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# **Formosa Taffeta Co., Ltd.**

## **2020 Annual Report**

Compiled by Formosa Taffeta Co., Ltd.

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***Inquiry about the Annual Report***

***Market Observation Post System: [mops.twse.com.tw](https://mops.twse.com.tw)***

***Corporate website: [www.ftc.com.tw](https://www.ftc.com.tw)***

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# **I. Report to shareholders**

## **A. 2020 Business Performance**

The Company's consolidated revenue declined by 21.5%, from NT\$36,647.72 million in 2019 to NT\$28,783.49 million in 2020, a decrease of NT\$ 7,864.23 million, with consolidated pretax profit decreasing by 56.2%, from NT\$ 5,162.17 million to NT\$2,262.56 million, an decrease of NT\$ 2,899.61 million.

The business of 2020 had been influenced by COVID-19 pandemic, China–United States trade war, loose monetary policy, and devaluation of U.S. dollar, and rising commodity prices, etc. The Company's revenue and profits dropped in 2020 on slackened consumption and intensified competition.

In 2020, filament woven fabrics were affected by the global lockdown and suspension of Tokyo Olympics, travel ban, gathering restriction, and closures of numerous branded physical outlets. The Company's revenue tumbled during the April-July period, but gradual recovery from August. In Q420, the robust demand for winter clothes is expected to bring more orders for the Company in 2021. In addition, business is expected to resume normal pace gradually in 2021 with widespread vaccination going to contain the pandemic.

## **B. 2021 The company's business plan summary, company development strategy in future, Influenced by the external competition environment, regulatory environment and overall business environment.**

### **(A) Filament woven and dyed fabrics:**

There are four end markets for the Company's filament woven fabrics: outdoor performance wear, sportswear, casual wear, and umbrella. In 2020, the Covid-19 started to spread around the world, many countries enforced border control, lockdown, social distancing, outlet closure, gathering restriction, and suspension of sports events. It caused the consumption demands to slump, boost inventories of international apparel brands, and stall rollout of new apparels, putting a damper on the textile industry.

With increasing vaccination expected to mitigate the impact of the pandemic in the U.S. and Europe in 2021, physical outlets of international apparel brands will gradually resume normal sales, which, along with further e-commerce sales growth, will have a positive impact on orders in 2021. Despite continuing constraint of the pandemic and the economic uncertainty, orders in 2021 are predicted to grow compared with that in 2020 with orders from brand customers bouncing back.

In 2021, the Company will strive to resume growth momentum, enhance competitiveness, and

attain sustained growth via a number of measures, including intensification of strategic partnership with major international brands, utilization of the advantage and synergy of the capacities of the five plants in three countries, intensified development of high-value niche and differentiated products, online sample display, teleconferencing with customers, product innovation and development, integration of brand projects and operating platform, continuing process improvement via new equipment and new technologies, reduction of failure cost, energy conservation and waste reduction, optimization of dyeing module via AI, increase of first-time success rate for dyeing, abnormality fixing, and short delivery via integration of fabric demands by brands and concentration of supply-chain production.

Although challenges remain in 2021, the revenue is expected to grow and the Company will work closely with garment factories to consolidate the supply chain and attain the target set in the business plan.

#### (B) Tire cord fabric

Following steep sales decline in the first half of 2020, due to impact of COVID-19 pandemic on the operation of tire manufacturers in Asia, demands bounced vigorously in the second half, as consumers resorted to self-driving, motorcycle riding, or bicycling to avoid inflection, augmenting tire demands considerably and thus orders for tire cord fabric manufacturers.

With a stable and optimistic business outlook for the tire cord fabric market in the first half of 2021, Taiwan plant will run at full capacity for high value-added products, whose output share will increase, boosting profit margin. The Vietnamese plant will enhance its output share of higher-margin PA (polyamide) 66 products and accelerate development of products with higher added value, such as fine-denier bicycle-tire cord fabric, stabbing-proof fabric, anti-chafing fabric, and impregnated single-yarn fabric, so as to optimize product mix and raise average unit price and profits.

#### (C) Gas station

As of the end of 2020, Formosa Petroleum Station had had 106 gas stations, making it one of the fifth largest gas-station brands in Taiwan. In 2020, the inefficiency of agreement among oil-producing countries on output reduction resulted in the drop in international oil prices, as a result of which revenue of Formosa Petroleum Station dropped by 19.8%. The adverse factor was compounded by the COVID-19 pandemic but the Company still managed to remain profitable, thanks to its performance in services, marketing, and management, although its sales volume dipped 0.1% and profits slipped 7.4%.

Formosa Petroleum Station has been able to maintain steady profits for years, thanks to the policy of removing inferior gas stations through assessment of their performance, locations, plus

the length of lease contract. Given fluctuation in international oil prices in recent years, inventory level of oil tanks should be closely monitored and adjusted flexibly. The number of gas stations with self-service has been increased to 93 and will be increased further, according to performance. Effort will be intensified to increase the number of contracted customers with monthly settlement of bills, including enterprises and owners of agricultural or engineering machines. Efforts have also been made to diversify income sources, such as car-washing service at gas stations and sales of travel and daily-life goods, auto accessories, and car-detailing products via B2C channel. Formosa Petroleum Station has been continuously offering various training courses, such as SOP, 5S, and TPM, to station workers, in order to attain public safety, quality service and standardized management, thereby creating a convenient and safe oil-filling and consumption environment for customers.

In 2021, Formosa Petroleum Station plans to introduce diversified payment methods gradually and expand sales via marketing programs and opening of new gas stations. With the pandemic expected to be mitigated following expanding vaccination, sales volume will score slight growth and revenue will stabilize.

#### (D) Cotton yarn

Faced with sharply fall in global demands in early 2020, domestic cotton-yarn manufacturers scrambled to tap the highly competitive domestic market, adjusted allocation of capacities, and controlled costs and outlays strictly, in order to cope with loss in export orders. Under the extremely adverse environment, the Company's cotton-yarn plant still managed to remain in the black in 2020, although revenue plunged 18.1%.

In 2021, the Company will continue tapping the markets of antibacterial, deodorizing, and bacteriostatic yarns, in addition to deployment in industrial-use protective-gear yarn market, which, along with expansion of composite-yarn capacities in 2020 and 2021, will optimize product mix further, boosting both revenue and profits.

#### (E) Special textiles

In 2020, due to output reduction and layoff by petroleum companies, demands for flame retardant fabric for petroleum work clothes in the Middle East and Southeast Asia plummeted in the second half, while that for uniforms of policemen and fire fighters grew slightly and sales of anti-static fabric shot up 30%, thanks to shipment of 1 million yards of isolation-gown fabric and 300,000 yards of mask fabric. Due to sharp decline in the shipment of high-priced flame retardant fabric, revenue of special textiles dropped in 2020, although the business was still profitable.

In 2021, sales of anti-static fabric for isolation gown, fab clean-room clothes, and sterile clothes

in Europe are expected to grow further, while shipment of anti-static fabric for food-industry uniforms and paint-spraying clothes will expand, thanks to demands from European brands. As demands for flame retardant fabric from customers in the Middle East and Southeast Asia will not recover until the second half, the Company will push sales of such fabric for fire-fighter uniforms, marine clothes, and tanker clothes in Japan, Taiwan, and South Korea, as a result of which sales of flame retardant fabric will grow in 2021.

(F) Carbon-fiber composite material

In 2020, to cope with the adverse effect of COVID-19 pandemic, the carbon-fiber composite material plant pushed its sales to manufacturers of exercise equipment, bicycles, yachts/ships, drones, construction reinforcement, and high value-added robotic arms. Yet its revenue still dropped by 10.6%. In recent years, the Company has forayed into the domestic construction reinforcement market for highway civil engineering, for which shipment will continued to be made in 2021.

In 2021, the Company will continue pushing sales to domestic civil-engineering construction reinforcement and yacht/ship markets, ship prepreg fabric for robotic arm to Japan, and expand shipment of unidirectional carbon-fiber prepreg fabric to Taiwanese manufacturers of bicycle carbon-fiber components, thereby boosting sales growth.

(G) Plastic bag

In 2020, shipment of plastic bags to Japan, with a dominant 81% share, dropped, due to the ban on free vest bags from July, and sales to Chile also tumbled, a result of lockdown and border closure. Consequently, revenue of plastic processing plant declined, although it remained profitable in 2020.

Given charge on vest bags and growing environment awareness, usage volume of small plastic bags in Japan will reduce further in 2021, whose effect, though, will be mitigated by the use of bio-vest bags with higher added value and unit prices. The company will strive for orders for bio-bags in 2021, to bolster profits.

In 2020, no employee of the Company, including overseas subsidiaries, was infected by COVID-19, a record which the Company will strive to uphold in 2021, so as to safeguard production and shipment schedule. In addition, the Company will step up effort tapping the market of anti-pandemic fabric and cope with the challenges of smooth supply-chain operation, climate change, and price competition.

In March 2020, the Company bought into Schoeller Textil AG of Switzerland, thereby cementing a comprehensive partnership covering R&D and production, up from the original relationship of technology licensing, which will be conducive to optimization of process technology and product

innovation.

Resurgence of COVID-19 pandemic in early 2021 has led to plunge in outdoor activities, material price hike, US dollar devaluation, and container shortage, overshadowing business outlook for 2021. Faced with challenges, the Company will carry out various improvement programs, invest in new capacities and new technologies, flexibly adjust the division-of-labor in marketing and production among the five factories in Taiwan, China, and Vietnam. Besides, strenuous efforts will be made to remove failure cost, enhance first-time success rate, increase product value, attain consistent standards, seek sophisticated quality, attain punctual delivery, and augment synergy. In addition, the Company will continue to strengthen corporate governance and fulfill corporate social responsibility, achieve ESG (environmental, social, and governance) goal, conforming to the universal value of environmental protection, so as to attain performance targets, co-prosperity with supply-chain partners, win-win situation with customers, creating expanded investment returns for shareholders and materializing the corporate vision.

## II. Company profile

### A. Incorporation date

April 19, 1973

### B. Company history

Founded by Formosa Chemicals & Fibre Corp. and a few of business figures, the company was incorporated on April 19, 1973, initially named "Formosa Fiber Co., Ltd.," for engagement in the weaving, dyeing, finishing, and printing of polyamide and polyester filament woven taffeta fabric. Renamed as Formosa Taffeta Co., Ltd. in Jan. 1979, the company was listed in Dec., 1985 on Taiwan Stock Exchange, which has been enlarged in subsequent years, via several capital increments with earnings to fund business diversification. The company's registered capital reached NT\$16,846,646,370 since August, 2006. Major products cover filament polyamide/polyester dyeing-and-finishing fabric, fabrics for down-proof jacket, water-proof with vapor permeable fabric, composite organic fabric, multi-function smart temperature-control fabric, umbrella fabric, staple woven/ knitted yarn, tire cord, PE. bag, bullet/stab-proof fabric, flame-retardant fabric for military/police/firefighters, medical/ protective fabric, anti-static barrier for clean room garment/ anti-bacterial fabric, conductive fabric, carbon-fiber fabric and composite materials, and gas stations. Formosa Taffeta Co., Ltd. has become a world-class manufacturer, in terms of both production scale and quality, of polyamide and polyester filament woven fabric, notably in the fields of sportswear and outdoor functional clothes, progressing in sync with fashion current and the development of major international textile brands.

- 1972 Founders Wang, Yung-Chin; Wang Yung-tsai; Lai, Shu-Wang and Hsieh Shih-ming formed a preparatory office for the establishment of factories producing long-fiber Polyamide and polyester weaving fabric, dyeing and finishing, and printing.
- 1973 Approved by the Ministry of Economic Affairs, Formosa Fiber Co., Ltd. came into being, with Lai, Shu-wang as chairman of the Board and Hsieh Shih-ming as president. Ground was broken in Nov. for the construction of factories.
- 1974 Test run of factories in Sept.
- 1975 Official inauguration in Jan.
- 1977 Expansion of printing plant, for the production of flat and rotary printing fabric umbrella cloth.
- 1978 Expansion of 1st weaving fabric plant with addition of warping machine, sizing frame, beaming machine and weaving machine, making it an plant with integrated weaving operation.
- 1979 Approval for name change to Formosa Taffeta Co., Ltd. in Jan.; expansion of weaving fabric plant and 2nd dyeing and finishing plant, and establishment of umbrella ribs plant, doubling the output of taffeta fabric and diversifying operation with the addition of umbrella ribs plant.
- 1980 Construction of tire-cord plant with monthly capacity of 600 tons, leading to further diversification of the company's operation.
- 1981 Construction of new tire-cord plant, boosting total capacity to 14,400 ton/year, and

- expansion of the machinery equipment of umbrella ribs plant.
- 1982 Installation of automated equipment and capacity at dyeing and printing plant.
- 1983 Setup of 2nd weaving fabric plant, with annual capacity of 60 million yards of grey cloth for dressing materials.
- 1984 Setup of 3rd dyeing plant and PE bag Plastics Processing Plant.
- 1985 Setup of function-oriented units, for the first time ever, including 1st production division (for long-fiber fabric), business division, and 2nd production division (tire cord, umbrella ribs, and PE bag); expansion of the president's office, in charge of regular management works, instead of merely auditing and statistics works in the past; installation of first Oil and electricity cogeneration motors; share listing in Taiwan on Dec. 24, with IPO price set at NT\$19.5 per share, transforming the company into a public company, a milestone in the development of the company.
- 1986 Setup of financial division in July, investment in the construction short-fiber cotton spinning plant, cotton weaving plant, cotton dyeing plant featuring integrated operation, greatly boosting the scale of diversification via the blending of long- and short-fiber fabrics; expansion of printing equipment at 2nd dyeing plant of 1st production division and the equipment of 2nd weaving plant.
- 1987 Organizational reshuffle in May with setup of 1st, 2nd, and third business divisions, in place of original function-oriented production divisions and business division, pushing of profit-center system for business divisions, which are responsible for both production and marketing performance; installation of special processing machinery equipment and construction of warehouses for finished products.
- 1988 Construction of second set of waste treatment equipment and expansion of the machinery equipment of tire cord plant; registration of "Abletex" trademark for water-proof/moisture-vapor fabric, initiating multi-brand marketing.
- 1989 Setup of second set of oil and electricity cogeneration motors and PVA resin for weaving recycling system at cotton dyeing plant. Setup of Hong Kong subsidiary in April, renamed as Formosa Taffeta (H.K.) Co., Ltd. in Sept, with paid-in capital of HK\$7 million, as the company's first overseas sales overseas office, mainly for reception of transshipment orders, taking over agency business in Hong Kong and Macao gradually, plus preparation for setup of factories in mainland China.
- 1990 Setup of first Automatic Storage System for gray and construction of an eight-story dormitory. Investment in the founding of Formosa Advanced Technologies Co., Ltd. with paid-in capital of NT\$200 million, in Hsinchu Science Park in Sept. for the production of cathode power supply components and molybdenum sheets, and investment in the founding of Formosa Development Co., Ltd. with paid-in capital of NT\$100 million, in Douliu City of Yunlin County for engagement in land rezoning and development.
- 1991 Installation of special fabric equipment, expansion of umbrella ribs plant equipment, and setup of fifth dyeing plant; setup of Xiamen representative's office by Hong Kong subsidiary, the company's first business establishment in mainland China, servicing Taiwanese umbrella firms in Fujian; actively assisting Formosa Plastics Group to obtain land dubbed the the nation's sixth naphtha cracking complex in the area of Mailiao township Yunlin county, including shallow-sea culture area.

- 1992 Acquisition of near 5% stake in Formosa Petrochemical Corp., following the latter's founding in April. Formation of committee for expansion of the 2nd plant premises in Neilinduan of Yinlin County, expansion of the capacity of 2nd tire-cord plant premises by 1,300 tons/month, and setup of PVA resin for weaving recycling system at 2nd weaving fabric plant. In Oct. Founding of " F.T.C. INTERNATIONAL s.r.l " in COMO, Italy with paid-in capital of 1 billion liras, for engagement in cloth trading in Europe. In Dec. Investment in the founding of three subsidiaries in Shenwan township, Zhongshan City of Guangdong Province in China. for production of tire core(Syn-Formosa Textile Industrial Co.,Ltd.), chemical-fiber fabric (Syn-Formosa Textile (Zhong Shan) Co.,Ltd.), and umbrella ribs (Syn-Formosa Indusrtila (Zhong Shan) Co.,Ltd.), with initial registered capitals reaching US\$11.2 million, US\$11.2 million, and US\$2.1 million, respectively.
- 1993 Setup of Formosa (Xiamen) Drawing Co., Ltd. for engagement in drawing of patterns, including patterns for umbrella cloth and PE bag, as well as fabric trading.
- 1994 Change of umbrella ribs plant to steel coil processing plant; change of the registered investor of the three subsidiaries in Zhongshan City to Hong Kong subsidiary and increase of paid-in capital of one Formosa industrial(Zhongshan)Co.,Ltd. to US\$1.47 million to fund construction of plant, which started test run in Dec; founding of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., with registered capital of US\$500,000, in Aug.; signing of ISO assistance plan with China Productivity Center for pushing ISO certification.
- 1995 Setup of textile industrial development center in Feb., putting under its auspices R&D staffers at various plants and departments, to intensify development of new fabrics and support business staffers in sales campaign. Acquisition of near 15% stake in Nanya Technology Corp. following its founding in March, before gradual drop to less than 1% over the past years. 3rd dyeing plant, sixth dyeing plant, and tire-core plant passing ISO9002 certification. Renaming of three Chinese subsidiaries (Syn-Formosa Textile Industrial Co.,Ltd.→ Formosa Chemical Fiber (Zhong Shan)Co.,Ltd.) along with cash capital increment of US\$1.43 million, unbuilt factory; (Syn-Formosa Textile (Zhong Shan) Co.,Ltd. → Formosa Textile (Zhong Shan)Co.,Ltd.), with cash capital increment of US\$4.75 million to fund plant construction, (Syn-Formosa Industrial (Zhong Shan) Co.,Ltd.→ Formosa Industrial (Zhong Shan)Co.,Ltd.) with two cash capital increments totaling US\$2.25 million in scale, for mass production of umbrella ribs.
- 1996 Installation of 903 water-jet looms and other related new equipment at third section of 1st weaving fabric plant in Neilinduan; Moving of Formosa Advanced Technologies Co., Ltd. to Douliu City, along with its transformation into a plant with integrated operation, thanks to the installation IC assembly line, as well as capital reduction before capital increment to NT\$1 billion; mass production of silk cloth and umbrella cloth at the dyeing and finishing plant of Formosa Textile (Zhongshan) Co., Ltd.; mass production of umbrella ribs at Formosa Industrial (Zhongshan) Co., Ltd., with annual capacity reaching 7,200 tons.
- 1997 Installation of second automated storage system for gray and new dyeing machines, increasing capacities by 52.32 million yards/year. Acquisition of Formosa (Xiamen) Drawing Co., Ltd. by Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.

before write-off, with registered capital reaching US\$570,000.

