,719,798	\$ 8,032,135	(\$ 266,846)	\$ -	\$ 22,485,087
Investments accounted for under the equity method					9,626,525
General assets					47,350,446
					<u>\$ 79,462,058</u>
	Year ended December 31, 2019				
	Internal	Asia	Adjustment and write-off	Discontinued operations	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	\$ 35,916,593	\$ 9,713,468	\$ -	(\$ 8,982,340)	\$ 36,647,721
Revenue from parent company and consolidated subsidiaries	460,050	1,712,765	( 2,172,815)	-	-
Total revenue	\$ 36,376,643	\$ 11,426,233	(\$ 2,172,815)	(\$ 8,982,340)	\$ 36,647,721
Segment income (loss)	\$ 6,978,991	\$ 713,540	(\$ 1,002,519)	(\$ 1,527,839)	\$ 5,162,173
Identifiable assets	\$ 16,113,981	\$ 8,578,695	(\$ 538,581)	\$ -	\$ 24,154,095
Investments accounted for under the equity method					8,158,239
General assets					48,449,539
					<u>\$ 80,761,873</u>

(7) Major customer information

None.

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**Provision of endorsements and guarantees to others**  
For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 6)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 7)	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 parent company (Note 7)	Provision of endorsements/g uarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship p with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)									
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA CO., (ZHONG SHAN) LTD.	2	\$ 39,964,332	\$ 939,840	\$ 14,240	\$ -	1.53	\$ 79,928,664	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA CO., VIETNAM CO., LTD.	2	39,964,332	1,509,440	323,530	-	2.46	79,928,664	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA CO., (CHIANGSHU) LTD.	2	39,964,332	1,566,400	321,972	-	2.55	79,928,664	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA CO., DONG NAI CO., LTD.	2	39,964,332	4,044,160	2,604,882	-	6.58	79,928,664	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH TAFFETA CO., (CAYMAN) LIMITED	6	39,964,332	6,376,541	6,376,541	-	10.37	79,928,664	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATIONAL COMPANY LTD.	2	195,326	3,000	-	-	-	390,652	Y	N	N	

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 Lending 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 amount.



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 year ended December 31, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by FORMOSA TAFFETA CO., LTD.	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020				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	\$ 1,030,765	0.21	\$ 1,030,765	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	35	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	62	-	62	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	34,670	0.01	34,670	
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	344,320	2.35	344,320	
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	669,316	0.25	669,316	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	36,453,704	3.83	36,453,704	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	191,885	7,412	0.45	7,412	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	37,757	10.00	37,757	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	789,000	23,642	1.20	23,642	

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 year ended December 31, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by FORMOSA TAFFETA CO., LTD.	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020			Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	1,348,731	13,168	3.17	13,168
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	249,940	3.00	249,940
FORMOSA TAFFETA CO., LTD.	NKFG	Other related party	Non-current financial assets at fair value through other comprehensive income	5,540,000	18,194	2.50	18,194
FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	2,559,628	3.85	2,559,628
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,193,228	68,100	0.13	68,100

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 year ended December 31, 2020

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, 2020		Addition (Note 3)(Note 4)		Disposal (Note 3)		Balance as at December 31, 2020				
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal(Note 5)	Number of shares	Amount (Note 5)	Note
FORMOSA TAFFETA CO., LTD.	SCHOELLER TEXTIL AG	Investments accounted for using the equity method	Schoeller Textil AG	Associate	-	\$ -	21,874	\$ 1,285,507	-	\$ -	\$ -	-	21,874	\$ 1,270,603	

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.

Note 5: The amount of January 1, 2020 plus the purchases and minus the disposals difference between the amounts of December 31, 2020, are recognized investment losses and financial statements translation differences of foreign operations.

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 year ended December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions											
Transaction						(Note 1)					
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Notes/accounts receivable (payable)		Footnote (Note 2)
									Balance	Percentage of total notes/accounts receivable (payable)	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	\$ 270,844) (	1.26)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 38,502	1.97
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	( 218,982) (	1.02)	Pay 120 days after delivery	-	-	Accounts receivable	26,039	1.33
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Subsidiary	Sales	( 148,413) (	0.69)	60 days after monthly billings	-	-	Accounts receivable	18,276	0.94
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Purchases	8,144,370	35.75	Pay every 15 days by mail transfer	-	-	Accounts payable	( 401,483) (	32.68)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,005,720	4.41	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	( 127,610) (	10.39)
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	596,978	2.62	Pay every 15 days by mail transfer	-	-	Accounts payable	( 46,114) (	3.75)
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	195,470	0.86	Pay every 15 days by mail transfer	-	-	Accounts payable	( 11,739) (	0.96)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	( 243,148) (	18.31)	60 days after monthly billings	-	-	Accounts receivable	100,250	48.63
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	JIAXING QUANG VIET GARMENT CO., LTD.	Other related party	Sales	( 105,309) (	8.54)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	732	0.54
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	154,959	7.05	60 days after monthly billings	-	-	Accounts payable	( 36,426) (	24.31)
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Associate	Sales	( 103,566) (	4.66)	60 days after monthly billings	-	-	Accounts receivable	28,611	7.00

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 year ended December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