- 1998 Following passing away of Lai Shu-wang, then chairman and a founder, at 90 in Feb., the board of directors elected Wong Wen-yuan to be the new chairman; completion of expansion project with 58.8 million yards/year in scale for processing plant; formation of petroleum business segment preparatory office; full-scale mass production of Polyamine fabric and polyester fabric by Formosa Textile (Zhong shan) Co., Ltd., furnished with 600 looms, featuring integrated operation for weaving, dyeing, and printing, and install two sets of generators; transfer of remaining equipment at steel coil processing plant to Formosa Industry (Zhong shan) Co., Ltd., boosting the latter's capacity to 14,400 tons/year. still retains part of its sales and service business for 3 years in Taiwan.
- 1999 Acquisition of Ruiyuan Vietnam Co., Ltd., a trouser fabric manufacturer , in Feb. before its transformation to Formosa Taffeta Vietnam Co., Ltd. in Long An Province of Vietnam in June, with registered capital of US\$25 million, for engagement in the production of trouser fabric and dyed chemical-fiber fabric; formation of petroleum business division and setup of gas stations in Changyi Kuaikuan, and Chihsiang, marking foray into B2C retail business for the first time.
- 2000 Renaming of Formosa Textile (Zhongshan) Co., Ltd. to Formosa Taffeta (Zhong shan) Co., Ltd., in preparation for cross-line acquisition; passage of dividend payout policy by shareholders' meeting in June, calling for appropriation of at least 50% of earnings after deduction of legal provisions, compensations for directors and supervisors, and employee bonus for payout of dividends, half of which should be in the form of cash.
- 2001 Setup of Schoeller FTC (Hong Kong) Co., Ltd., as a 43:57 joint venture with Schoeller Textil AG of Switzerland, for engagement, Be the first one in Taiwan, in the production of electromagnetic shielding fabrics; Establishment of 21 new gas stations; cash capital increment of US\$12 million by Formosa Taffeta (Zhong shan) Co., Ltd., to fund installation of 605 looms and dyeing and finishing equipment at 2nd weaving fabric plant; cash capital increment of US\$14 million by Formosa Taffeta Vietnam Co., Ltd., to fund installation of 632 looms, along with warping machine,sizing machine, dyeing and finishing, water treatment equipment.
- 2002 Setup of 17 new gas stations, including that in Shetou; established a joint venture with Nan Ya Plastic Corp. and King Car Industrial Co., of Formosa Industries Corp., holding 10% stake; expansion in the development of plot of land and facilities for its plant in Nhon Trach industrial zone in Vietnam.
- 2003 To expand sources for orders for fabric from clothes brands, the company spent NT\$85 million to subscribe to 5 million new shares in the cash capital increment of Quang Viet Enterprise Co., Ltd., holding 24.49% stake; invitation for the company, the first among non-Japanese firms in Asia, to attend the Premiere Vision-Paris fair; installation of 14 new gas stations, including Nan Ya gas station; establishment of Shanghai representative's office by Formosa Taffeta (Zhong shan) Co., Ltd.; establishment of 12"-wafer assembly plant and module production line by Formosa Advanced Technologies Co., Ltd.
- 2004 Setup of oversea filament division in Feb., to oversee the operation of plant premises in China and Vietnam; installation 22 new gas stations, including Nankan gas station;

- investment in the establishment of Formosa Taffeta Dong Nai Co., Ltd., with registered capital of US\$12 million, in Nhon Trach industrial zone in Vietnam; installation of chafing-proof tire cord equipment, with annual capacity of 3,240 tons, at tire cord plant in Aug.; acquisition of Formosa Industrial (Zhong shan) Co., Ltd. and Formosa Chemical Fiber (Zhong shan) Co., Ltd. by Formosa Taffeta (Zhong shan) Co., Ltd. in Dec., whose registered capital rose to US\$46.4 million subsequently.
- 2005 Funding for installation of 504 looms by Formosa Taffeta (Dong Nai) Co., Ltd. in Jan.; dismantling of 3rd business division in Feb., with its cotton weaving plant and cotton dyeing plant being taken over by 1st business division; capital increment by Formosa Taffeta (Hong Kong) Co., Ltd. in April before investment in the setup of Formosa Taffeta (Changshu) Co., Ltd., in China's Jiangsu Province, with registered capital of US\$18 million, for producing chemical-fiber dyeing-and-finishing fabric in May; setup of fifth production line at tire cord plant, with annual capacity of 13,200 tons; cash capital increment of US\$25 million by Vietnam subsidiary in Long An to fund installation of 320 looms, plus interlace warping machines and automated color-matching equipment; closure of F.T.C. international s.r.l and application for its write-off.
- 2006 Cash capital increment of US\$10 million by Long An subsidiary, to fund installation of 120 looms, plus air compressors, boosting annual capacity of dyeing and finishing plant to 48 million yards and registered capital to US\$74 million; capital increment of US\$21 million by Formosa Development Co., Ltd., boosting its paid-in capital to US\$161 million; capital increment of US\$3 million by Dong Nai subsidiary, to fund installation of 125 looms; increase of the number of gas stations to 87.
- 2007 Reshuffle for the establishment of 3rd business division, overseeing spinning plant, special fabrics plant, and newly established carbon-fiber composite material plant; dismantling of oversea filament division, switch of subsidiaries in China and Vietnam to the jurisdiction of 1st business division of the parent company; dismantling of the Shanghai office of Zhong shan subsidiary in May; capital increment by Hong Kong subsidiary to fund setup of Formosa Taffeta Trading (Shanghai) Co., Ltd., with registered capital of US\$150,000, located at the same site of the former Shanghai office; eruption of the U.S. subprime mortgage crisis in the second half of July, triggering stock and futures market crash, promoting governments worldwide to cut interest rates to bolster market, boosting global oil price to over US\$100 per barrel, inducing price hike of grain and other raw materials, cutting gross margin of transportation and manufacturing industries, and leading to stagnation of major economies; Formosa Advanced Technologies going public in Taiwan with paid-in capital increasing to NT\$4,422 million; revenue and profit in consolidated financial statement hitting record high for the fourth straight year.
- 2008 Incorporation of 3rd dyeing plant, fifth dyeing plant, and processing plant of 1st business division into 1st dyeing plant and 2nd dyeing plant in Jan.; QC Guarantee Group of president's office renamed as standard section in March; completion and gradual inauguration of third plant of Formosa Advanced Technologies in April, mass production of DDR3 with 70 nm process in August, and foray into mass production of LED gross dies, including grinding, cutting, spot check, and classification; capital increment of US\$10 million by Dong Nai subsidiary, to fund setup of new dyeing and finishing plant,

with annual capacity of 24 million yards, test run at the end of the year, leading integrated operation of weaving and dyeing; global oil price peaking at US\$147 per barrel before crash, triggering similar general price fluctuation, outbreak of Wall Street financial crisis in Sept., affecting manufacturing industries and dampening interest rates to near zero, which resulted in negative growth; passing away of founder Wang, Yung-Chin during a tour of the plant premises of Formosa Plastics Corp. USA in New Jersey, with various affiliates of Formosa Plastics Group retaining normal operation under established guidelines; TAIEX Index dropping below 4,000 and global oil price tumbling to the nadir of US\$40 per barrel; completion of the expansion of the capacity of fifth production line of tire cord plant by 13,200 tons/year in Dec., boosting total capacity to 56,400 tons; completion of upgrading of domestic ERP (enterprise resource planning) mainframe and management system at the end of the year.

- 2009 Execution of reorganization in Jan., including setup of 1st business group, overseeing weaving business division, dyeing and finishing business division, R&D center, and overseas weaving, dyeing and finishing plant premises; 2nd business group, overseeing tire cord business division, industrial materials business division (merger of original third business division and plastics processing plant), petroleum business division, and energy & civil construction division; setup of general management division, putting under its jurisdiction president's office, finance division, procurement department, administration department, and safety and hygiene office; slump of various global economic and trade indices to record low; capital increment of US\$9 million both by Hong Kong subsidiary in April and Changshou subsidiary in June; liquidation of F.T.C international s.r.l, provisions for impairment of assets of Nanya Technology Corp.; austerity measures, to cope with the impact of global financial tsunami and export decline, including cut on outlays and energy consumption, reduction of cost, expenses, and stock, and manpower contraction.
- 2010 Completion of new dyeing and finishing plant, with annual capacity of 24 million yards, of Dong Nai subsidiary; in response to the new situation after ASEAN-China Free Trade Agreements taking effect, cash capital increment of US\$11 million in April, to fund the construction of new tire cord plant, with annual capacity of 12,000 tons, plus expansion of 2nd weaving fabric plant at cost of US\$3.7 million; acquisition of 4.963% stake in Formosa Ha Tinh Steel Corp.; consolidated revenue reaching new high.
- 2011 Price hike of raw materials, notably gold, cotton, and CPL, due the effect of the Jasmine Revolution in Northern Africa and the Middle East and military friction between North and South Korea, with global crude-oil price breaking US\$120/barrel mark in April; transformation of short-fiber cotton spinning plant into 3rd long-fiber weaving fabric plant, alongside installation of 524 new looms, including 269 weaving-fabric looms, 177 multi-arm looms, 66 weaving machine, and 12 rapier looms; retirement of assistant president Kenbo Huang before joining the board of directors; installation of 297 looms, in batches at 2nd weaving fabric plant of Dong Nai subsidiary in Vietnam; appreciation of New Taiwan dollar against US dollar, breaking the mark of US\$1=NT\$28.4 once; formation of the remuneration committee in Aug., write-off of Formosa Taffeta Trading(Shanghai) Co., Ltd. in Sept.; completion of installation of dipping machines at

the new tire cord plant of Dong Nai subsidiary in Dec.; selection of 2007 as the base year for compliance with ISO 14064-1 standard; passage of the inspection of British Standards Institution (BSI) on Dec. 8; acquisition of certified statement on greenhouse-gas emission by Taiwan Accreditation Foundation (TAF), acknowledged by Taiwan's Environmental Protection Administration and the International Accreditation Forum (IAF), with inventory showing total CO<sub>2</sub> emission of 686,177 metric tons, belonging to the grade of reasonable assurance, a milestone of the company's effort in pushing environmental protection and an honor for Taiwan's textile industry; the number of gas stations surpassing the 102 mark; provisions for the impairment of assets of Nanya Technology; revenue reaching NT\$36.2 billion and revenue in consolidated financial statement hitting NT\$53.2 billion, both new highs.

- 2012 Change of the titles of administrator and senior administrator, appointment of vice president; plan for the construction of green-energy dyeing and finishing plant; successive completion of the verification of PAS 2050 carbon footprints for 24 weaving functional fabrics; visit to the company by BSI representatives in Dec.; completion of the installation of the first batch of dipping machines, weaving and twisting machines at tire cord plant of Dong Nai subsidiary in Vietnam; strengthening of the organization for functional fabric of 1st business segment.
- 2013 In compliance with the requirement of the Financial Supervisory Commission, adoption of the International Financial Reporting Standards (IFRSs), compiling financial statement, mainly consolidated one, in traditional Chinese, from Jan.; formulation of six major policies for the year in Feb., including inroads into the global market and removal of waste from repetitive works, notably the project for preventing failure costs; preparation for waterless dyeing process; publication of declaration on sustainable development by president Hsieh Shih-ming in May; publication of "2012 report on green sustainable development" in Aug. for posting on related international websites, for perusal by branded customers and major stakeholders; installation of 12 new looms for fire-proof production line at the plant of Dong Nai subsidiary in Oct.; inauguration of first-phase capacity of 12,000 tons/year at tire core plant of Dong Nai subsidiary in Vietnam, following investment in 2011; gradual increase of self-service gas stations.
- 2014 Approval of US\$15.3 million cash capital increment plan of Dong Nai subsidiary in Vietnam by the Vietnamese government in Jan., fund raising of another US\$22.54 million by Dong Nai subsidiary for 2nd-phase capacity reaching 12,000 tons/year and fire-proof fabric production line with annual capacity of 580,000 yards; suspension of San Francisco office for western U.S.; takeover of the trading business of Hong Kong subsidiary by the Taipei business department; installation waterless dyeing machines at Taiwan plant in April; fund raising of US\$6.4 million by Long An subsidiary in Vietnam for construction of new plant for back-end finishing of functional finishing fabric with annual capacity of 21.42 million yards; eruption of anti-Chinese demonstration in Vietnam on May 14, prompting the Vietnamese plant to suspend operation for two days; selection, for the first time ever, of three independent directors by shareholders' meeting, ushering corporate governance into a new era; setup of an investment company in Cayman, as the channel for indirect investment, in place of original direct investment,

Formosa Ha Tinh Steel Corp.; two- credit rating granted by Taiwan Ratings, elevated to two+ in Oct.; In July, in accordance with the initiative of the International Textile Finished Products Organization, the introduction of the Chemical Management and Zero Discharge of Hazardous Substances (ZDHC) project, in which the fluorine-free water repellent and biomass wicking agent were introduced into the market. In August, polyester recycled gauze was certified by McDonough Braungart Design Chemistry (MBDC), Cradle to Cradle product innovation organization. The whole process of raw materials is non-toxic, energy clean, water-saving and carbon-reducing, recycling, named BOOMETEX ® Recycled Polyester, international brand identity. application for capital injection of US\$15 million in Hong Kong subsidiary and Changshou subsidiary, to improve their financial structure, including US\$3 million for construction of leased plant buildings, approved by the Chinese government in Sept., passing away of co-founder Wang Yung-tsai on Nov. 27; completion of installation of around-the-clock detection equipment for printing and dyeing discharge, analyzing water quality and recording water volume, which is connected to local environmental-protection bureau, for real-time detection and response to abnormality; moving of the office of Hong Kong subsidiary and Schoeller FTC (Hong Kong) to room 6 of 16th floor, from original room 5 of 11th floor, of the same building.

2015 Publication by president Hsie Shih-ming in Jan. management policy Transform Mentality; Accelerate innovation; Pursue Value; approval by Chinese government in March of spinoff of Changshu Fushun Enterprist Management Co., Ltd.; from Changshou subsidiary, with the latter offering the former assets of 9,206 square meters of residence and US\$900,000 of capital; acquisition of Changshu Fushun Enterprist Management Co., Ltd. in June by Changshu Yu Yuan Development Co., Ltd.; in exchange of 40.78%; R&D on environment-friendly process, introduction of non-water plazma repellent technology and equipment; publication of "CSR report 2014" in Dec., verified by a third party; passage of ISO 50001 certification for the company's entire energy management system in Dec.; drop in the company's materials and energy costs, including overseas plants, due to plunge in international prices of raw materials, induced by continuous decline of global oil prices from Jan. 2014 through Jan. 2016; phenomenal 50% growth of profits of gas stations, despite revenue decline on slump of oil prices; increase of the number of gas stations to 105; inclusion, as the only textile company, into top 5%, or 41 companies, among public companies in 2015 corporate governance evaluation by Taiwan Stock Exchange, with award being granted in June,2016.

2016 Declaration by president Hsie Shih-ming again to push "Industry 4.0" and cut failure costs in Jan.; cooperation with National Yunlin University of Science and Technology in holding 160-hour education and training courses on programmable control PLC/human-machine interface (HMI) for Industry 4.0, attended by 60 staffers; promoting president Hsie Shih-ming to be vice chairman; publication of "2015 CSR report," as an established practice every year; inclusion of gas stations in the coverage of verification, elevation to first-type AA1000 medium assurance; granting by third party of twoA+ for long-term credit rating and twoA-1 for short-term credit rating, with a stable long-term outlook; contract with renowned U.S. brand Gore for cooperative production of high-end

waterproof moisture-permeable laminating grey fabric, ceremony for inauguration of “Bumblebee plant”, constructed under "Bumblebee" project, at the end of August; completion and inauguration of 2nd-phase facility of tire cord plant of Dong Nai subsidiary with annual capacity of 12,000 tons in Sept.; granting by the Ministry of Labor of certificate for passage of corporate evaluation for TTQS (talent quality management system) in Oct.; change of corporate charter, as well as corporate representatives, directors, installation of supervisors, and registration items, by Long An and Dong Nai subsidiaries, according to corporate law of Vietnam, followed by issuance of new corporate license in Oct. and Dec.; continuing R&D on waterless, non-water plazma repellent environment-friendly process, acquisition of new-type patent for Intelligent temperature control apparel.

- 2017 Adoption of multiple austerity measures and intensification of global marketing, amid jittery global economic and financial situation, caused by two interest-rate hikes by the U.S. Federal Reserve Board, in Dec. 2016 and March 2017, respectively, triggering an interest-rate rising cycle, however, interest-rate fall twice since 2019 and the new economic policy and "America First" approach of U.S. President Donald Trump, who swore into office in Jan.; promotion of Lee Ming-chang to be the executive vice president, from the original post of vice president of 1st business group; increase of personnel cost, due to the implementation of five-day workweek scheme; setup of Public More International Company Ltd., with paid-in capital of NT\$5 million, for engagement in manpower business, as a 100%-owned subsidiary of Formosa Development Co., Ltd., a subsidiary of the company; change of corporate charter and representative of corporate investors, institution of supervisors, and revision of corporate registration, before issuance of new corporate license in March; approval for liquidation of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. in April, for limited commission income from transshipment business; institution of auditing committee, in place of original supervisors, in June; closure of steel coil processing plant for production of umbrella ribs of Zhongshan subsidiary in Oct., due to lackluster performance resulting from acute competition; appointment of Lee Ming-change as president, from original post of executive vice president, by the board of directors; debut by Taipei branch of Intelligent temperature control clothes on Dec. 15, The highlights are active, filler free, safe and comfortable, with conductive materials whose temperature can be adjusted via Bluetooth technology and mobile-phone APP to achieve the optional temperature control warmth effect arrival at market in Feb. 2019, following adoption by U.S. fashion brand Ralph Lauren, acquisition of the patent in July; reception of "best trade contribution award" and "award for contribution to the exploration of major overseas emerging markets" for the textile category of the 2017 "Awards for Excellent Trading Businesses," granted by the Ministry of Economic Affairs in Sept., 2019.
- 2018 Stationing of two contracted physicians, one in occupational medicine and the other in general medicine, at Douliu plant premises from Jan., seven times for 3-hour stay each a month, offering employees free medical consulting and service for arranging outpatient treatment at hospitals; price hikes for raw materials, energy, transportation, some merchandises, and pays, following bottoming out of global oil prices in Jan. 2016,

jacking up costs; further revision of Labor Standards Law in March, giving management more leeway in work schedule of employees; installation of new dyeing and finishing capacity at 12 million yards/year by Long An subsidiary in Vietnam, with test run in March; change of internal audit supervisor by Board of directors in March; Initiation of trade talks between the U.S. and major trade partners since March 2018, overwhelming global trade and indirectly affected exchange rates worldwide; phase 1 trade agreement signed between the U.S. and China in Jan., 2020; dedication of the company to consolidation of supply chain; approval of land transaction of 26,047 square meter at Dounan Township, Yunlin County in March, amounted to NT\$ 418,400 thousand, and another 51,533.3 square meter in May sold to unrelated parties, amounted to NT\$ 810,510 thousand; passage of selling the share of Formosa Advanced Technologies Co., Ltd., less than 84,022,000 shares, through block trade by the board of directors in July; dispatch of eight staffers to attend AI technology training program, held by Taiwan AI Academy, from Aug. through Dec., completing 384 hours/person of courses; acquisition of two certificates IATF ~15~ 16949.2016 and ISO 9001.2015 by Taiwan plant premises of tire core business division in Sept., after passing the IATF 16949.2016 certification for auto quality management system, which covers ISO 9001, by SGS Taiwan; reshuffle of CSR committee in Sept., overseeing 23 theme sections, including climate change CDP (carbon disclosure project) and greenhouse-gas inventory; execution by Taiwan head plant and overseas plants of water conservation measures, including reduction of water consumption per product, institution of separate sewer system, cut on water supply, water recycling, and water regeneration; investment of NT\$120 million in ultra-filtration water recycling system and reuse of recycled water from weaving waste water reaching 212 tons/year, attaining 20% water-conservation target for 2018; change of presidents in Long An and Dong Nai subsidiaries, and 2 subsidiaries in Hong Kong from Oct. to Dec.; as for air-pollution abatement, investment of NT\$19.5 million during 2016 through 2018 for purchase RTO (regenerative thermal oxidizer) equipment, boosting VOCs (volatile organize compounds) handling rate to 90%, investment of NT\$84 million for purchase of denitration control equipment for SCR (selective catalytic reduction) for the two sets of combined heat and power systems, slashing NOx (nitrogen oxides) emission by 72%; substitution of natural gas for pyrolysis low-sulfur fuel oil for dip-dryer at 2nd plant premises and investment of NT\$30.38 million for renovation of equipment heating systems and installation of natural-gas pipelines, thereby slashing SOx (sulfur oxides) emission by 83%; increase of the number of gas stations to 106; good results of the company in CDP questionnaire for 2018 revealed in Jan., 2019, including B for management, A for scope-3 emission (figures certified by SGS), A for value-chain participation, and A- for participation of suppliers in related issues; ranked 2<sup>nd</sup> grade, or among best 6-20%, among 1,554 companies including 868 listed companies and 686 over-the-counter (OTC) companies subject to corporate-governance evaluation by Taiwan Stock Exchange, announced in April, 2020; reception of "certification mark of top 500 excellent exporters/importers of 2018," granted by the Bureau of Foreign Trade in Oct., 2019.

2019 Application for dissolution of subsidiary F. T. C. America Corp.; approval of increment

of 4.5 million US dollars invested in FG INC via the investment structure by the board of directors in March, 2019; installation of first supervisor of corporate governance in May; selection by Taiwan Index Plus Corp. as a constituent stock of Taiwan Sustainability Index in Dec. 2018; reception of two Taiwan Sustainability Index labels in April 2019; acquisition of 4 patents from May to November, respectively, smart temperature-control fabric, which is better than the utility model patent in 2016, mechanical stretch fabric, multi-sectional weave fabrics, stereoscopic fabrics with special patterns and tactile texture produced by an eco-friendly non-dye); publication of 2018 CSR report in English in Sep.; operation of solar panels installed in Long An Subsidiary in Sep.; termination of supplying single-use cups, bottles and chopsticks made of plastic and bamboo at Plants such as meeting rooms, staff's dining room to reduce the plastic waste from Nov., 2019; disposal of shareholding of Formosa Advanced Technologies Co., Ltd. to 30.68% on 16 Dec, 2019 and turned it into investment company in the consolidated financial report since the end of 2019; installation of new dyeing and finishing equipment with annual capacity of 12 million yards by Long An subsidiary in Vietnam, scheduled for inauguration in batches by the end of the year; [A-] for carbon and water disclosure of the company in CDP questionnaire for 2019 announced in Jan., 2020.

2020 In January, Zhong Shan Plant passed the ISO: 9001:2015; global status was greatly hit by Covid-19 from January including the hygiene and safety, the economy, supply chain, stock markets, rates, prices, travel, public gatherings from January; none of the Company's employees of nearly 8,000 (including overseas subsidiaries) were infected; drop in sales from Q2 resulted from the occasional closure and limit of some clothing shops of end customers but gradually revive; essential measures such as the offering of face masks to the staff, the measurement of forehead temperature before getting into the plants, the limit on business travel, and implementation of isolation and triage measures at Taipei office, taken to prevent employees from being infected with the disease; dedication of the company to consolidation of supply chain and expansion and market of the clothing for medical use; remodeling of 12 dyeing machine and 2 impregnation equipment in the dyeing Plant of Taiwan to covert fuel oil to natural gas for cutting carbon emissions; installation of 2,170 meter underground gas pipelines connected to gas pipeline metering stations outside the plant, scheduled for operation in batches in Feb., 2020; approval of cash capital increase in Schoeller Textil AG, amounted to fr.3.958 ten million, in Oct., 2019, invested funds (exchange rate 1:32.4787) in March, 2020 with 50% of its shareholdings; transfer 50% equity interest of Schoeller F.T.C. (Hong Kong) Co., Ltd. to the original joint venture for operation; interest rate cut twice by FED, amounted to 1.5%, later followed by many nations, which pushed real interest rate to the stage of zero to negative; the revision of the boom and the lower raw material prices resulted from the drop in the demands of staple merchandise and global petrol prices due to the worsening pandemic and the order to stay home in February; appreciation of U.S dollars, however in March, for hedge effect, but followed by the depreciation lasting to the next year for quantitative easing in combat with the pandemic, leading to the rise in the global prices and disadvantage in the exchange rate, affecting the globe; plan for investment of NT\$150 million in RTO (regenerative thermal oxidizer) equipment in 2019, leading to

reuse of 2.4 million tons/year of recycled water from dyeing and finishing waste water, which may save the water usage of dyeing and finishing in 3 plants and scheduled for the operation in April; due to the installation of the UFRO system, the amount of reclaimed water was 2,644,312 tons in 2019, an increase of 30.2% compared with 2018, and the amount of reclaimed water was 2,976,441 tons in 2020, an increase of 12.56 compared with 2019; inventory of greenhouse gas (GHG) emission of 106 gas stations and verification of the third party in May, collect and disclose the data of carbon emissions of 2019, accounted for 0.58% carbon emissions of Taiwan Plants; dissolution of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd in July; elected as the constituent of TWSE RA Taiwan Employment Creation 99 Index in July; acquisition of two patents (Smart Clothing and Sandwich Fabric with Multi-Layered Pockets) in Taiwan respectively in April and October; A+ Smart Thermal Technology awarded by the Taiwan Outdoor Group (TOG) in Oct.; dissolution of Formosa Taffeta (Cayman) Co., Ltd. in Nov.; Taiwan Plant II awarded as the best enterprises of carbon emissions reduction in Nov., showing the Company's commitment to reducing carbon emissions; selected as "A-" (leadership) on climate change and "A," the highest honor on water security, published by CDP in Dec.; disclosure of climate-related financial impacts for the development of sustainability and low carbon emissions.

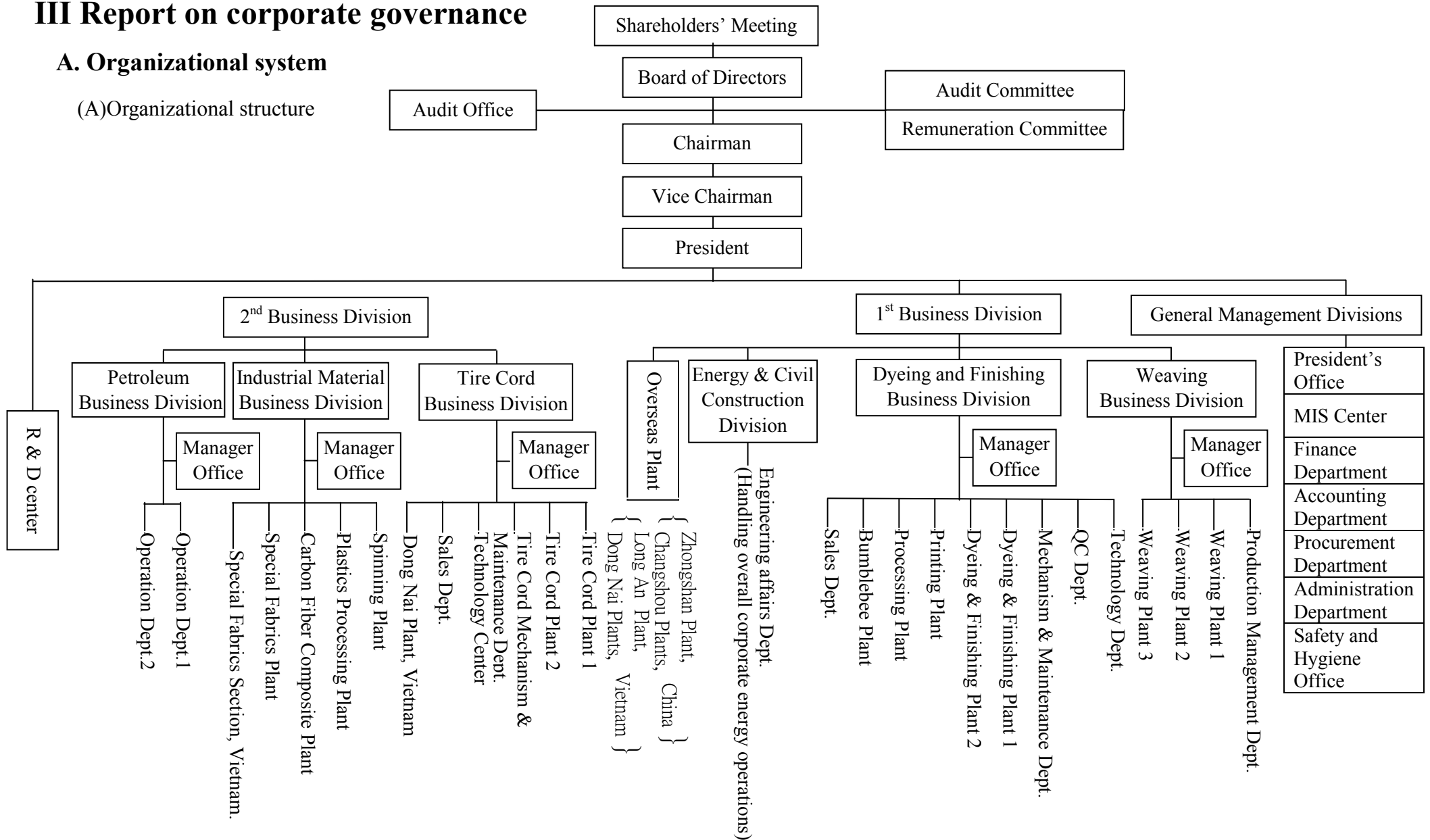
- 2021 Resolution to change the Chief Internal Auditor at the meeting of board of directors in March; installation of 2.6 MW of solar power in Taiwan Plant in May, and additional installation of 1,750KW of solar power in Long An Plant.

# Organizational chart of Formosa Taffeta Co., Ltd.

## III Report on corporate governance

### A. Organizational system

(A)Organizational structure



(B) Main businesses of all segments and divisions:

- 1<sup>st</sup> Business Segment: dyeing, finishing, printing, and back-end processing of woven fabrics made of chemical filament; governance of Weaving Division, D & F Division, Guangdong China Plants and Jiangsu China Plants, Vietnam Long-an Plants, Vietnam Dong-nai Plants, Taipei Office, Hong Kong Subsidiary, and HCM City Branch, etc. Main products include polyamine fabrics, polyester fabrics, international branded sports fabrics, and fabrics with rich functions, Medical fabrics.
- Tire Cord Division of the 2nd Business Segment: manufacture of tire cord fabric, base cloths of conveyor ducks, chafers for tire-lips, anti-puncture fabric for bikes, lining fabric, etc.; governance of Tire Cord Plant in Dong-nai, Vietnam.
- Industrial Material Division of the 2nd Business Segment: manufacture of cotton yarn, blended yarn, MVS yarn, nano far infrared ray fiber, nano anion fiber, Germanium fiber, fine diner fiber, hollow section insulation fiber, low-pilling fiber, functional fiber, comfort fiber, eco-friendly fiber, protective fiber, flame resistance fabric, protective fabrics of uniforms for military, Military, police, firefighter protective fabrics, Medical protective antibacterial fabrics, bullet proof fabric, anti-puncture fabric, carbon fiber fabrics, prepreg for materials of shells of notebooks and cellphones, bikes, and golf clubs, carbon fiber fabrics for autos, pipeline reinforcement jackets, PE plastic bags, etc.
- The Petroleum Business Division of the 2nd Business Segment: operation of gasoline stations; offers of petroleum, diesel, lubricant, car appliances and service of car washing.

**B. Data on directors, president, vice presidents, deputy assistant vice presidents, and chiefs of various divisions and branches**

(A) Data on directors

April 27, 2021

Title (note 1)	Nationality/place of incorporation	Name	Gender	Date of election (appoint ment)	Tenure (Years)	Date of first election (note 2)	Shareholding on election for office		Existing shareholding		spouse & minor shareholding		Shareholding in others' names		Experience (education) (note 3)	Director's Current Position in FTC and Other Companies	Spouse or relatives within second kinship who are also chief, director, of the company			note 4
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Chairman	R O C	Wong, Wen-yuan, Formosa Chemicals & Fibre Corp.	Male	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Master, industrial engineering, University of Houston	Chairman, Formosa Chemicals & Fibre Corp. and Formosa Advanced Technologies, chairman, the Chinese National Federation of Industries	Nil	Nil	Nil	
						1992. 9.17	0	0	0	0	8,777	0	0	0						

Title (note1)	Nationality/place of incorporation	Name	Gender	Date of election (appointment)	Tenure (Years)	Date of first election (note 2)	Shareholding on election for office		Existing shareholdin g		spouse & minor shareholding		Shareholding in others' names		Experience (education) (note 3)	Director's Current Position in FTC and Other Companies	Spouse or relatives within second kinship who are also chief, director, of the company			note 4
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Vice chairm an	R O C	Hsie, Shih-ming, Keyford Development Co., Ltd.	Male	2020. 6.19	3	2008. 6.27	113,000	0.01	113,000	0.01	0	0	0	0	Bachelor, National Taipei University of Technology	Vice chairman, Formosa Advanced Technologies Co., Ltd.	Direct or	Hsieh Ming -Der	Father- son	
						1973. 3.16	143,000	0.01	143,000	0.01	15,000	0	0	0						
Standing director and independ ent director	R O C	Lin, Sheng- chung	Male	2020. 6.19	3	2020. 6.19	0	0	0	0	0	0	0	0	Master in Economics, National Taiwan University, Director of CPC Corporation, Taiwan, Deputy Minister & Vice Minister of Ministry of Economic Affairs.	Independent director of SWANCOR Independent director of Kenda Industrial Co., Ltd. Consultant of Chinese National Association of Industry and Commerce, Taiwan	Nil	Nil	Nil	
Independent director	R O C	Kuo, Nein- hsiung	Male	2020. 6.19	3	2020. 6.19	0	0	0	0	0	0	0	0	Master in Urban Planning, National Chung Hsing University, President of Taiwan Land Development Corp. & China Development Asset Management Corp. Deputy Director- General of Industrial Development Bureau, Ministry of Economic Affairs	Director of Taiwan Puritic Corp. Supervisor of Taiwan Innovation Development Corp.	Nil	Nil	Nil	

Title (note1)	Nationality/place of incorporation	Name	Gender	Date of election (appoint ment)	Tenure (Years)	Date of first election (note 2)	Shareholding on election for office		Existing shareholding		spouse & minor shareholding		Shareholding in others' names		Experience (education) (note 3)	Director's Current Position in FTC and Other Companies	Spouse or relatives within second kinship who are also chief, director, of the company			note 4
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Independe nt director	R O C	Kuo Chia-chi	Female	2020. 6.19	3	2015. 6.26	3,000	0	3,000	0	0	0	0	0	Department of Accounting, National Taiwan University	CPA at Kuo Chia- chi Accounting Firm, independent director of FBT, supervisor of Zongtai Real Estate Development Co., Ltd.	Nil	Nil	Nil	
Director	R O C	Hong Fu-yuan, Formosa Chemicals & Fibre Corp.	Male	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Chemical Engineering, Chung Yuan Christian University	Vice chairman, Formosa Chemicals & Fibre Corp	Nil	Nil	Nil	
						2005. 6.17	0	0	0	0	0	0	0	0						
Director	R O C	Lu, Wen-Chin Formosa Chemicals & Fibre Corp.	Male	2020. 6.19	3	1973 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Chemical Engineering, Tatung Institute of Technology	President , Formosa Chemicals & Fibre Corp	Nil	Nil	Nil	
						2019. 11.8	0	0	0	0	0	0	0	0						
Director	R O C	Lee, Ming-chang, Formosa Chemicals & Fibre Corp.	Male	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Textile Engineering, Feng Chia University	President of the company, Formosa Taffeta Long An, and Formosa Taffeta Dong Nai, and director of Quang Viet Enterprise	Nil	Nil	Nil	
						2002. 6.14	281,538	0.02	281,538	0.02	0	0	0	0						
Director	R O C	Tsai, Tien-shuan, Formosa Chemicals & Fibre Corp.	Male	2020. 6.19	3	1973. 3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Textile Engineering, Feng Chia University	Senior vice president of the company	Nil	Nil	Nil	
						2008. 6.27	75,000	0	75,000	0	49,000	0	0	0						
Director	R O C	Lee Man-chun, Lai Shu-wang Foundation	Male	2020. 6.19	3	1990. 5.4	4,151,942	0.25	4,151,942	0.25	0	0	0	0	Master, Gradual School of Accounting, National Chengchi University	CPA, Lee Man-chun Accounting Firm	Nil	Nil	Nil	
						1998. 3.31	0	0	0	0	0	0	0	0						
Director	R O C	Hsieh Ming-der	Male	2020. 6.19	3	2011. 6.28	15,548,068	0.92	15,548,068	0.92	4,769,969	0.28	0	0	Department of Machinery, Taipei City University of Science & Technology	Chairman, Yu Yuang Textile Co., Ltd.	Vice chair man	Hsie Shih- ming	Father- son	

- Note 1: List the names of institutional shareholders and their representatives separately (for representatives of institutional shareholders, specify the names of the latter) and fill in table 1 below.
- Note 2: Fill in the date for directors or supervisors to assume the office for the first time and specify the existence of suspension for the job, if any.
- (1) Mr. Hsieh Shih-ming served as the company's director on March 16, 1993 before being designated by institutional director Keyford Development Co., LTD. as its representative for the seat.
  - (2) Mr. Hong Fu-yuan was designated by institutional supervisor Formosa Chemicals & Fibre Corp. as its representative for the seat on June 17, 2005 before being designated by the latter as its representative for its seat as a director.
  - (3) Mr. Lu, Wen-Chin was appointed as the director representative by the legal person director Formosa Chemicals & Fibre Corp. on November 8, 2019
  - (4) Mr. Lee Ming-chang served as the company's director on June 14, 2002 before being designated by institutional director Formosa Chemicals & Fibre Corp. as its representative for the seat on June 26, 2014.
  - (5) Mr. Tsai Tien-shuan served as the company's director on June 27, 2008 before being designated by institutional director Formosa Chemicals & Fibre Corp. as its representative for the seat on June 28, 2011.
  - (6) Mr. Lee Man-chun was designated by Lai Shu-wang Foundation as its representative for its seat as a institutional director on March 31, 1998, then for its seat as a institutional supervisor on June 27, 1998, and for its seat as a institutional director again on June 23, 2017.
- Note 3: If experience related to current position includes the positions at the auditing accounting firm or its affiliates during the aforementioned period, specify the title and responsibilities of the positions.
- Note 4: The Chairman of the Company and the General Manager or equivalent (the top manager) are the same person, spouse or relative within first degree of kinship thereof, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and more than half of the directors shall not concurrently serve as employees or managers, etc.)

Table 1: Major shareholders of institutional shareholders

April 27, 2021

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders(note 2)
Formosa Chemicals & Fibre Corp	Chang Gung Medical Foundation (18.58%), Chingdwell International Investment Corp. (6.35%), Vason International Investment Co.,Ltd. (3.80%), Formosa Plastics Corp. (3.39%), Nan Ya Plastics Corp. (2.40%), Wong Wen-yuan (2.20%), Fubon Life Insurance Company Limited (2.06%), Consolidated Power Development Corp. (1.63%), Standard Chartered Bank (Taiwan)Ltd In Custody for Genesis Equity Group Inc. (1.50%), and HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp. (1.41%)
Keyford Development Co., Ltd.	Ho Chen-fang (1.67%), Hsieh Hsiu-li (1.67%), Hsieh Ying-chan (1.67%), Hsieh Ming-der (10%), Hsieh Ming-ta (1.67%), Keyfore Industrial Holding Limited (83.32)
Lai Shu-wang Foundation	Lai Ming-hsiung, Lai Ming-tsung, Chen Yi-li, Chen Shu-chen, Lin Pei-yuan, Tsai Wei-tsung, Chen Shu-chu, Hsu Yi-nan, Lee Man-chun

Note 1: For directors who are representatives of institutional shareholders, specify the names of the institutional shareholders.

Note 2: Specify the major shareholders of institutional shareholders (top 10 in terms of shareholding) and the percentages of their shareholdings, and fill in table 2 below, if major shareholders are institutional shareholders.

Table 2: Major shareholders of major institutional shareholders in table 1

April 27, 2021

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders (note 2)
Chang Gung Medical Foundation (note 5)	Nan Ya Plastics Corp. (19.51%), Formosa Chemicals & Fibre Corp. (15.02%), Formosa Plastics Corp. (14.41%), Wang Yung-tsai (12.19%), Wang Yung-ching (7.97%)
Chingdwell International Investment Corp.	Everred Corporate, Inc.(100%)
Vason International Investment Corp.	Landmark Capital Holdings Inc.(100%)
Formosa Plastics Corp.	Chang Gung Medical Foundation (9.44%), Formosa Chemicals & Fibre Corp. (7.65%), Standard Chartered Bank (Taiwan) in custody for an investment account of Credit Suisse (Singapore) (6.26%), Nan Ya Plastics Corp. (4.63%), Chingdwell International Investment Corp. (4.16%), Vason International Investment Corp. (3.05%), Formosa Petrochemical Corp. (2.07%), Fubon Life Insurance Co., Ltd. (1.74%), Citibank Taiwan in custody of Singaporean government foundation account (1.56%), and New Labor Pension Fund (1.52%)
Nan Ya Plastics Corp.	Chang Gung Medical Foundation (11.05%), Formosa Plastics Corp. (9.88%), Formosa Chemicals & Fibre Corp. (5.21%), Chang Gung University (4.00%), Vason International Investment Corp. (2.39%), Formosa Petrochemical Corp. (2.26%), Chingdwell International Investment Corp. (1.86%), An investment account of the LGT Singapore under the custody of Standard Chartered International Commercial Bank's Business Department (1.51%), an investment account under the custody of Citibank Taiwan (1.43%), Standard Chartered Bank (Taiwan) in custody for an investment account of Credit Suisse (Singapore) (1.20%)
Fubon Life Insurance Company Limited	Fubon Financial Holdings (100%)
Consolidated Power Development Corp., Ltd.	Cabo de Roca Corporation(100%)
Standard Chartered Bank (Taiwan) in custody for Genesis Equity Group Inc.	Investment account
HSBC Bank (Taiwan) Limited in custody for Consolidated Power Development Corp.	Investment account
Keyford Industrial Holding Limited	Keyford Industrial Fund(100%)

Note 1: Similar to table 1, if major shareholders are institutional shareholders, fill in the names of the institutional shareholders.