			Transaction			Differences in transaction terms compared to third party transactions (Note 1)				Notes/accounts receivable (payable)		Footnote (Note 2)
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)		Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)	
			Sales	Amount (\$)								
FORMOSA TAFFETA VIETNAM CO., LTD.	Kuang Yueh (Vietnam) Co., Ltd.	Other related party	Sales	141,960) (	6.38)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 20,683	5.06	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	211,188) (	5.88)	60 days after monthly billings	-	-	Accounts receivable	39,202	4.79	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	151,982) (	4.23)	60 days after monthly billings	-	-	Accounts receivable	23,215	2.83	
FORMOSA TAFFETA DONG NAI CO., LTD.	Kuang Yueh (Vietnam) Co., Ltd.	Other related party	Sales	250,893) (	6.98)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	28,697	3.50	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	504,452	12.75	60 days after monthly billings	-	-	Accounts payable	( 97,059) (	20.98)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Ultimate parent company	Purchases	497,214	12.56	60 days after monthly billings	-	-	Accounts payable	( 55,684) (	12.04)	

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 NTS10 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 year ended December 31, 2020

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	\$ 100,250	2.20	-	-	\$ 53,576	-

Expressed in thousands of NTD  
(Except as otherwise indicated)

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 NTS10 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 year ended December 31, 2020

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	\$ 1,005,720	Draw promissory notes due in 2 months after inspection	3.49
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	127,610	Draw promissory notes due in 2 months after inspection	0.16
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	153,445	Draw promissory notes due in 2 months after inspection	0.19

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 year ended December 31, 2020

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 December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2020 (Note 2(3))		Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value		\$	\$	
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	\$ 221,926	\$ 22,962	\$ 17,477		
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	1,762,711	2,681,906	135,686,472	30.68	4,985,980	1,402,677	430,402		
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	1,185,421	24,374	24,374		
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	2,086,772	56,041	56,041		
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	1,166,522	537,296	64,298		
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	-	2,958	-	-	-	-	242)		
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	2,218,410	8,755	8,755		



FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2020

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 December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2020 (Note 2(3))	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
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	\$ 1,972,294	\$ 595,303	\$ 59,530	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	-	6,241,670	-	-	-	-	-	
FORMOSA TAFFETA CO., LTD.	SCHOELLER TEXTIL AG	Switzerland	Textile R&D, production and sales	1,285,507	-	21,874	50.00	1,270,603	( 109,247)	( 54,623)	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INCORPORATION	Taiwan	manufacturing, installing, and supervising the engineer design of LED illumination systems/illumination arrangements	263,327	-	7,013,871	15.22	196,554	90,298	8,109	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	24,401	1,402,677	1,655	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATIONAL COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	13,836	6,900	6,900	
PUBLIC MORE INTERNATIONAL COMPANY 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	1,069	-	10,000	0.01	1,029	537,296	35	

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 December 31, 2020' 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 year ended December 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss)' recognized by the Company for the year ended December 31, 2020' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized 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 recognized by regulations.

FORMOSA TAFETTA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2020

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)	Amount remitted from Taiwan										Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020		
					Remitted to Mainland China	Remitted back to Taiwan								
FORMOSA TAFETTA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	(1)	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	\$ 77,230	100.00	\$ 77,230	\$ 1,841,916	\$ -	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	-	12,008	-	( 347)	100.00	( 347)	-	-	Note 4	
FORMOSA TAFETTA (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	24,328	100.00	24,328	1,073,568	-	Note 5	
CHANG SHU YU YUAN DEVELOPMENT CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	( 78)	40.78	( 32)	16,483	-	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) recognized by the Company for the year ended December 31, 2020 was derived from financial statements which were reviewed by independent auditors.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 and December 31, 2020 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, 2020 was US\$570,000.

In July 2020, the Company has been dissolved, and the remaining property US\$409,496 has been remitted to Taiwan.

Note 5: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 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 December 31, 2020 was US\$41,100,000.

Note 6: Chang Shu Yu Yuan Development Co., Ltd. was merged with Chang Shu Fushan Enterprise Management Co., Ltd. in the third quarter of 2015, Chang Shu Yu Yuan Development Co., Ltd. is the surviving company and its paid capital is RMB\$13,592,920.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	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	\$ 1,322,864	\$ 36,890,152
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,197,420	36,890,152

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 FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US\$42,000,000, FORMOSA TAFFETA (CHANG SHU) CO., LTD. was split up, reduced its paid-in capital and formed Chang Shu Fushun Enterprise Management Co., Ltd. Chang Shu Fushan Enterprise Management Co., Ltd. was terminated after the merger with Chang Shu Yu Yuan Development Co., Ltd. in the third quarter of 2015.  
(3)The original currency of paid-in capital was translated at USD:TWD = 1:28.51

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 year ended December 31, 2020

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020	Others
Investee in Mainland China	Amount	%	Amount	%									
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 11,812	0.05	\$ -	-	\$ 127	0.01	\$ 939,840	For short-term loans from financial institutions	\$ -	-	-	\$ -	-
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	18,975	0.09	-	-	2,531	0.13	1,566,400	For short-term loans from financial institutions	-	-	-	-	-

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on Major Shareholders

December 31, 2020

Table 10

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
FORMOSA CHEMICALS & FIBRE CORPORATION CHANG GUNG MEDICAL FOUNDATION	630,022,431	37.40
	97,599,254	5.79