Note 2: Specify the major shareholders of institutional shareholders (top 10 in terms of shareholding) and the percentages of their shareholdings.

Note 3: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation

Note 4: Donation rate is calculated on the basis of the accumulated donation amount in past years and value of donated stocks is calculated according to face value.

Note 5: Donation share for Chang Gung Medical Foundation is calculated on the basis of the accumulated donation amount as of Dec. 31, 2020.

## Professional qualifications and independence analysis of directors

April 27, 2021

Criteria  Names (note 1)	Meet One of the Following Professional Qualification Requirements, together with at Least Five Years Work Experience			Independence Criteria (note 2)												Number of concurrent positions as independent directors of other companies with public share offering
	Instructor or higher teaching positions in commerce, judicial affairs, finance, accounting, or other fields related to the company's business at public or private colleges	Judge, prosecutor, attorney at law, certified public accountant, or other licensed professionals and technicians with passage of national examination in fields related to the company's business	working experience in commerce, judicial affairs, finance, accounting, or other fields related to the company's business	1	2	3	4	5	6	7	8	9	10	11	12	
Wong, wen-yuan, Formosa Chemicals & Fibre Corp.			V	V		V	V		V	V	V	V	V	V		0
Hsie, Shih-ming, Keyford Development Co., Ltd.			V			V	V		V	V	V	V		V		0
Lin, Sheng-chung, independent director			V	V	V	V	V	V	V	V	V	V	V	V	V	2
Kuo, Nein-hsiung, independent director			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Kuo, Chia-chi, independent director		V	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Hong, Fu-yuan, Formosa Chemicals & Fibre Corp.			V			V	V		V	V	V	V	V	V		0
Lu, Wen-Chin Formosa Chemicals & Fibre Corp.			V			V	V		V	V	V	V	V	V		0
Lee, Ming-chang, Formosa Chemicals & Fibre Corp.			V			V	V	V	V	V	V	V	V	V		0
Tsai, Tien-shuan, Formosa Chemicals & Fibre Corp.			V			V	V	V	V	V	V	V	V	V		0
Lee, Man-chun, Lai Shu-wang Foundation		V	V	V	V	V	V	V	V	V	V	V	V	V		0
Hsieh, Ming-der			V	V	V				V	V	V	V		V	V	0

Note 1: The number of columns can be adjusted, according to the actual situation

Note 2: For directors meeting the following conditions in the two years before assuming the post and during the tenure, please mark "✓" in the blank space below the code number of various conditions:

- (1) not an employee of the company and affiliates;
- (2) not a director or supervisor of the Company or its affiliates (however, this restriction does not apply to the person who serves as the independent director concurrently in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located).
- (3) not a person owning more than 1% of the company's shares in circulation in the name of himself/herself, his/her spouse, children before the age of majority, or others, or among the top 10 natural-person shareholders;
- (4) Managers not listed in (1), or listed in (2), (3) not spouse, relatives within second kinship, or di-rect-blood relatives within third kinship ;
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or a corporate shareholder ranking among the top five in shareholdings, or a corporate shareholder that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (however, this restriction does not apply to the person who serves as the independent director concurrently in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located).
- (6) Not a director, independent director, or employee of other company which a majority of that other company's director seats or voting shares are controlled by the same person. (however, this restriction does not apply to the person who serves as the independent director concurrently in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located)
- (7) Not a director, supervisor, or employee of other company or institution who is the same person as, or the spouse of, the chairperson, general manager or personnel holding an equivalent position of the Company (however, this restriction does not apply to the person who serves as the independent director concurrently in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located)
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company. (However, this restriction does not apply to the specific company or institution holding more than 20% of the total issued shares of the Company, but not more than 50%, and independent director who concurrently serve in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, manager

and spouse of a sole proprietorship, partnership, company, or institution, that provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation less than NT\$500,000. Provided, this restriction does not apply to members of the Remuneration Committee, public acquisition review committee, or special committee for M&A, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

- (10) Not a spouse or a relative within second kinship of other directors;
- (11) Without one of the situations listed in article 30 of the Company Act
- (12) Not elected as a representative of the government, judicial person, or other institutions according to article 27 of the Company Act.

Note 3: Independent director Lin, Sheng-chung is also the independent director of SWANCOR and Kenda Industrial Co., Ltd..

Independent director Kuo, Nein-hsiung is also the director of Taiwan Puritic Corp. and supervisor of Taiwan Innovation Development Corp.

Independent director Kuo Chia-chi is also the independent director of Fine Blanking & Tool Co., Ltd., as well as director of Zongtai Real Estate Development Co., Ltd.

(B) Diversification policy for membership of the board of directors

The Board of the Company consists of 11 directors with diversified backgrounds, professional capabilities, and operating experience in business management, leadership, decision-making, industrial knowledge, international knowledge, accounting analysis, and legal background. 1 director in the Board is female, which accounts for 9.1% of the Board; there are 3 independent directors, accounting for 27.3% of the Board, of which 2 independent directors have a term of less than 1 year. There are 5 directors who serve as managers in other professional fields, accounting for 45.5% of the Board. The Board of Directors implements the policy of member diversity as follows:

Name	Nationality	Gender	Management/professional background and management/decision making capability					
			Management and administration	Leadership and decision making	Industrial knowledge	International knowledge	Financial/accounting analysis.	Law
Wong, Wen-yuan Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Hsieh, Shih-ming Keyford Development Co., Ltd.	ROC	Male	V	V	V	V		
Lin, Sheng-chung, independent director	ROC	Male	V	V	V	V		
Kuo, Nein-hsiung, independent director	ROC	Male	V	V	V	V		
Kuo, Chia-chi, Independent director	ROC	Female	V	V	V	V	V	
Hong, Fu-yuan Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lu, Wen-Chin, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lee, Ming-chang, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Tsai, Tien-shuan, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lee, Man-chun, Lai Shu-wang Foundation	ROC	Male	V	V	V	V	V	
Hsieh, Ming-der	ROC	Male	V	V	V	V		

## (C) Management Team

April 27, 2021

Title (note 1)	Nationality	Name	Gender	Date of election	Shareholding		spouse and minor Shareholding		Shareholding in others' names		Experience (education) (note 2)	Other Positions Concurrent	Managers who are Spouses or Within Two Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relation
President	ROC	Lee Ming-chang	Male	2017.11.09	281,538	0.02	-	-	-	-	Department of Textile Engineering, Feng Chia University	Chairman of Formosa Taffeta Long An, and Formosa Taffeta Dong Nai, and director of Quang Viet Enterprise	Nil	Nil	Nil
Senior Vice President of the second business segment	ROC	Tsai Tien-shuan	Male	2018.10.01	75,000	-	49,000	-	-	-	Department of Textile Engineering, Feng Chia University	Nil	Nil	Nil	Nil
Financial Chief Corporate Governance Chief	ROC	Cheng Hung-ning	Male	2018.11.02 2019.05.03	-	-	-	-	-	-	Department of Business Administration, Chinese Culture Univeristy	Nil	Nil	Nil	Nil
Accounting Chief	ROC	Lee Shu-ming	Male	2018.11.02	6,507	-	-	-	-	-	Department of Accounting, Feng Chia University	Nil	Nil	Nil	Nil
Manager, R&D Center	ROC	Liu Fang-jong	Male	2018.02.01	-	-	-	-	-	-	Textile section, Nan Ya Institute of Technology	Nil	Nil	Nil	Nil
Assistant Vice President of the first business segment	ROC	Lee, Jian-Kuan	Male	2020.09.21	-	-	-	-	-	-	Department of Public Administration, National Chung Hsing University	Nil	Nil	Nil	Nil

Title (note 1)	Nationality	Name	Gender	Date of election	Shareholding		spouse and minor Shareholding		Shareholding in others' names		Experience (education) (note 2)	Other Positions Concurrent	Managers who are Spouses or Within Two Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relation
Division Manager of Dyeing and Finishing Business Division	ROC	Lin, Hung-Mung	Male	2018.10.01	-	-	-	-	-	-	Chemical Engineering section, Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil
Manager, Weaving Business Divison	ROC	Hsu, Chung-Fa	Male	2018.10.01	-	-	-	-	-	-	Department of Textile Engineering, Feng Chia University	Nil	Nil	Nil	Nil
Manager, Engineering & Civil	ROC	Chang Yung-chiao	Male	2007.06.01	50	-	22,651	-	-	-	Electrical engineering section, Electric Provincial Taipei	Nil	Nil	Nil	Nil
Assistant Vice President, 2 <sup>nd</sup> Business	ROC	Chen Kun-yuan	Male	2018.10.01	-	-	-	-	-	-	Textile section, Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil
Manager, Petroleum Division	ROC	Chang Hung-chi	Male	2016.11.25	5,000	-	-	-	-	-	Department of Business Administration, Tunghai University	Nil	Nil	Nil	Nil
Manager, Tire Cord Division	ROC	Chao Wen-hong	Male	2017.04.01	-	-	-	-	-	-	Department of chemical engineering, Mational Central University	Nil	Nil	Nil	Nil
Manager, Industrial Material Division	ROC	Chan Chin-Shun	Male	2019.05.21	-	-	-	-	-	-	Bachelor of Textile Engineering, , Feng Chia University	Nil	Nil	Nil	Nil

Note 1: Disclosure should cover data on president, vice presidents, assistant vice presidents, or chiefs of various divisions and branches, as well as others with equivalent positions.

Note 2: If experience related to current positions includes the positions at the auditing accounting firm or its affiliates during the aforementioned

period, specify the title and responsibilities of the positions.

Note 3: The Chairman of the Company and the General Manager or equivalent (the top manager) are the same person, spouse or relative within first degree of kinship thereof, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and more than half of the directors shall not concurrently serve as employees or managers, etc.)

Note 4: The stock ratio column is "-", indicating that the shareholding ratio is less than 0.01%.

Note 5: The aforementioned disclosures cover mainly those with management responsibilities and right of signature in the company.

## C.Compensations for general directors, independent directors, president, and vice presidents in the recent year

(A)The company disclosure in the form of pay range and names of payees

### 1. Compensations for general directors, independent directors

Unit: NT\$1,000; Dec. 31, 2020

Title		Names (note 1)	Compensations for directors								Share of the total of A, B, C, and D in after-tax net profit(note 10)		Collection of related compensations by part-time employees								Share of the total of A, B, C, D, E,F, and G in total after-tax net profit (Note 10)		Collection or not compensations from invested companies other than subsidiaries(note 11)
			Compensations (A)(note		Retirement fund (B)		Compensations for directors (C)(note 3)		Business execution fees (D)(note 4)				Salary, bonus, and special allowance (E)(note 5)		Retirement fund (F)		Employee compensation (G)(note 6)						
			The company	All the companies in financial statement (note 7)	The company	All the companies in financial statement (note 7)	The company	All the companies in financial statement (note 7)	The company	All the companies in financial statement (note 7)	The company	All the companies in financial statement (note 7)	The company	All the companies in financial statement (note 7)	The company	All the companies in financial statement (note 7)	Cash amount	Stock amount	Cash amount	Stock amount	The company	All the companies in financial statement (note 7)	
Directors	Chairman	Wong, Wen-yuan Formosa Chemicals & Fibre Corp.	0	0	0	0	2,197	2,197	480	490	0.1277%	0.1282%	43,922	43,922	0	0	3	0	3	0	2.2239%	2.2243%	49,133
	Vice chairman	Hsieh, Shih-ming Keyford Dpt Co., Ltd.																					
	Director	Hong, Fu-yuan, Formosa Chemicals & Fibre Corp.																					
	Director	Lu, wen-Chin Formosa Chemicals & Fibre Corp.																					
	Director	Lee, Ming-chang Formosa Chemicals & Fibre Corp.																					
	Director	Tsai, Tien-shuan, Formosa Chemicals & Fibre Corp.																					
	Director	Lee, Man-chun Lai Shu-wang's Foundation																					
Independent Directors	Director	Hsieh, Ming-Der	3,600	3,600	0	0	0	0	440	440	0.1928%	0.1928%	0	0	0	0	0	0	0	0	0.1928%	0.1928%	3,480
	Standing director (note)	Lin, Sheng-chung																					
	Independent director(note)	Kuo, Nein-hsiung																					
	Independent director	Kuo, Chia-chi																					
	Standing director (note)	Cheng, Yu																					
	Independent director (note)	Wang, Kung																					

Note: After the re-election of board of directors held on June 19, 2020, Cheng, Yu and Wang, Kung was replaced by Lin, Sheng-chung and Kuo, Nein-hsiung.

- Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.: The Company allocated 0.1% of the pre-tax profit before deduction of employees and directors' compensation for 2020 as directors' compensation, and the amount of provision was NT\$2,196,814. The independent directors' remuneration is based on a fixed payment system. The main consideration is to maintain their independence and to play a supervisory role. The fixed annual remuneration for independent directors is NT\$1.2 million, and allowance of NT\$10,000 is paid each time according to the attendance of meetings. In order to enable independent directors to fully exercise their powers, independent directors' liability insurance has been insured to ease the work pressure of directors. In addition, the Company has stipulated the "Rules of Independent Directors' Duties", such as independent directors' monthly review of internal audit reports and financial communication with attesting CPA. For details of the meeting attendance of independent directors, please refer to the "Operational Situation of the Board of Directors", "Operational Situation of the Audit Committee" and "Operational Situation of the Remuneration Committee".
- Collection of compensations by directors for provision of services to any of the companies in the financial statement in the recent year, other than those disclosed in the table above (such as consulting for non-employees): nil

\*\* Please list the relevant information of directors (general directors who are not independent directors) and independent directors separately.

Compensations brackets

Compensations brackets for the company's directors	Names of directors (note 12)			
	Total of first four items (A+B+C+D)		Total of first seven items (A+B+C+D+E+F+G)	
	The company (note 8)	All the companies in the financial statement (note 9)	The company (note 8)	Parent company & All the invested companies (Note 9)
Less than NT\$1,000,000	Wong Wen-yuan, Hsieh Shih-ming, Lin, Sheng-chung, Kuo, Nein-hsiung, Cheng Yu, Wang Kung, Hong Fu-yuan, Lu wen-Chin, Lee Ming-chang, Tsai Tien-shuan, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., Ltd., Lai Shu-wang Foundation	Wong Wen-yuan, Hsieh Shih-ming, Lin, Sheng-chung, Kuo, Nein-hsiung, Cheng Yu, Wang Kung, Hong Fu-yuan, Lu wen-Chin, Lee Ming-chang, Tsai Tien-shuan, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., Ltd., Lai Shu-wang Foundation	Wong Wen-yuan, Lin, Sheng-chung, Kuo, Nein-hsiung, Cheng Yu, Wang Kung, Hong Fu-yuan, Lu wen-Chin, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., Ltd., Lai Shu-wang Foundation	Lin, Sheng-chung, Kuo, Nein-hsiung, Wang Kung, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., Ltd., Lai Shu-wang Foundation
NT\$1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Kuo Chia-chi, Formosa Chemicals & Fibre Corp.	Kuo Chia-chi, Formosa Chemicals & Fibre Corp.	Kuo Chia-chi, Formosa Chemicals & Fibre Corp.	Kuo Chia-chi, Formosa Chemicals & Fibre Corp.
NT\$2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Nil	Nil	Nil	Nil
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Nil	Nil	Nil	Cheng Yu
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Nil	Nil	Lee Ming-chang, Tsai Tien-shuan	Lee Ming-chang, Tsai Tien-shuan
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Nil	Nil	Nil	Lu Wen- Chin
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Nil	Nil	Nil	Wong, Wen-yuan, Hong Fu-yuan
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	Nil	Nil	Hsieh Shih-ming	Hsieh Shih-ming
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	Nil	Nil	Nil	Nil
Over NT\$100,000,000	Nil	Nil	Nil	Nil
Total	16	16	16	16

- Note 1: Names of directors should listed separately (in the case of institutional directors, the names of representatives should also be listed); And list general directors and independent directors separately, disclose various payment amounts in summarized form; for directors who also hold the positions of president or vice presidents, fill in the table and tables (3-2-1) or (3-2-2) below.
- Note 2: Refer to compensations for directors in the recent year (including salaries, job-related allowance, severance pay, various bonuses, and incentive pay).
- Note 3: Fill in compensation payouts for directors in the recent year approved by the board of directors.
- Note 4: Refer to business execution fees for directors in the recent year (including transportation fees, special allowances, various fringe benefits, dormitory, and company car). For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations.
- Note 5: Payments collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, or other positions), including salaries, job-related allowances, severance pay, various bonuses, incentive pays, transportation expenses, special allowances, various fringe benefits, dormitory, and company cars. For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations. Salary expenses listed according to share-based payment specified in IFRS2, including share-subscription warrants for employees, employee right for subscription to new shares and participation in cash capital increment, should be included in compensations.
- Note 6: Refer to employee compensations (including shares and cash) collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, and other positions) in the recent year. Disclose plan for payout of employee compensations in the recent year approved by the board of directors. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3.
- Note 7: Disclose the total of all the compensations paid by all the companies in the consolidated financial statement (including the company) to the company's directors.
- Note 8: Disclose the brackets of the total of compensations paid by the company to each director and his/her name.
- Note 9: Disclose the brackets of the total of compensations paid by all the companies in the consolidated financial statement (including the company) to each director of the company and his/her name.
- Note10: After-tax net profit refers to net profit after tax in the most recent Individual or Individual financial report.
- Note11: a. In the column, fill in the value of compensations for directors of the company paid by parent company or invested companies other than subsidiaries. (If there is none, please fill in "None")
- b.If the company's directors collect compensations from parent company or invested companies other than subsidiaries, incorporate the value into column I of compensation brackets and change the name of the column to "parent company and all the invested enterprises."

c. Compensations refer to rewards, pays, and business execution fees paid by parent company or invested companies other than subsidiaries to the company's directors for holding the latter's positions including directors, supervisors, or managers.

Note12: Compensations for the company's 11 directors (including independent directors) are listed separately, since compensations for representatives of institutional directors are collected by institutional directors.

\*Since compensations disclosed in the table are different from the income concept in income tax law, the table is meant for information disclosure, rather than tax levy.

## 2.Compensations for president and vice presidents

Unit: NT\$1,000; Dec. 31, 2020

Title	Name (note 1)	Salary (A) (note 2)		Severance or retirement pay (B)		Incensitive pay and special allowance (C) (note 3)		Value of employee compensations (D) (note 4)				Share of the total of A, B, C, and D in after-tax net profit(%) (note 8)		receive remunerati on from overseas investment in subsidiaries or parent company (Note 9)
		The company	All the companies in the financial statement (note 5)	The company	All the companies in the financial statement note 5)	The company	All the companies in the financial statement (note 5)	The company		All the companies in the financial statement (note 5)		The company	All the companies in the financial statement (note 5)	
								Cash value	Stock value	Cash value	Stock value			
President	Lee Ming-chang	2,689	2,689	0	0	8,364	8,364	2	0	2	0	0.5275	0.5275	420
Senior vice president	Tsai Tien-shuan													

\*Regardless of the title, any position equivalent to the general manager, deputy general manager (for example: president, CEO, director...etc.) should be disclosed.

Compensation  
brackets

Bracket of compensations for the company's president and vice presidents	Names of president and vice presidents	
	The company (note 6)	Parent company and All the invested companies (note 7)
Less than NT\$1,000,000	Nil	Nil
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Nil	Nil
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Nil	Nil
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Nil	Nil
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Lee Ming-chang,Tsai Tien-shuan	Lee Ming-chang,Tsai Tien-shuan
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	Nil	Nil
NT\$15,000,000(inclusive)~NT\$30,000,000 (exclusive)	Nil	Nil
NT\$30,000,000(inclusive)~NT\$50,000,000 (exclusive)	Nil	Nil
NT\$50,000,000(inclusive)~NT\$100,000,000(exclusive)	Nil	Nil
Over NT\$100,000,000	Nil	Nil
Total	2	2

Note 1:Names of president and vice presidents should listed separately; disclose various payment amounts in summarized form; for directors who also hold the positions of president or vice presidents, fill in the table and tables (1-2-1) or (1-2-2) below.

Note 2:Fill in salaries, job-related allowance, and severance pay for president and vice presidents in the recent year.

Note 3:Fill in payments for president and vice presidents in the recent year, including various bonus, incentive pay, transportation expense, special allowance, various fringe benefits, dormitory, and company car. For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations. Salary expenses listed according to share-based payment specified in IFRS2, including share-subscription warrants for employees, employee right for subscription to new shares and participation in cash capital increment, should be included in compensations.

Note 4:Fill in employee compensations (including shares and cash)for president and vice presidents approved by the board of directors in the recent year. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3.

Note 5:Disclose the total value of compensations for the company's president and vice presidents paid by all the companies (including the

company) in the consolidated financial statement.

Note 6: Disclose the names of president and vice presidents of the company in the brackets for compensations paid by the company

Note 7: Disclose the names of president and vice presidents of the company in the bracket for the total of compensations paid by all the companies (including the company) in the consolidated financial statement.

Note 8: After-tax net profit refers to net profit after tax in the most recent Individual or Individual financial report.

Note 9: a. Fill in in the column compensations for president and vice presidents paid by parent company invested companies other than the company's subsidiaries. (If there is none, please fill in "None")

b. If the company's president and vice presidents collect compensations from parent company or invested companies other than subsidiaries, incorporate the value into column E of compensation brackets and change the name of the column to "parent company and all the invested enterprises."

c. Compensations refer to rewards, pays (including pays for the positions of employee, director, and supervisor) and business execution fees paid by parent company or invested companies other than subsidiaries to the company's president and vice presidents for holding the latter's positions including directors, supervisors, or managers.

\*Since compensations disclosed in the table are different from the income concept in income tax law, the table is meant for information disclosure, rather than tax levy.

3.Names of managerial staffers receiving payout of employee compensations and the status of the payout

Unit: NT\$1,000; March 31, 2021

Managerial staffers	Title (note 1)	Name (note 1)	Stock Value	Cash value	Total (note 2)	Share of the total in after-tax net profit ( % )
	President	Lee Ming-chang	0	4	4	0.000191
	Senior vice president	Tsai Tien-shuan				
	Financial chief (Chief Corporate Governance)	Cheng Hung-ning				
	Accounting chief	Lee Shu-ming				

Note 1: Disclose individual names and titles, along with payout of profits in summarized form.

Note 2: Fill in employee compensations (including shares and cash) for managerial staffers approved by the board of directors in the recent year. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year. After-tax net profit refers to the figure of the recent year; for those having adopted IFRS (international financial reporting standards), the figure refers to the after-tax net profit in individual financial statement of the recent year.

Note 3: According to the definition of the Financial Supervisory Commission (decree 0920001301, March 27, 2003), the scope of managerial staffers includes

- (1) president and equivalent positions;
- (2) vice president and equivalent positions;
- (3) assistant vice president and equivalent positions;
- (4) financial chief;
- (5) accounting chief;
- (6) Other employees with management responsibility and signature right.

Note 4: If director, president, and vice president collects employee compensations (including shares and cash), fill in the above table, in addition to attached table 1-2.

(B)The company and all companies in the consolidated statements, in recent two years analysis of ratio of the total compensations for the company's directors, president, and vice presidents in after-tax net profits of Individual or individual financial report, and explain compensation policy, criteria, and combination, procedure for determination of compensations and their association with business performance.

1.Shares of the total compensation for the company's directors, president, and vice presidents paid by the company and all the companies in the consolidated financial statements in after-tax net profits in recent two years follow:

Unit: %

Year	The Company		Companies in the consolidated financial statements	
	2020	2019	2020	2019
Directors	0.3210	0.1974	0.3211	0.1757
President and Vice Presidents	0.5275	0.2782	0.5275	0.2476

Explanation: The increase of the ratio of total remuneration to Directors, President and Vice Presidents of the Company, to the net income resulted from the reduction in 2020 net income as compared to 2019.

2.Explanation for the policy, criteria, and combination for compensation payout, procedure for determination of compensation and its association with business performance:

The company's compensations for directors is divided into two categories: including fixed transportation fees for each meeting and allocation of profits. According to the company's charter, the company appropriates up to 0.5% of pre-tax profit as compensations for directors, which are allocated among chairman, standing directors, and directors according to different rankings of their positions.

## D. Operation of corporate governance

### (A) Operating status of the board of directors

The board of directors convened 6 times (A) in 2020, with the attendances of directors listed below:

Title	Name (note1)	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A) (note2)	Note
Chairman	Wong, Wen-yuan Formosa Chemicals & Fibre Corp.	6	0	100	Renewal of office (elected on June 19, 2020)
Vice Chairman	Hsieh, Shih-ming Keyford Development Co., Ltd.	6	0	100	Renewal of office (elected on June 19, 2020)
Standing director (independent director)	Lin, Sheng-chung	4	0	100	New office assumed (elected on June 19, 2020)
Independent director	Kuo, Nein-hsiung	4	0	100	New office assumed (elected on June 19, 2020)
Independent director	Kuo, Chia-chi	6	0	100	Renewal of office (elected on June 19, 2020)
Standing director (independent director)	Cheng, Yu	2	0	100	Previous (elected on June 19, 2020)
Independent director	Wang, Kung	2	0	100	Previous (elected on June 19, 2020)
Director	Hong, Fu-yuan Formosa Chemicals & Fibre Corp.	6	0	100	Renewal of office (elected on June 19, 2020)
Director	Lu, Wen Chin Formosa Chemicals & Fibre Corp.	6	0	100	Renewal of office (elected on June 19, 2020)
Director	Lee, Ming-chang Formosa Chemicals & Fibre Corp.	6	0	100	Renewal of office (elected on June 19, 2020)
Director	Tsai, Tien-shuan Formosa Chemicals & Fibre Corp.	6	0	100	Renewal of office (elected on June 19, 2020)
Director	Lee, Man-chun Lai Shu-wang Foundation	6	0	100	Renewal of office (elected on June 19, 2020)
Director	Hsieh, Ming-der	6	0	100	Renewal of office (elected on June 19, 2020)

#### Other items mandating record:

A. In case there is one of the following situations in the operation of the Board of Directors, specify the date of the meeting, term of the board of directors, contents of agenda, opinions of all the independent directors, and approach of the company in handling the opinions of the independent directors:

(A) Items listed in article 14-3 of Securities and Exchange Act: Not applicable

(B) Except the aforementioned items, resolutions of the board of directors with opposition, or reserved opinions, by any independent director: nil.

B. For abstention of cases by directors due to involvement of related interests, specify the names of directors, contents of agenda, reasons for abstention, and situation of voting:

1. First meeting of the board of directors on March 13, 2020

(1) Name of director: Lee, Ming-chang

(2) Contents of agenda: To authorize Lee, Ming-chang to manage internal audit units.

(3) Reasons of recusal: Since the aforementioned director was the party, he was recused from the discussion and voting.

(4) Situation of voting: Except the aforementioned director, all other directors present agreed to proposal.

2. Third meeting of the (interim) board of directors on June 19, 2020

(1) Name of directors: Lin, Sheng-chung, Kuo, Nein-Hsiung, Kuo, Chia-Chi

(2) Contents of agenda: To appoint the independent directors, Lin, Sheng-Chung, Kuo, Nein-Hsiung, and Kuo, Chia-Chi as the members of remuneration committee.

(3) Reasons of refusal: Since the aforementioned directors were the parties, they were recused from the discussion and voting.

(4) Situation of voting: Except the aforementioned directors, all other directors present agreed to proposal.

3. Fourth meeting of the board of directors on August 7, 2020

(1) Name of directors: Lin, Sheng-chung, Kuo, Nein-Hsiung, Kuo, Chia-Chi

(2) Contents of agenda: To formulate the existing Directors' compensation

(3) Reasons of refusal: Since the aforementioned directors were the parties, they were recused from the discussion and voting.

(4) Situation of voting: Except the aforementioned directors, all other directors present agreed to proposal.

4. Fourth meeting of the board of directors on August 7, 2020

(1) Name of directors: Wong, Wen-yuan, Hsieh, Shih-ming

(2) Contents of agenda: To formulate the Chairman and Vice Chairman's compensation

(3) Reasons of refusal: Since the aforementioned directors were the parties, they were recused from the discussion and voting.

(4) Situation of voting: Except the aforementioned directors, all other directors present agreed to proposal.

C. Listed Companies shall disclose the information of self(or peer) assessment of the Board such as evaluation cycles, evaluation periods, scope, method, and the contents of evaluation.

Description : the situation of the evaluation of the Board of directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Method of Evaluation	Contents of Evaluation
Once per year	2019/1001~ 2020/0930	Board of directors	Self-assessment conducted by the members of board of directors	1. Participation in the operation of the company 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control.
Once per year	2019/1001~ 2020/0930	Members of board of directors	Self-assessment conducted by the members of board of directors	1. Alignment of the goals and missions of the company 2. Awareness of the duties of a director 3. Participation in the operation of the company 4. Management of internal relationship and communication 5. The director's professionalism and continuing education 6. Internal control.
Once per year	2019/1001~ 2020/0930	Audit Committee	Self-assessment conducted by the committee members	1. Participation in the operation of the company 2. Awareness of the duties of the Audit committee; 3. Improvement of quality of decisions made by the Audit committee 4. Makeup of the Audit committee and election of its members 5. Internal Control
Once per year	2019/1001~ 2020/0930	Remuneration Committee	Self-assessment conducted by the committee members	1. Participation in the operation of the company 2. Awareness of the duties of the Remuneration committee 3. Improvement of quality of decisions made by the Remuneration committee 4. Makeup of the Remuneration committee and election of its members

Note: Except Lin, Sheng-Chung and Kuo, Nein-Hsiung, two new independent directors elected on June 19, 2020, evaluation period for other members is carried out every year.

D. Evaluation of execution of objectives for strengthening the functions of the Board of Directors in the current year and the previous years:

- (A) The operation of the Company's board of directors abides by laws/regulations, corporate charter, and resolutions of shareholders' meeting. In addition to the professional knowledge, skills, and literacy related to their positions, all the directors adhere to the principle of loyalty and integrity in the execution of their duties, so as create maximum benefits for shareholders.
- (B) In order to establish a good system of governance for the Board of Director, as well as strengthen its supervisory and management functions, the Company, in addition to the selection of independent directors, has set up the norm for Board meetings, covering contents of agenda, operating procedure, items to be recorded in the minutes of meetings, official notices, and others.
- (C) In order to strengthen the functions of the Board of Directors, the Company, in addition to regular self-examination of the Board's operation, has had its in-house auditors produce monthly auditing report for independent directors' review before the end of the following month, in compliance with the requirements of the securities regulator.
- (D) In line with regulations of securities regulator, the Board of Directors resolved on August 25, 2011 to set up a compensation committee. Three meetings were convened in 2020 to report the standard for providing the year-end bonus of 2019 to the management, in addition, evaluate the compensations of 2020 for directors and managerial officers, and suggestions were proposed and discussed during the board of directors' meeting.
- (E) In line with the requirement of securities regulator, the Company's Board of Directors resolved on June 23, 2017 to set up an auditing committee to replace supervisors. Four meetings were convened in 2020 and resolutions were submitted to the Board of Directors for ratification to implement corporate governance.

Note 1: In case director is a judicial person, specify its name and the name of its representatives.

Note 2: (1) In case there is any director leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.

(2) In case there is reelection for the board of directors by the end of the year, information on both original and new directors should be entered in the note column, including the distinction of previous, new, or continuing membership and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of board meetings during his/her service period.

(B) Operation of the auditing committee status

The auditing committee convened four times (A) in the year, as of Dec. 31, 2020, with the status of attendance of independent directors listed below:

Title	Name	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A)	Note
Convener	Lin, Sheng-chung	2	0	100	Independent director (New office assumed elected on June 19, 2020)
Member	Kuo, Nein-hsiung	2	0	100	Independent director (New office assumed elected on June 19, 2020)
Member	Kuo, Chia-chi	4	0	100	Independent director (Renewal of office elected on June 19, 2020)
Convener	Cheng, Yu	2	0	100	Former Independent director (elected on June 19, 2020)
Member	Wang, Kung	2	0	100	Former Independent director (elected on June 19, 2020)

Annotations:

A. If one of the following situations occurs in the operation of the auditing committee, specify the date of the meeting of the board of directors, the term of the board of directors, contents, resolutions of the auditing committee, and approach of the company in handling the opinions of the auditing committee.

(A) Items listed in article 14-5 of Securities and Exchange Act

1. First meeting of the board of directors on March 13, 2020

(1) Content: production of the company's 2019 financial statement Resolution of the auditing committee: approval by the members present and proposed to the meeting of board of directors for resolution.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(2) Content: production of the company's 2019 "statement on internal control system" Resolution of the auditing committee: all the members agreed to the draft statement which was submitted to the board of directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(3) Content: It is proposed to authorize Lee Ming-chang to manage internal audit units. Resolution of the auditing committee: all the members, agreed on the proposal which was submitted to the board of directors for resolution.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: all directors, except Lee Ming-chang, who abstained from the case due to conflict of interest (please refer to "B. Situation of abstention from cases involving related interests by directors"), agreed on the proposal

(4) Content: Proposal for renewal of Certified Public Accountant of the Company. Resolution of the auditing committee: all the members agreed to the draft statement which was submitted to the board of directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(5) Content: To amend the compilation process of the financial statement for "Internal Control System" and "Practices for Internal Audit" of the Company.

Resolution of the auditing committee: all the members agreed to the draft statement which was submitted to the board of directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(6) Content: To invest additional US\$ 1.29 million on “FG INC” under investment structure.  
Resolution of the auditing committee: all the members agreed to the draft statement which was submitted to the board of directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

2. 2nd meeting of the Board of Directors on May 7, 2020.

(1) Content: Propose to adjust investment structure of Formosa Ha Tinh Steel Corporation.

Resolution of the auditing committee: All members present agreed to pass the proposal.

The proposal was submitted to the Board of Directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(2) Content: To amend the “Internal Control System” and “Practices for Internal Audit” of the Company.

Resolution of the auditing committee: All members present agreed to pass the proposal.

The proposal was submitted to the Board of Directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(B) Except the aforementioned items, resolutions passed by the board of directors with the support of two thirds of directors or higher, without screening by the auditing committee beforehand: nil.

B. For abstention of cases by independent directors due to involvement of related interests, specify the names of independent directors, contents of agenda, reasons for abstention, and situation of voting: nil.

C. State of communications by independent directors with in-house auditing chief and certified public accountant (including major items for communications, such as corporate finance and business status, communications methods, and results):

1. State of communications by independent directors with certified public accountants:

The company's auditing committee consists of all the independent directors and certified public accountant is invited to attend its meeting at least once a year, for report on the audited results of the company's finance and business and possible effect of legal revision on the company's accounting.

2. State of communications by independent directors with in-house auditing chief

(1) Formulation and revision of the company's "internal-control system" and "enforcement rules for internal auditing" is subject to the approval by the auditing committee before being submitted to the board of directors for ratification.

(2) Evaluation of the effectiveness of the company's internal control system (with production of statement) is subject to the approval by the auditing committee before being submitted to the board of directors for ratification.

(3) The company's auditing office submits the monthly internal auditing report to independent directors for perusal.

(4) Independent directors meet with in-house auditing chief at least once a quarter, for report and communications on the execution status of the company's internal auditing and the operation of internal control. In addition to the production of auditing report on flaws of internal control system and abnormal items discovered in inspection, such problems are recorded for follow-up tracking, to assure adoption of proper improvement measures by related units timely.

3. Communication matters and operation of Independent directors with accountants and in-house auditing chief.

Date	Communications method	Communications target	Communications items	Communications result
2020.3.13	Audit committee	Certified public accountant	Communications and explanation for auditing of 2019 financial statement	Good

Date	Communications method	Communications target	Communications items	Communications result
2020.3.13	Audit committee	Internal audit officer	Production of 2019 "statement on internal control system"	Submission to the board of directors for resolution
2020.3.13	Board of directors	Internal audit officer	Production of 2019 "statement on internal control system"	Acknowledgement
2020.3.13	Audit committee	Certified public accountant	Change of the auditor for the Company's financial report	Submission to the board of directors for resolution
2020.3.13	Audit committee	Internal audit officer	Amendment of the compilation process of the financial statement for "Internal Control System" and "Practices for Internal Audit" of the Company	Submission to the board of directors for resolution
2020.3.13	Board of directors	Internal audit officer	Amendment of the compilation process of the financial statement for "Internal Control System" and "Practices for Internal Audit" of the Company	Acknowledgement
2020.3.13	Board of directors	Internal audit officer	Report on the execution of the auditing plan for Nov. and Dec. of 2019	Acknowledgement
2020.5.7	Audit committee	Internal audit officer	Amendment of "Internal Control System" and "Practices for Internal Audit" of the Company	Submission to the board of directors for resolution
2020.5.7	Board of directors	Internal audit officer	Amendment of "Internal Control System" and "Practices for Internal Audit" of the Company	Acknowledgement
2020.5.7	Board of directors	Internal audit officer	Report on the execution of the auditing plan for first quarter of 2020	Acknowledgement
2020.6.19	Board of directors	Internal audit officer	Report on improvement of flaws and abnormal items in internal control system in 2019	Acknowledgement
2020.8.7	Board of directors	Internal audit officer	Report on the execution of the auditing plan for second quarter of 2020	Acknowledgement
2020.11.6	Board of directors	Internal audit officer	Report on the execution of the auditing plan for third quarter of 2020	Acknowledgement
2020.12.11	Board of directors	Internal audit officer	Report on the execution of the auditing plan for Oct. 2020	Acknowledgement
2020.12.11	Board of directors	Internal audit officer	Formulation of 2021 auditing plan	Approval by the board of directors

D. Annual work priorities and operational conditions:

- The audit committee of the Company consists of 3 independent directors. In 2020, 4 meetings were held. The contents of each proposal and the subsequent processing details are as follows: "A. Results of the Audit Committee Resolution and the Company's Treatment of the Audit Committee's Opinions". Highlights are as follows:
  - (1) The Company amended the "Internal Control System" and "Internal Audit Implementation Rules".
  - (2) Assess the effectiveness of the "internal control system".
  - (3) The rationality of the director's own interest relationship proposal.
  - (4) Significant asset transactions.
  - (5) Major funds are loaned, endorsed or provided with guarantees.
  - (6) Annual financial report and semi-annual financial report check and accounting policies and procedures.

E. 2021 will continue to assist the Board of Directors in overseeing the company's financial statements, the selection and resolution of visa applicants, independence and performance, effective implementation of internal control, compliance with relevant laws and regulations, company presence or potential risks.

Note:

- \* In case there is any independent director leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
- \* In case there is reelection for independent directors by the end of the year, information on both original and new directors should be entered in the note column, including the distinction of previous, new, or continuing post of independent directors and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of board meetings during his/her service period.

(C) Operating status of corporate governance and difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reason

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
A. Does the Company establish and disclose the Corporate Governance Best Principles based on "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies"?	V		The company's board of directors approved the Company's corporate governance principles on Nov. 7, 2014 and posted the contents on the information declaration website designated by the securities regulator and the Company's website <a href="http://www.ftc.com.tw/newftc/files.php?m=governance&amp;file=ab6f2cae95c78a49e748895776573bbe">http://www.ftc.com.tw/newftc/files.php?m=governance&amp;file=ab6f2cae95c78a49e748895776573bbe</a> for public disclosure.	Compliance with articles 1 - 2 of "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies." Despite some revisions to accommodate the Company's actual situation, the Company's corporate governance principles are in line in spirit with "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies."
B. shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		1.1 The Company has an internal operating procedure for handling shareholder matters and has set up a spokesperson to address shareholder suggestions or concerns at any time. In addition, each functional team in the President Office fully supported the above matters, and have an in-depth understanding and review of the shareholders' suggestions or concerns. After that, an oral or written reply to the satisfaction of the shareholders is proposed. 1.2 As for internal operation in handling stakeholders' affairs, the Company details ways for upholding stakeholders' interests in chapter 2 of the Company's corporate governance best-practice principles.	Compliance with article 13 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		2. The Company shall pay attention to the situation of any increase, decrease or use as collateral in the shares of shareholders holding more than 5% of shares and holding Director or manager positions, and has disclosed the information of shareholders holding more than 5% of shares in the quarterly financial report. The Directors, managers and shareholders holding more than 10% of the shares are disclosed monthly by the information reporting website designated by the securities authority.	Compliance with article 19 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		<p>3.1 Both the Company and its subsidiaries implement profit center management. Each company's personnel, property management rights and responsibilities are clearly divided, and there are no irregular transactions.</p> <p>3.2 The funds and loans of the Company and its related companies are calculated based on the accrued market interest rate. The amount of loan is reassessed every quarter based on business needs. Guaranteed coverage and limits have also been set for endorsement guarantees for other companies.</p> <p>3.3 To reduce losses, comprehensive risk assessment for banks, customers, and suppliers are performed. Each company credit authorization to the same customer and stop payment to the same supplier can be review through the computer system.</p> <p>3.4 The relationship between the Company and the related companies, such as transaction management, endorsement, loans, etc., are monitored. In accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies", outlined by the Financial supervisory Commission, the Company has set up supervision and management operations to implement the risk control mechanism for its subsidiaries.</p>	Compliance with articles 14 -17 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		4. The company has formulated "key points for internal auditing in prevention of insider trading"(access website: <a href="http://www.ftc.com.tw/newftc/internal_audit.php?id7">http://www.ftc.com.tw/newftc/internal_audit.php?id7</a> ), which forbids company insiders to take advantage of undisclosed information in trading in securities for profit illegally, supplemented by timely education and promotion for employees to abide by the regulation.	Compliance with article 10-3 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
C. Composition and Responsibilities of the board of directors (1) Does the board of directors develop and implement a diversified policy for the composition of its members?	V		1. The nomination and election of the Board of Directors of the Company complies with Code of Practice for Corporate Governance of the Company and adopted candidate nomination system. Besides the assessment of each candidate's education and experience, the Company takes stakeholders' opinions into consideration and complies with "Rules for Election of Directors of the Company" and "Corporate Governance Principle" to ensure the diversity and independency of the board members. Besides the knowledge, skills and literacy are necessary for the performance of the Board of Director. To achieve the idol purpose of the corporate governance, the overall abilities of the Board of Directors should include: 1. operational judgment, 2. accounting and financial analysis, 3. operation management, 4. risk management, 5. industrial knowledge, 6. perspectives of the international market, 7. leadership, 8. decision-making, etc. The Company's Directors come from diversified backgrounds. All 11 Directors are individuals with specialization and experience in industrial management, including 3 Independent Directors and 1 female Director. Independent directors	Compliance with article 20 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(2)Does the Company is voluntarily establish other functional committees in addition to the Remuneration Committee and the Auditing Committee?		V	<p>account for 27.3%, and female directors account for 9.1% of all directors. In addition to relying on their professional leadership decision-making ability, the Directors also possess excellent business management capabilities, as well as expertise in the industry, finance, accounting, or the legal field. This deepens the independence and diversity of corporate governance. Each Director's education and experience can be found on page 19~21 and 28 of the Report.</p> <p>2. The company's board of directors resolved on Dec. 29, 2011 to establish compensation committee, followed by decision by shareholders' meeting on June 23, 2017 to institute auditing committee. In the future, the Company will consider institution of other functional committees according to the need of business environment, in line with articles 27-30 of chapter 3-3 of the Company's corporate governance principles.</p>	<p>In compliance with Article 28 and Article 28-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. Article 28-2 has not been met, since the Company is able to nominate suitable and appropriate Director candidates, and there is no operational need to set up a Nomination Committee.</p>

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
(3) Does the Company establish a standard to measure the performance of the board of directors and carry out periodic review of such performance annually? Does the Company report the results of the performance evaluation to the board of directors and use the results as the reference for individual directors' remuneration and renewal.	V		3. The Company has established the "Self-Evaluation or Peer Evaluation of the Board of Directors" upon resolution from the Board of Directors on August 7, 2020. The performance evaluation for 2020 has also been completed, and the results of which have been submitted to the Board meeting convened on December 11, 2020. The preceding information could serve as references in determining remunerations, nomination, and re-election of the Company Directors.	In compliance with Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(4) Does the Company regularly evaluate the independence of certified public accountant periodically?	V		4. The Company evaluates the independence and competence of CPAs at least once a year, focusing on the size and reputation of the accounting firm, the number of consecutive years of providing audit services, the nature and extent of providing non-audit services, the audit fees, peer review, whether there are any legal proceedings or investigations by the competent authorities, quality of audit services, regular training, interaction with management and internal audit supervisors, etc. Relevant information and statements are requested from CPAs and the firms. The documents are then evaluated by the President Office, and the latest results have been submitted to the Board of Directors on March 12, 2021.	Compliance with articles 29 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons																			
	Yes	No	Summarized explanation																				
D.Has the TWSE listed company been equipped with a qualified or appropriate number of corporate governance personnel, and designated the director of corporate governance to be responsible for corporate governance affairs (including but not limited to, providing Directors and Supervisors with the necessary information to perform business, assisting Directors and Supervisors in legal compliance, handling the relevant matters of the board of directors and shareholders’ meetings pursuant to related laws, preparing the minutes of the board of directors and shareholders' meeting, etc.)	V		<p>D.1 The Company has set up a corporate governance director on May 3, 2019, which is the highest supervisor in charge of corporate governance related matters. Qualified personnel to handle corporate governance matters has been designated.</p> <p>D.2 The officer supervises President Office, which is responsible for corporate governance-related matters and is assisted by the relevant departments such as the Legal Affairs Office of the General Administrative Office, which includes handling Board of Directors and shareholders meetings, taking minutes of such meetings, assisting Directors come to office and continue training, providing Directors relevant information for operations, assisting Directors compliance with law and regulations, and so on.</p> <p>D.3 Manager of General Management Division, Cheng Hung-Ning, concurrently serves as corporate goveranance supervisor. Equipped with financial and professional managerial experience, Mr. Cheng attended a series of courses during his term as corporate governance supervisor in May, 2019:</p> <table><tr><th>Title</th><th>Name</th><th>Date of Training</th><th>Organization</th><th>Title of course for study</th><th>Training Hours</th></tr><tr><td rowspan="3">Supervisor of corporate governance</td><td rowspan="3">Cheng, Hung-Ning</td><td>2019.10.25</td><td rowspan="2">Securities and Futures Institute</td><td>2019 Prevention of Insider Trading Promotion Conference</td><td>3</td></tr><tr><td>2019.11.15</td><td>Avoid violating the Securities and Exchange Act- Discussion about the false finan-cial reports and insider trading</td><td>3</td></tr><tr><td>2019.11.15</td><td>Dharma Drum Mountain Humanity and Social Im-provement Foundation</td><td>Innovation of corporate value</td><td>3</td></tr></table>	Title	Name	Date of Training	Organization	Title of course for study	Training Hours	Supervisor of corporate governance	Cheng, Hung-Ning	2019.10.25	Securities and Futures Institute	2019 Prevention of Insider Trading Promotion Conference	3	2019.11.15	Avoid violating the Securities and Exchange Act- Discussion about the false finan-cial reports and insider trading	3	2019.11.15	Dharma Drum Mountain Humanity and Social Im-provement Foundation	Innovation of corporate value	3	Compliance with article 3-1 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
Title	Name	Date of Training	Organization	Title of course for study	Training Hours																		
Supervisor of corporate governance	Cheng, Hung-Ning	2019.10.25	Securities and Futures Institute	2019 Prevention of Insider Trading Promotion Conference	3																		
		2019.11.15		Avoid violating the Securities and Exchange Act- Discussion about the false finan-cial reports and insider trading	3																		
		2019.11.15	Dharma Drum Mountain Humanity and Social Im-provement Foundation	Innovation of corporate value	3																		

Evaluation items	Status of operation (note)								Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation						
			Title	Name	Date of Training	Organization	Title of course for study	Training Hours	
			Supervisor of corporate governance	Cheng, Hung-Ning	2020.4.22	Accounting Research and Development Foundation	The latest regulations of tax law and how companies should respond to it.	3	
					2020.4.27		Related regulations on shareholder's meeting and business mergers governed by Financial Supervisory Commission.	6	
			Note: The Chief Governance Officer has completed 18 traing hours within an year since serving as the postion in accordance with the regulations.						

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
E. Does the Company has establish a communications channel and build a designated section on its website for stakeholders (including, but not limited to shareholders, employees, customers, and suppliers) as well as handle all the issues they care for in terms of corporate social responsibilities?	V		<p>E.1 The company has demands various related units in General Management Divisions to communicate with stakeholders according to their duties. A spokesperson and a deputy spokesperson have been appointed as the external communication channel.</p> <p>E.2 The Company set up the stakeholder area on the Company website to provide detailed contact information for the dedicated personnel, including phone number and e-mail, as the channels for the stakeholders to communicate with the Company.</p> <p>E.3 The company responds to issues concerned by stakeholders timely via the following channels:</p> <p>(1) Shareholders and investors: Shareholders' meetings are held annually and shareholders can fully exercise their voting rights through electronic means. In addition, the annual report of the shareholders' meeting, the monthly revenue and the quarterly self-closing profit and loss are issued to facilitate shareholders' understanding of the Company's operating conditions.</p> <p>(2) Employees: mainly concerned with workplace safety, employee welfare, human rights protection, labor and employment issues, etc. Communication with employees can be conducted through trade unions, factory (office) meetings, etc.</p> <p>(3) Suppliers and contractors: The Company adheres to the principle of sustainable management and fair trade and is committed to working with manufacturers that comply with environmental protection, safety, and human rights standards. Open tenders are held through the Formosa Plastics electronic trading platform, and regular briefings are held to strengthen two-way communication and advocacy. In addition, suppliers can ask questions on the platform, and the questions will be replied by personnel immediately. Also suppliers can ask questions on the Formosa Plastics electronic trading platform, and the questions will be replied by personnel immediately, to achieve the goals with good communications.</p>	Compliance with article 51 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
F. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?		V	<p>(4) Customer: Issues including product quality and after-sales service that customers care about can be addressed through customer visits, participating in exhibitions, product briefings, customer satisfaction surveys, etc. The website also lists the sales service line and e-mail address. Customer complaints are handled through the "Customer Response Form" and the "Customer Complaint Handling Form."</p> <p>E.4 For communication with stakeholders, please refer to the Company's 2020 Corporate Social Responsibility Report -2.2, identification of stakeholders, concerned issues, communication channels and communication frequency.</p> <p>F. The shareholders' meeting of the Company is currently handled by itself, but the relevant procedures are handled by the designated Share Unit, the Legal Affairs Office and the President Office in accordance with rigorous regulations, so that the shareholders' meeting will be convened in a legal, effective, and safe context to ensure shareholders' rights.</p>	Although it does not meet the requirements of Article 7-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, it does not impair the operational efficiency of the shareholders' meeting.
G. Information Disclosure				
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		G.1 The company has established corporate website in both Chinese and English, with website address at <a href="http://www.ftc.com.tw">www.ftc.com.tw</a> , and disclosed information on finance, business, and corporate governance on "special investor section" of the website.	Compliance with articles 57 and 59 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(2) Does the Company have other	V		G.2 The Company has a spokesperson and a deputy spokesperson. A	In compliance with Article

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
<p>information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed deadline?</p> <p>H. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g. including, but not limited to, employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors, training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policy, and</p>		V	<p>dedicated person has been appointed in the President Office to collect and disclose Company information, as well as providing the spokespersons and relevant business departments with answers to stakeholders, investors, and authorities.</p> <p>G.3 In principle, the Company announces and declares the operating revenue of the previous month on the 6th of each month (postponed every holiday). The Company also submits and announces financial reports before the deadline in accordance with laws and regulations.</p> <p>People can understand the Company's various corporate-governance operations directly by accessing the Market Observation Post System (<a href="http://mops.twse.com.tw/">http://mops.twse.com.tw/</a>) and the special corporate-governance section on the Company's website (<a href="http://www.ftc.com.tw/newftc/governanceop.php">http://www.ftc.com.tw/newftc/governanceop.php</a>). Corporate governance -related inquiry can also be made with the Company's spokesperson, chiefs of related units, and the Company's labor union, with other key information described briefly in the following:</p> <p>1. Employee rights and interests: In order to seek a harmonious labor-management relationship and encourage employees expressing their opinions, the government has established various channels for employees to put forth their opinions, including physical opinion boxes and online opinion box on the Company's website, with designated staffers responsible for understanding and responding to</p>	<p>55 paragraph 3 and Article 56 and Article 58 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>In compliance with Articles 52 to Articles 54 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
purchasing. insurance for directors and supervisors).			<p>the opinions. To remove blockade to opinion expression, the Company has set up whistle-blower management and protection system, in addition to formulate measures for reporting by employees. Moreover, the Company has held labor- management meetings regularly, wherein chiefs of related units would discuss with labor representatives to understand the stand of labor union on major labor-management issues. Ranking officials also talk with union representatives, for attaining consensus on major labor-management issues, so as to assure harmonious labor-management relationship and the Company's sustainable development.</p> <p>2. Care for employees: In order to help employees maintain physical and mental health, the Company appropriates budget for arranging physical examination for employees annually, which covers more than mandatory checkup items. The company has maintained employee restaurant, whose operation is subject strict regulations on hygiene and nutrition, covering sources of foodstuff, storage of foodstuff, water, edible oil, and cleanness of service staffers and kitchen. In addition, the Company builds dormitories, basketball courts in the leisure life area, etc. to provide employees with a high-quality accommodation environment, and sets up special counseling personnel to hold regularly employee visits and seminars, to better understand the employees' status in adapting company. Colleagues are able to immediately consult and negotiate with the counseling personnel when they face difficulties in work or life. For related measures, please refer to E. E. Labor-management relationship of Business Status of Chapter V of the annual report or 2020 Corporate Social Responsibility Report V. (I). ii. (v). Employee Welfare Benefits and other chapters.</p> <p>3. Investor relations : The Company uses the President Office and the shareholding department as a bridge between the Company and its shareholders. In terms of corporate information transparency, the</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>Company's website has an "Investor Relations Section" to provide investors with relevant information. In order to maintain a good relationship with investors, the Company has set up a spokesperson system to provide a means of contact with shareholders and corporate investment institutions, also participating in investment forums held by domestic and foreign brokerage firms.</p> <p>4. Supplier relationship: The company's has set up a mechanism for procurement via open bidding, in order to create a platform for fair competition and seek excellent suppliers capable of providing equipment, materials, engineering works, or services at adequate quality and quantity, so as to meet the needs of various units for expansion or operation.</p> <p>4.1 Open and fair procurement mechanism via open bidding: The company carries out procurement and outsourcing via open bidding, accepting bids from prospective suppliers via the Internet, mail, and fax, with all information is strictly controlled according to the chip card certificate. All bids for procurement projects via open bidding are evaluated according to the bidders' management concept of sustainability, ethics and integrity, and optimal quotes, in addition to conformance to the Company's business needs, in terms of quality, delivery, and environmental protection and safety.</p> <p>4.2 Sound supplier management: To assure the quality and delivery of materials, as well as quality and progress of engineering works, the Company has put in place a sound supplier management system, featuring regular evaluation and irregular inspection, in addition to seeking suppliers with good track record in environment protection, in line with the policy of the Environmental Protection Administration pushing green procurement, so as to materialize the policies of energy conservation, energy conservation, carbon abatement, and green consumption.</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons																															
	Yes	No	Summarized explanation																																
			<p>5. Rights of stakeholders: In line with the Sustainable Development Goal indicators of the UN, the Company has been seeking attainment of good business performance, striving to fulfill the mission of "care for employees, service to customers, and giveback for shareholders," as a result of which the Company bears the responsibility of taking good care of shareholders, customers, suppliers, employees, and the society. The company has to abide by legal requirements and business ethics and norms, and connect with the world for stronger competitiveness, so as to create benefits for shareholders, assure stable supply of quality products at reasonable prices conforming to the conditions of safety, hygiene, and environment-friendliness. Moreover, the Company has strived to become a friend of the environment, develop in the direction of ecological industrial zone, push green industry and green procurement of energy and materials, address various social issues, following the campaign of international organizations, and take part in communal and social public services, so as to fulfill its social responsibilities.</p> <p>6. Director Training Records :</p> <table><tr><th>Title</th><th>Name</th><th>Date of Training</th><th>Organization</th><th>Course</th><th>Training hours</th></tr><tr><td>Chairman</td><td>Wong Wen-yuan</td><td rowspan="7">2020.11.27</td><td rowspan="6">Securities and Futures Institute</td><td rowspan="6">Economic outlook and industry trends in 2021</td><td rowspan="6">3</td></tr><tr><td>Vice Chairman</td><td>Hsieh Shih-ming</td></tr><tr><td>Independent director</td><td>Kuo Chia-chi</td></tr><tr><td>Director</td><td>Hong Fu-yuan</td></tr><tr><td>"</td><td>Lu, Wen-Chin</td></tr><tr><td>"</td><td>Lee Ming-chang</td></tr><tr><td>"</td><td>Tsai Tien-shuan</td></tr><tr><td>"</td><td>Lee Man-chun</td><td rowspan="2">Taiwan Corporate Governance Association</td><td rowspan="2">Institutional Shareholders and their Active Role in Corporate Governance</td><td rowspan="2">3</td></tr><tr><td>"</td><td>Hsieh Ming-der</td></tr></table>	Title	Name	Date of Training	Organization	Course	Training hours	Chairman	Wong Wen-yuan	2020.11.27	Securities and Futures Institute	Economic outlook and industry trends in 2021	3	Vice Chairman	Hsieh Shih-ming	Independent director	Kuo Chia-chi	Director	Hong Fu-yuan	"	Lu, Wen-Chin	"	Lee Ming-chang	"	Tsai Tien-shuan	"	Lee Man-chun	Taiwan Corporate Governance Association	Institutional Shareholders and their Active Role in Corporate Governance	3	"	Hsieh Ming-der	In compliance with Article 40 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Title	Name	Date of Training	Organization	Course	Training hours																														
Chairman	Wong Wen-yuan	2020.11.27	Securities and Futures Institute	Economic outlook and industry trends in 2021	3																														
Vice Chairman	Hsieh Shih-ming																																		
Independent director	Kuo Chia-chi																																		
Director	Hong Fu-yuan																																		
"	Lu, Wen-Chin																																		
"	Lee Ming-chang																																		
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"	Hsieh Ming-der																																		

Evaluation items	Status of operation (note)								Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons		
	Yes	No	Summarized explanation								
			Title	Name	Date of Training	Organization	Course	Training hours			
			Standing director (independent director)	Lin, Sheng-chung	2020. 09.29	Chinese National Association of Industry and Commerce, Taiwan	How to improve a company to prepare the financial report by itself to strengthen the corporate governance	3			
					2020. 09.24		The impacts on amendments to Securities Investor and Futures Trader Protection Act and examples analysis.	3			
			Independent Director	Kuo, Nein-hsiung	2020. 11.27	Securities and Futures Institute	Economic outlook and industry trends in 2021	3			
						Taiwan Corporate Governance Association	Institutional Shareholders and their Active Role in Corporate Governance	3			
					2020. 10.22	Securities and Futures Institute	2020 Insider Trading Prevention Meeting and Insider Stock Transaction Explanation	3			
							2020. 08.06	Seminar for directors( including independent directors) and chief corporate governance-Ethical Management and Corporate Governance		3	
			Note: Training hours of all directors reach 6 hours.								

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>7. Taking out of liabilities insurance by the Company for directors and supervisors: The company has taken out liabilities insurance for all directors and supervisors, with the total insured amount reaching US\$7 million, for the period from Feb. 1 2021 through Aug. 1, 2022. Whenever the company's directors, key figures, or employees are faced with claim for compensations for the first time from a third party for damages resulting from their mistakes in the execution of their duties during the insurance period, the insurance company will bear the responsibility of compensation according to the insurance contract. All the directors were informed of the insurance coverage during the meeting of the board of directors on March 12, 2021.</p> <p>8. Status of execution of risk-management policy and risk evaluation standard:</p> <p>8.1 Risk management policy:</p> <p>Belonging to textile manufacturing industry, the Company inevitably has need for forex trading position (deriving from, for instance, import of materials or equipment and export of fabric), plus limited trading in derivatives. However, for the sake of sustainable development, the Company has embraced the principle of steadiness in business policy, dedicated to the quest for core business performance in an earnest manner, while shying away from high-risk and high-leverage speculative -investment benefits. In order to identify, evaluate, supervise, and manage various risks, the Company has endeavored to raise risk awareness among all employees, in the hope of containing possible risks within bearable scope and attaining the balanced</p>	In compliance with Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>goal of rationalizing risks and returns and optimizing benefits. For explanation for related risks, please refer to pages 160~165 of the annual report.</p> <p>8.2 Risk management mechanism: In trading in derivatives, confirmation and delivery for the trading are carried out by separate staffers. Traders must deal with counterparts of institutional partner for the trading directly according to trading method set according to approved trading contents. Countermeasures must be taken immediately upon discovery of irregularities in trading prices or specifications.</p> <p>8.3 The company has instituted internal auditing office, reviewing irregularly efficacy and propriety of various risk-hedging trading and producing auditing reports for submission to the board of directors regularly, for continuing tracking and improvement.</p> <p>8.4 Formulation of trading strategy: In line with the Company's forex need and fund in hand, as well as market trend, formulate risk-hedging strategy and select proper financial products, avoiding in principle expansion of trading volume exceeding own need and overstretching of credit line, so as to contain loss within bearable scope, on top of setup of stop-loss criteria.</p> <p>8.5 Trading strategy: The company's forex risk-hedging trading is mainly for reducing risk for the net forex position. The company engages in spot or forward forex trading at relatively advantageous timing, in line with level of forex holding resulting from business activities and the need for pay off long-term forex-denominated debts, so as to minimize the effect of exchange-rate fluctuation on the Company's revenue and profit.</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>8.6 Evaluation of loan and risk-hedging positions according to market prices: A special unit of the president's office evaluates twice monthly the unrealized profit/loss of the risk-hedging positions of various forward forex contracts according to market prices for submission of the finding to managerial staffers, to help them have firm grip on the risk status of the Company's forex position and the efficacy of risk-hedging trading.</p> <p>9. Status of the execution of customer policy: As customers are the cornerstone for the survival and continuation of enterprise, it is essential to provide products and services needed by customers in a quick manner, so as to attain a stable relationship based on honesty and trust for mutual benefits and prosperity.</p> <p>9.1 Forging a stable supply-demand relationship: Given the critical relationship with customers for mutual survival and prosperity, a key task for any enterprise in its quest for sustainable development is to forge a stable supply-demand relationship with customers. With an eye on long-term industrial development and in line with customers' global marketing, the Company has forged a longstanding good cooperative relationship with customers, based on integrity-oriented trading, reasonable pricing, stable supply and demand, realizing mutual benefits and prosperity.</p> <p>9.2 Enhance competitiveness of medium- and downstream customers: Only via sharing of growth benefits with medium- and downstream customers can an enterprise attain sustainable development. The company's R&amp;D center would discuss with medium- and downstream branded customers for formulating a win-win strategy before development of new products, not only facilitating pushing of new products but also augmenting customers' competitiveness.</p>	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			<p>9.3 Resort to e-commerce to cut cost and raise efficiency: In order to raise the efficiency of customer services, the Company has established a corporate website, online customer service system, and online marketing system, enabling customers to access in real time product information, progress of production for orders, inspection report, warehousing and shipment status. Also in place are rear-end systems, including project customer performance evaluation system, forecast and tracking system for customer orders, and product inspection system, so as to enhance the service standard and the extent of customer satisfaction, as well as reduce operational errors and cost.</p> <p>9.4 Materialization of K.P.I benefits: In response to the demands of customers, the Company has embraced and actively implemented KPI (key performance indicators) system, including first pass yield rate at one try and punctual delivery rate.</p>	

I. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.

1. The Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. published the results of the seventh annual corporate governance evaluation of 2020. The company is listed in the 21% to 35% of listed companies. The countermeasures for the priority improvement of the Company's un-scored matters in the sixth corporate governance evaluation are described below:

Category	Evaluation Indicator	Improvement Status
Items Improved	1. Does the Company simultaneously disclose material information in English?	1. The Company has disclosed material information in English starting from the second half of 2020.
	2. Does the Company set up the policy of diversifying the members of board of directors and disclose the target of diversification and the performance?	2. All 11 Directors are individuals with specialization and experience in industrial management, including 3 Independent Directors and 1 female Directors. Independent directors account for 27.3%, and female directors account for 9.1% of all directors. Two independent directors have a term of less than 1 year.
Improvement Set as a Priority	1. Has the average attendance rate of the entire Board of Directors subject to the annual evaluation reached 85% or more?	The Company actively encourages the Directors to attend Board meetings.
	2. Did the Company adopt bylaws prohibiting insiders, including directors and employees, from using information not available in the market for personal gain, and were those bylaws and the status of their implementation disclosed on the company's website?	The Company is going to hold the courses of avoiding Insider trading starting from the second half of 2021.

Note: Whether checking yes or no for operating status, make description in the column of summarized explanation.

(D) Makeup, responsibilities, and operation of the remuneration committee

1. Data on the members of remuneration committee

Identity (note 1)	Condition Name	Possession of over five years of working experience and the following professional qualifications or not			Compliance with independence (note 2)										Number of concurrent memberships on the remuneration committees of other companies with public share offering	Notes
		Instructor or higher teaching positions in commerce, judicial affairs, finance, accounting, or other fields related to the company's business at public or private colleges	Judge, prosecutor, attorney at law, certified public accountant, or other licensed professionals and technicians with passage of national examination in fields related to the company's business	working experience in commerce, judicial affairs, finance, accounting, or other fields related to the company's business	1	2	3	4	5	6	7	8	9	10		
Independent director	Lin, Sheng-chung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent director	Kuo, Nein-hsiung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Kuo, Chia-chi		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please fill in the identity column with director, independent director or others.

Note 2: For members meeting the following conditions in the two years before assuming the post and during the tenure, please mark "✓" in the blank space below the code number of various conditions:

- (1) Not an employee of the company and affiliates;
- (2) Not a director or supervisor of the Company or its affiliates, but this restriction does not apply to the person who concurrently serves as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent 1% or more of the total number of issued shares of the Company or ranking in the top 10 in shareholdings.
- (4) Not a managerial officer listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the persons listed in (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (but this restriction does not apply to the person who concurrently serves as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.)

- (6) Not a director, independent director, or employee of other company which a majority of the company's directors or voting shares are controlled by the same person. (but this restriction does not apply to the person who concurrently serve as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.)
- (7) Not a (managing) director, (managing) supervisor, or employee of other company or institution whose chairman, general manager, or person with equivalent position are the same person, or spouse thereof (but this restriction does not apply to the person who concurrently serves as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.)
- (8) Not a (managing) director, (managing) supervisor, manager, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company. (However, this restriction does not apply to the specific company or institution holding more than 20%, but not more than 50%, of the total issued shares of the company, and the person who concurrently serves as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.)
- (9) Not a professional individual who, or an owner, partner, (managing) director, (managing) supervisor, manager, or spouse thereof of a sole proprietorship, partnership company or institution that provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the cumulative compensation less than NT\$500,000 has been received in the past two years. This restriction does not apply to members of the Remuneration Committee, Public Tender Offers Committee, and Merger & Acquisition Committee pursuant to the Securities and Exchange Act, Business Mergers and Acquisition Act and other regulations
- (10) without provisions of article 30 of the Company Act

## 2. Information on the operation of the remuneration committee

- (1) The company's remuneration committee consists of three members.
- (2) Term of the members of the current committee: From June 19, 2020 through June 18, 2023, with the qualifications of the members and their attendance in the four meetings (A) in the recent year listed below:

Title	Name	Times of attendance (B)	Times of attendance via proxy	Attendance rate (%) (B/A) (note)	Note
Convener	Lin, Sheng-chung	1	0	100	New Independent director elected on June 19, 2020)
Member	Kuo, Nein-hsiung	1	0	100	New Independent director elected on June 19, 2020)
Member	Kuo Chia-chi	3	0	100	New Independent director elected on June 19, 2020)
Convener	Cheng Yu	2	0	100	Former independent director
Member	Wang Kung	1	1	50	Former independent director

### Status of operation:

A. The company's board of directors resolved on Aug. 25, 2011 to set up the remuneration committee.

B. The committee convened three times in 2020.

### Other items mandating record:

A. In case of rejecting or revising the suggestions by the remuneration committee, the board of directors should specify the date of the board meeting, the term of the board, contents of

agenda, resolutions of the board meeting, and handling of the opinions of the remuneration committee (should the level of remunerations passed by the board of directors be higher than that suggested by the remuneration committee, the extent of difference and reasons should be specified): nil

- B. In case there is any member opposing or having reservation for the resolutions of the remuneration committee, on record or in written form, the committee should specify the date of the meeting, the term of the committee, contents of agenda, opinions of all the members, and handling of the contrarian opinion:

Meeting of Remuneration Committee Date and term	Proposal content, opinions of all members and company processing results
January.15.2020 (first meeting in 2020)	1. The year-end bonus of 2019 of managers were compared with the standard report of the year-end bonus distribution of all employees, which was calculated according to the Company's "year-end bonus and remuneration distribution method", which is expected to be issued on January 16, 2020. Resolution results of the remuneration committee: Acknowledgement. The Company's treatment of the remuneration committee's opinion: None.
March 13,2020 (second meeting in 2020)	1. Propose to prepare the 2019 Remuneration of Directors, please make resolution. Resolution results of the remuneration committee: all members present approved and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal, which was submitted to the 2020 Annual Meeting of Shareholders to report.
August 7,2020 (third meeting in 2020)	1. Propose to amend the Company's Remuneration Committee Charter. Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal. 2. Propose to formulate the Company's regulations of "Self-Evaluation or Peer Evaluation of the Board of Directors" Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal. 3. Propose to formulate the remuneration for current directors Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All other directors present at the meeting of the board of directors approved the proposal except three independent directors for recusal

	<p>of conflicts of interest.</p> <p>4. Propose to formulate the remuneration for the Company's current Chairman and Vice Chairman Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All other directors present at the meeting of the board of directors approved the proposal except Chairman and Vice chairman for refusal of conflicts of interest.</p> <p>5. Propose to continue the current remuneration standard and structure of managerial officers. Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal.</p> <p>6. Propose to continue the current evaluation of managerial officers. Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal.</p> <p>7. Propose that compensations for the company's managerial staffers would remain unchanged in 2020, as all the other employees. Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal.</p>	
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Note:

1. In case there is any member of the remuneration committee leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
2. In case there is reelection for the remuneration committee by the end of the year, information on both original and new members should be entered in the note column, including the distinction of previous, new, or continuing membership and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
3. The Company's Remuneration Committee consists of three independent directors appointed by the resolution of the Board of Directors. Convener is selected among the members. Term of office is the same as the Board of Directors. Three meetings were convened in 2020 to set up the remuneration of the current chairman and vice chairman, monthly salary of managers, year-end bonus etc. and submitted to the Board of Directors for ratification.
4. The Company has stipulated the "Organization Regulations of the Remuneration Committee". The Committee shall perform the following duties faithfully with the care as a good manager, and submit the recommendations to the Board of Directors for discussion:

- (1) Regularly review this Regulation and propose amendments.
- (2) Formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and remuneration.
- (3) Regularly evaluate and determine the remuneration of directors and managers. °

(E) Status for fulfilling social responsibilities:

Status for fulfilling social responsibilities and difference from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons								
	Yes	No	Summary description (Note 2)									
A.Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 3)	V		<p>The President's office of the Company, together with the departments of the management headquarters, assesses the risk impacts of material issues affecting the operation of the Company according to the degree of impact on stakeholders, and sets the risk management policies that can effectively identify, measure, evaluate, and monitor risks. The purpose is to prevent future risks and reduce the impact and damage.</p> <p>1.Environmental issues:</p> <table><tr><th>Evaluation Item</th><th>Risk Management Plan</th></tr><tr><td>Climate Change</td><td>Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change.</td></tr><tr><td>Water Resources Management</td><td>1. Promote energy and water conservation programs to reduce energy consumption and costs related to water use. 2. Install analytical instrument, linked to the municipal environmental protection bureau for inspection.</td></tr><tr><td>Greenhouse Gas Emissions</td><td>1. Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures.</td></tr></table>	Evaluation Item	Risk Management Plan	Climate Change	Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change.	Water Resources Management	1. Promote energy and water conservation programs to reduce energy consumption and costs related to water use. 2. Install analytical instrument, linked to the municipal environmental protection bureau for inspection.	Greenhouse Gas Emissions	1. Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures.	Compliance with articles 3-2 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEx Listed Companies"
Evaluation Item	Risk Management Plan											
Climate Change	Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change.											
Water Resources Management	1. Promote energy and water conservation programs to reduce energy consumption and costs related to water use. 2. Install analytical instrument, linked to the municipal environmental protection bureau for inspection.											
Greenhouse Gas Emissions	1. Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures.											

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
			<p>2. Invest in the development of green products, improve product weatherability and reusability, reduce carbon emissions generated during production processes, and extend product life cycle.</p> <p>3. Conduct carbon footprint inventories to set short, medium, and long-term carbon emission targets as well as apply for carbon offsets in response to legal impacts.</p>	
			<p>Energy Management</p> <p>1. Introduce energy-saving and high-performance equipment as well as set up energy-saving goals to continue to reduce the power usage per product unit.</p> <p>2. Implement energy conservation and improvement measures, including reducing energy consumption during production processes, energy reuse, waste heat reuse, improving equipment efficiency, and energy management.</p>	
			<p>Air Pollutant Management</p> <p>1. Replace thermal oil boilers with natural gas boilers to reduce the emissions of GHG and air pollutants, while the efficiency of the boilers has also increased accordingly.</p> <p>2. Strengthen the control and improvements over leakages of facility components and strengthen the monitor of air quality.</p> <p>3. Adopt even higher standards in the supervision and management of the plant environments, and install additional air pollution prevention equipment to reduce</p>	

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons	
	Yes	No	Summary description (Note 2)		
				the discharge of pollutants.	
			Waste Management	1. Follow the principles of source management, processing waste reduction and recycling and reuse to minimize waste generation and to maximize resource recovery. 2. Be in line with applicable laws by implementing the qualification review and management of waste treatment vendors to ensure the proper treatment of waste for reducing the impacts on the environment. 3. Uphold the philosophy of circular economy, cross-plant and cross-office energy and resource integrations to achieve "zero waste" goals.	
			2. Social issues:		
			Evaluation Item	Risk Management Plan	
			Human Rights	The President, Lee, Ming-Chang has signed a human rights policy that ensures compliance with international human rights standards and the local labor laws at the Company's global operational sites. The Company is committed to equal employment and to creating a work environment free from prejudice and harassment. At the same time, personal privacy is respected and diverse communication channels for employment	

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
				relations and grievances mechanisms have been formulated to ensure the rights of our workers.
			Talent Recruitment and Development	<ol style="list-style-type: none"> <li>1. Actively participate in campus placements, offer internship programs, and collaborate with universities and colleges through a variety of open recruitment channels to improve the efficiency of recruitment.</li> <li>2. Provide steady and competitive compensations and benefits and plan comprehensive personnel training.to encourage employees to acquire certificates or professional qualifications, and offer reasonable and smooth promotional channels for outstanding employees.</li> </ol>
			Occupational Safety and Health	<ol style="list-style-type: none"> <li>1. Build a safe and healthy work environment and implement hazard identification and risk evaluations at appropriate times and carry out risk mitigation measures and emergency response drills to reduce employees' occupational risks.</li> <li>2. Continue to offer special health checkups to operators exposed to elevated risks, and implement tiered health management and follow-up based on the results.</li> <li>3. Care for employees' dietary and nutritional needs and health, and promote relevant courses and activities to build a</li> </ol>

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons	
	Yes	No	Summary description (Note 2)		
				healthy work environment. 4. Plan comprehensive response and protective measures against diseases to achieve both employee's well-being and uninterrupted operations.	
			Social Engagement and Contributions	Uphold the philosophy of "giving back what is taken from the society," to dedicate to contributing to the society and fulfilling social responsibilities and encourage employees to actively participate and promote various community events to strengthen interactions with the local residents.	
			3. Governance issues:		
			Evaluation Item	Risk Management Plan	
			Strategic Operations	To achieve the goal of sustainable operations, the Company continues to develop high-value and differentiated products. Long-term contracts are signed with customers and suppliers to maintain fair supply-demand relations. Additionally, the Company continues to improve processes and to enhance competitiveness to reduce operating risks.	
			Ethical Business	Various regulations concerning ethical conduct are stipulated and governance and	

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
			Conduct	risk control mechanism are instilled. To implement ethical corporate management in practice, the risks of unethical conduct are immediately evaluated and preventive measures are established accordingly.
			Hazardous Risks	Workplace hazard assessments are carried out during the planning stage of each production process. Before the completion of engineering and construction, process hazard analysis is performed in line with the Company's regulations. Additionally, regular risk assessment is performed in line with applicable laws after production has begun. Digitized risk management systems and performance evaluation systems have also been set up, while process safety management (PSM) is implemented and the management over process safety events (PSE) are reinforced. Audits and coaching are also carried out, while deficiencies found during reviews are treated and monitored for improvement.
			Legal Compliance	The Company maintains rigorous requirements over legal compliance during business activities, and stays informed and responds to changes in policies and laws on a timely basis. Additionally, a dedicated Legal

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
			Department has been established, and standardized contract samples have been drawn up. Legal compliance training is also conducted to reduce legal risks.	
B.Does the Company establish exclusively (or concurrently) dedicated first line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		The company's president Lee Ming-chang oversees the committee pushing CSR-related works, while the CSR consists of representatives from the President's Office, the Standard Section, the Engineering Division, the Safety and Hygiene Office, the Management Department, the Procurement Department, and the managerial offices of various business groups. The latter summons chiefs in charge to address issues concerned by stakeholders and formulate risk-management system and execution guidelines, with the executive secretary and other specialized staffers responsible for pushing various CSR works, production of reports on the works, as well as production of CSR report, for submission to the board of directors.	Compliance with articles 9 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"
C. Environmental issues (1)Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		(1) The Company formulated the administrative standards for security and health management, management information systems, office automation systems and informs stakeholders of environmental protection measures. (For details of the environmental management system based on industrial characteristics, please refer to Chapter 4, Environmental Aspect of the 2020 Corporate Social Responsibility Report. )	Compliance with articles 13 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"
(2)Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2) From raw material procurement to product sales, the Company attaches great importance to the health and safety of its customers. Therefore, the production process is continuously improved upon. To follow market trends and meet customer's needs, the Company has shifted its focus to	Compliance with articles 12 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
(3) Does the Company assess the potential risks and opportunities of climate change to the Company now and in the future, and take measures to deal with climate-related issues?	V		producing non-toxic and environmentally friendly products with improved production processes as well as green energy products. (For details of the specific practices and products that are environmentally friendly, please refer to Chapter 4 Environmental Aspect of the 2020 Corporate Social Responsibility Report.) (3) The Company continued to assess potential risks and opportunities arising from climate change in aspects of finance, reputation, global economy, energy cost volatility, and environmental compliance costs, set energy conservation targets and measures, and develop eco-friendly products to keep the business operations stable and competitive. (Please refer to item 6 Risks of Climate Change, (II) iv of Chapter III of the 2020 Corporate Social Responsibility Report.)	Compliance with articles 17-1 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"
(4) Does the Company record the amount of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	V		(4) The Company regularly commissions SGS (Taiwan Inspection and Technology Corporation) to conduct greenhouse gas inventory. For energy conservation and carbon reduction, the Company will set a specific reduction target each year. (For further details, please refer to IV. Environmental Aspect, the second to fourth chapters of the 2020 Corporate Social Responsibility Report.)	Compliance with articles 17-2, 17-3 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"
D.Social issues (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		1.1 In order to uphold the basic human rights of stakeholders, including employees and customers, In addition to complying with Labor Standards Act and other relevant labor regulations, the Company abides by the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labor Office Tripartite Declaration of Principles Concerning Multinational	Compliance with articles 18 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
(2) Does the Company formulate and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflect the operating performance or results in employee compensation?	V		<p>Enterprise and Social Policy, in the formulation of personnel regulations and systems, providing employees relatively steady pays, board and lodging, promotion and other development system, and improved safety and hygiene, so as to protect employees' rights and help them develop multiple professional capabilities. The President of the Company, Lee Ming-Chang, officially signed the human rights policy in April 2019. For the detailed content of and human rights protection, please refer to the website <a href="http://www.ftc.com.tw/newftc/regulations.php">http://www.ftc.com.tw/newftc/regulations.php</a>, and refer to V.(I).i. Human Rights Protection of the Company's 2020 CSR report</p> <p>2.1 The Company has clear regulations on employee promotion, assessment, training, rewards and punishments. The salary standard for new recruits is determined according to the education requirement and other conditions of the position. After hiring, the salary will be adjusted and promoted on a yearly basis according to their work performance, and the corresponding salary will be given.</p> <p>2.2 The Company's fixed holidays are Saturdays, Sundays, national holidays and other dates that are designated as holidays by the central competent authority. Employees are granted annual paid leaves in accordance with the Labor Standards Act. For other employee benefits, please refer to E. E. Labor-management relationship of V. Business Status of this annual report and the 2020 Corporate Social Responsibility Report. V (I).ii Employees' Rights and Benefits .</p> <p>2.3 Article 30 of the Articles of Incorporation of the Company states that when allocating the net profits for each fiscal year, the Company shall set aside 0.05% to 0.5% of the balance of pre-tax profit prior to deducting employees compensation as compensation of employees. In addition, the Company</p>	Compliance with articles 21-2 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
(3) Does the Company has provided a healthful and safe working environment, and organize training on health and safety for its employees on a regular basis?	V		provide year-end bonus and formulate the degree of salary increase each year according to operation performance of the Company. 3.1The Company regularly provides health and education information for employees. In order to enhance employees' safety and health awareness, the Company distributes "work hazard reminder cards" and "safety and hygiene manuals" to remind employees of work safety through education, training, and safety observation. (For details on how to improve employee safety in the workplace, please refer to V.(I).(iii) Health and Safety of the 2020 Corporate Social Responsibility Report.)	Compliance with articles 20 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"
(4) Does the Company provide its employees with career development and training sessions?	V		4.1Through the e-training management system, the Company ensures that personnel are gradually completing the training of new personnel, foundation, professional and cadre reserve. In addition, in line with the work and safety needs of individual units, counseling staff with professional licenses hold occasional seminars on various topics as well as strengthening human rights and workplace safety awareness courses. For more details of the lessons of human rights, please refer to the Company's 2020 Corporate Social Responsibility Report V. (I) .i Human Rights Protection and V. (I) .iv Personnel Training.	Compliance with articles 21-1 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"
(5) Does the Company complied with relevant regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has formulated relevant consumer protection policies and appeal procedures?	V		5.1The Company's textile products is a large B2B transaction; except for the gas station, which is a retail business, most products are not directly sold to general consumers, therefore there are few marketing activities such as media advertising and publicity; For regulatory promotions, all units will consult the Formosa Plastics Enterprise Legal Affairs Office to avoid violating laws and regulations. In addition, the Company has stipulated the "Personal Asset Management Measures" to strictly limit and control the query of personal data to protect customer privacy.	Compliance with articles 24 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
(6) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	V		<p>5.2 Customer relationship management is an important part of the Company's sustainable operation. In order to understand the valuable opinions of customers, the Company has clearly defined the customer complaints pipeline as well as return and compensation application procedures so that customers can express relevant appeals through the Response Form. Product complaints are handled by the salesperson filling out the Customer Complaint Handling Form for all returns and exchanges. The process is also monitored by the computer system. Another method for customers to make inquiries or comments is to contact the telephone number or e-mail address listed on the official website. Comments and suggestions are prioritized according to the level of importance and timeliness. They are then forwarded to the relevant departments to ensure that the Company meets all customers' needs.</p> <p>6.1 The Company strictly requires raw material suppliers to comply with Oeko Tex Standard 100, Substances of Very High Concern (SVHC), no organic tin component guarantee, no APEOs component guarantee, ZDHC restricted chemical content questionnaire declaration, and dangerous goods transportation must meet standard conditions such as national regulations on safe transportation. It is clearly stipulated in the terms of the procurement contract that suppliers are required to comply with the regulations. The principle of sustainable management shall be clearly stated in the "Inquiry Form" and "Order Notice" to abide by the fair trading principle. Suppliers are required to follow the principles of environmental protection, occupational safety and human rights. Unqualified products and materials shall be rejected and shall be included in the supplier's evaluation and review. Suppliers with serious violation shall be banned from cooperation. For details of supplier management practices,</p>	Compliance with articles 26 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
			please refer to the Company's "2020 Corporate Social Responsibility Report. III. (III) .iii Raw Material Management and Assessments of Suppliers' Environmental Conformity.	
E.Does the Company prepare corporate social responsibility reports and other reports that disclose the Company's non-financial information based on the internationally accepted report preparation standards or guidelines? Did the above mentioned report obtain the assurance from the third-party verification unit?	V		The structure of the Company's "2020 Corporate Social Responsibility" is based on the Global Reporting Initiative (GRI) standards guideline as well as the guidelines and structure listed in the core options. It discloses the Company's main sustainability issues, strategies, goals and measures. Verified by the third-party impartial unit, Taiwan Inspection Technology Co., Ltd. (SGS), the report disclosed according to the core options, and presented with internationally common indicators.	Compliance with articles 29 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"
<p>F. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation:</p> <p>Explanation: The Company passed the resolution of the "Corporate Social Responsibility Code" as set out in the resolution of the Board of Directors on August 7, 2015. Although the Company's practice has been slightly revised, the established code and the "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" comply with the same spirit. For the operation of the Company's Corporate Social Responsibility, please refer to the 2020 Corporate Social Responsibility Report and website description.</p>				
<p>G. Other important information that helps to understand the operation of Corporate Social Responsibility</p> <p><b>【Explanation1】</b> Related system and structure of Corporate Social Responsibility</p> <p>The Chairman of the Corporate Social Responsibility Committee is served by the President of the Company, Li Min-Zhang, and the manager of the management headquarters, Cheng Hung-Ning serves as the vice chairman. The Committee is responsible for the formulation, goal planning, performance monitoring, and management of the corporate social responsibility policies for Formosa Taffeta Co., Ltd.; The management department, industrial safety office, public works department, security department, accounting department, materials department, managerial offices of various business departments and other units form a corporate social responsibility promotion group, which is responsible for corporate governance, industrial safety and environmental sustainability, water and energy conservation, products and customer service, supplier and contractor management, social welfare and good community as well as affairs related to the economic, environmental, and social aspects.</p> <p><b>【Explanation 2】</b> Status of the Company's engagement in CSR and public-food works:</p> <p>(1)Policy on safety, hygiene, and environmental protection:</p> <p>It is a company's social responsibility to assure the safety of products, employees, contractors, factory premises, and community, which has become an essential element in corporate competitiveness.</p> <p>We believe any disaster and accident, big or small, is avoidable. Adhering to high-standard universal values, the Company utilizes the power of</p>				

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
<p>organization and system to attain its objective, asking all unit chiefs to understand and take part in the initiative, providing promotion and education/training, and demanding faithful execution of system, and seeking constant improvement in performance figures.</p> <p>(2) a. The company has installed at factory premises detection and analytical instrument for the quality and quantity of discharged waste water, with upgrading of information on screen once every 15 seconds. The instrument is linked to the municipal environmental protection bureau for inspection, for joint prevention of water pollution. The company has also implemented by its own various energy-conservation and waste abatement measures, green procurement, resources recycling, employment of non-toxic chemicals, and decrease of packaging materials, in a continuing effort in materializing the vision of green factory.</p> <p>b. Voluntary efforts to reduce carbon emissions and energy conservation: The Company has been committed to launching programs for energy conservation and reducing carbon emission. In 2019 and 2020, the Company was awarded the excellent enterprise for voluntarily reducing carbon emissions and energy conservation by Ministry of Economic Affairs.</p> <p>(3)Employ cutting-edge and energy conserving equipment in priority, either for new installation or replacement purpose. Throughout the company's factory premises, including whole set of machinery and facilities and small items such as lights and faucets, the Company has adhered to the practices of energy conservation, consumption reduction, emission reduction, recycling, circular or repetitive use, toxin-free, and degradability. The company has strived to have all machinery equipment in factory to function and stop at the same time, so as to attain energy conservation and cut consumption via concentrated production, leading to cost reduction and environmental improvement in long run.</p> <p>(4)System and measures for communal participation and status of implementation: It is the Company's policy to become a good neighbor of nearby communities, communicating friendly with their residents and giving them multiple assistances, upholding a good common environment jointly, taking part in various local public services, and helping take care of poor families and underprivileged groups, so as to build an emotional bond with neighboring communities. Meanwhile, employees have also organized by their own public-service clubs, to provide givebacks to neighboring communities, such as communal cleaning, manifesting human care and love and contributing to formation of a harmonious community.</p> <p>(5)System and measures for social contribution, social service, and social benefits and status of implementation: In line with the spirit of "diligence and down-to-earth style," the Company has been pushing the management concept of "harmony, innovation, service, and dedication," as embodied in honest tax payment, high regard for environment protection and industrial safe, and care for employees, so as to uphold the company's corporate image and reput, give back to the society, and fulfill corporate social responsibilities.</p> <p>(6)All employees must constantly improve their specialties and take into account safety, hygiene, and environmental protection in any decision, thoroughly understand the spirit of system for faithful implementation, tackle root causes for problems, embrace SOP of international brands, and safeguard safety of oneself, colleagues, and neighbors, uphold natural environment, and protection corporate assets. Adhering to the concept of "co-existence of industrial development and environmental protection," the Company believes that fulfillment of social responsibility is critical for sustainable development.</p> <p>(7)The company has been continuously caring for the society, assisting the underprivileged, and taking part in public services, in the fields of education, industry, academia, and society: a. Education: Dated back to early stage of Taiwan's economic development, the Company cooperated with "Dade vocational high," providing</p>				

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons																					
	Yes	No	Summary description (Note 2)																						
<p>part-time job opportunities to students from poor families and enabling them to work at the Company or seek advanced study after graduation, a program which lasted until 2009, due to the reduced need of the school. For decades, the Company has run kindergarten, tuition free, to accommodate children of employees and neighboring residents.</p> <p>b. The company supports 19 employee clubs dedicated to healthful and social-benefits activities.</p> <p>c. Other social-benefits activities: continuously pushing and sponsoring various social-benefits activities, such as:</p> <p>3.1 Giving back to Local Communities – Participation in Social Charitable Events</p> <table><tr><th>No.</th><th>Type of Donation</th><th>Number of Events</th></tr><tr><td>1</td><td>Temple and festival activities in neighboring communities</td><td>10</td></tr><tr><td>2</td><td>Consultation for the neighborhood volunteer civil defense force</td><td>4</td></tr><tr><td>3</td><td>Welfare activities and celebrations organized by the Longevity Club of the Development Associations in the neighboring communities</td><td>7</td></tr><tr><td>4</td><td>Activities organized by community vulnerable group foundations</td><td>8</td></tr><tr><td>5</td><td>Donations to charities and events of neighboring schools and organizations</td><td>9</td></tr><tr><td>6</td><td>Sponsoring other environmental protection activities and events in neighboring communities</td><td>3</td></tr></table> <p>3.2 The Petroleum Business Division of the Company donated 640 warm vests to children of coastline vulnerable groups.</p> <p>3.3 The Company’s clubs irregularly hold activities for blood donation to help the society and more people in need.</p> <p>3.4 sponsorship for charitable activities in neighboring communities of overseas factory premises.</p> <p>In addition to fully cooperating with the Environment Protection Administration to promote green procurement in private sectors to implement energy-saving, carbon-reducing and green consumption policies, the Company also actively requests suppliers to increase the number of products certified by Bluesign year-on-year. In the future, we will continue to implement various related businesses such as water conservation, energy conservation and carbon reduction, sustainable utilization of resources, and friendly environment, aligning with the concepts of environmental protection and economic development, and fulfilling our social responsibilities.</p> <p>In addition, a healthy and safe working environment has always been the goal of our efforts, and it is also the Company's responsibility to employees and their families. Requiring employees to pay attention to "safety first" when entering the workplace is an important principle that demonstrates our focus on employees; The Company encourages employees and contractors to propose improvements and suggestions for unsafe operating environment, and we use the shift time to strengthen the precautions for the promotion of operational safety, and appropriately reward the zero-work disaster department.</p>					No.	Type of Donation	Number of Events	1	Temple and festival activities in neighboring communities	10	2	Consultation for the neighborhood volunteer civil defense force	4	3	Welfare activities and celebrations organized by the Longevity Club of the Development Associations in the neighboring communities	7	4	Activities organized by community vulnerable group foundations	8	5	Donations to charities and events of neighboring schools and organizations	9	6	Sponsoring other environmental protection activities and events in neighboring communities	3
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Note 1: If "Yes" is selected for the operation status, please explain the important policies, strategies, measures and implementation; if "No" is selected for the operation status, please explain the reasons and plans for the future implementation of related policies, strategies and measures.

Note 2: If company has produced CSR report, explain in brief method for accessing the report.

Note 3: The principle of materiality refers to environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.

(F) Status for implementation of ethical management and measures

Status for implementation of ethical management and difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reason

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
A. Establishment of ethical management policy and program				
(1) Does the Company formulate the ethical corporate management policies resolved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board of Directors and senior management to implement the policies?	V		1. The company abides laws/regulations and follows ethical norms, including the requirement of honesty and truthfulness in the Company Act, the Securities and Exchange Act, and the Business Entity Accounting Act. Adhering to the "diligence and down-to-earth style" of the spirit of the corporate culture of Formosa Plastics Group and following the management concept of cleanness and integrity, openness and transparency, and self-discipline and responsibility, and has formulated the Company's "Ethical Management Rules and Codes of Conduct" approved by the Board of Directors, the various units of the corporate headquarters form a task force pushing corporate governance and ethical management, formulating and implementing multiple ethical norms and policies, and establish good business and risk management mechanism, in order to assure the company's sustainable development, the Board of Directors and senior management also promises to actively implement and supervise the implementation of the ethical corporate management policy.	Compliance with articles 4 & 5 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(2) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, and at least covers the	V		2. 1. The Company clearly stipulates rigorous codes of conduct for integrity and ethical norms in the "Personnel Management Rules", "Work Rules" and other rules and regulations. The Board of Directors and the management also commit to actively implement and supervise the implementation of integrity management policies. 2.2. Relevant rewards and punishment provisions were specified. Any manager, employee or person with internal control capabilities of the Company is strictly prohibited from accepting any improper benefits directly or indirectly, or other acts that violate the	Complying with the regulations specified in Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," the

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
<p>prevention measures of acts listed in the Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies, and regularly review and correct the prescribed procedures and guidelines?</p>	V		<p>integrity, law and breach of fiduciary duty in order to prevent fraud, misappropriation of public funds, acceptance of bribes, disclosure of secrets, profit from others, false reporting and other dishonest behaviors.</p> <p>2.3. The Company has specified in the "Work Rules" that any person in the position such as business, procurement, contracting, supervision and budget positions, and other positions with interests in the suppliers, shall not accept the banquet or other entertainment activities invited by the supplier, or any gifts and benefits offered. The violator shall be dismissed and his/her supervisor shall be jointly and severally dismissed. Besides, job rotation have been carried out in some positions to prevent such misconducts. The Company also regularly analyzes and reviews business activities that have a higher risk of unethical conduct.</p> <p>3. The Company clearly illustrated its ethical policies for integrity management and relevant operating procedures, behavior guidelines, reports, disciplinary penalties, appeals and other regulations in the "Personnel Management Rules", "Ethical Management Rules and Codes of Conduct", "Precautions against Insider Trading Operations", "Procedures for Inspection and Control", and "Employees' Complaint Operation Points", etc. The Company, meanwhile, has formulated "Guidelines for Ethical Conduct" for directors and managers, (please refer to the Company's website <a href="http://www.ftc.com.tw/newftc/integrity.php">http://www.ftc.com.tw/newftc/integrity.php</a> or the sixth item of Special Disclosure in the Company's annual report, for guidelines of ethical conduct for the company's directors and managers'). The above rules and regulations are regularly reviewed to meet practical needs.</p>	<p>Company has specified and enacted regulations designed to prevent unethical conduct in multiple rules and systems. Nevertheless, specific "Procedures for Ethical Management and Guidelines for Conduct" has yet to be formulated.</p> <p>In compliance with Article 6, paragraph 1 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."</p>
B. fulfill operations integrity policy				
(1) Does the company evaluated business partners' ethical records and include ethics-related clauses in business contracts?	V		1. The company's contracts for business dealings all include article on ethical behavior. The company has also carried out credit check on customers, suppliers, and other stakeholders, including auditing, in order to prevent harm to the company's interests by unethical behaviors.	Compliance with articles 9 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(2) Does the Company set up a full-time (part-time) unit that	V		2.1 The President's office, the standard group, manager office of each division and general affair office jointly implement ethical	Compliance with articles 17 of "Ethical Corporate

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
promotes corporate ethical management under the Board of Directors, and regularly (at least once a year) report to the Board on its ethical management policies and prevention programs and supervise the implementation?			management, including the promotion of the ethical management policy, and the organization of education and training on integrity management related issues, and handling cases related to inspection and prosecution pursuant to the Company's "Rules of Prosecution". The promotion units of integrity management shall report to the Board of Directors at least once a year.	Management Best Practice Principles for TWSE/GTSM Listed Companies"
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		<p>2.2 The latest report date was December 11, 2020, which mainly reported the policies, practices and implementation of ethical management, and the commitments of the Board of Directors and senior management to actively implement the management policy. In addition, the internal audit report is submitted to the independent directors for review every month, and regularly report to the Board of Directors.</p> <p>3.1 In compliance with the "rules governing meetings of the board of directors" (for details refer to the company's website <a href="http://www.ftc.com.tw/newftc/director.php">http://www.ftc.com.tw/newftc/director.php</a>), the company's directors in a high self-discipline have to explain major contents of related interests on cases involving interests of their own or legal entities they represent on the agenda of the meetings of the board of directors which should exclude cases with possible harm to the company's interests. Directors with related interests should abstain from discussion and voting for such cases and should not commission other directors to exercise their voting rights.</p> <p>3.2 The company has asked employees to follow the regulation of abstention from behaviors involving personal interests and report by their own conflict of interests, according to stipulations in the "personnel management rules" and "key points of internal auditing and management for prevention of insider trading," which also non-compete clause to avoid conflict of interests.</p> <p>3.3 According to "measures governing handling of complaints by inside and outside stakeholders" the company provides channels for employees or inside or outside stakeholders to report or complain any illegal or improper behaviors.</p>	Compliance with articles 19 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(4) Has the Company established an effective accounting system and internal control mechanism	V		<p>4.1 The company has established complete accounting system and internal control mechanism and has been pushing at full scale linkage between the six major management functions of personnel,</p>	Compliance with articles 20 of "Ethical Corporate Management Best Practice

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
for the implementation of the ethical management, and formulated relevant audit plans based on the results of the risk assessment of unethical conduct conducted by the internal audit unit? Has the Company reviewed the implementation status of unethical conduct prevention plan or entrusted an CPA to perform the audit instead?			<p>finance, management, production, procurement, and engineering, to attain mutual check and conduct abnormality management. Meanwhile, the company has put in place an independent professional internal auditing structure, consisting of multiple aspects. The first aspect is executed by the auditing office under the board of directors, and an audit plan is set up every year to audit the regulatory compliance to reduce the risk of unethical conduct.; the second aspect is regular and specific auditing by the president's office of parent company Formosa Chemicals &amp; Fibre Corp.; the third is regular or project-based independent auditing by the president's office; the fourth is auditing by the company's various units themselves; the fifth is mechanism for inside or outside reporting or complaints and tracking. As internal auditing is the responsibility of all employees, auditing operation of the fourth aspect involves regular business check by various units themselves (at interval of one month, one quarter, half a year, or a year, according to nature of different items), so as to extend the spirit and purpose of internal control to every unit, every corner, and every individual. In addition, outside certified public accounts are engaged for regular spot check.</p>	Principles for TWSE/GTSM Listed Companies"
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		<p>4.2 In addition to the aforementioned implementation and check by various units, the company's auditing committee and auditing office must provide items and scope of annual supervision or auditing plan, case report, and statement. In addition to check of proofs and invoices, certified public account commissioned by the company must disclose regularly specifics of transaction items. Restrictions of non-compete clause on director cannot be removed without understanding and approval of the board of directors.</p> <p>5. Through regular corporate publications as well as various occasions, the Company promotes the corporate culture of "Diligence, Perseverance, Frugality and Trustworthiness," as well as cultivating work ethics based on integrity, fairness and transparency, self-discipline, and a sense of responsibility. All new recruits receive corporate culture training. In addition, training courses about regulations, anti-fraud, and anti-corruption are held every year to strengthen the employees' commitment to</p>	Compliance with article 22-2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
			complying with management rules based on good faith. In 2020, the Company held internal and external education training related to the issue of integrity management (including compliance with business ethics, corporate ethics, prevention of insider trading, risk management and strengthening corporate governance), with a total of 77 person involved in, and the 462 training hours.	
C.Operation of the company's reporting system				
(1) Does the company establish both a reward/punishment system and an integrity hotline ? Can the accused be reached by an appropriate person for follow-up?	V		The company has publicized complaint and appeal channels for any illegal or improper treatment received by employees or outside people because of their reporting. In the process, the identities of the complaining parties will be kept confidential and informants will be awarded properly for reporting in authentic name which benefits the company. The company's "work rules" calls for penalties for employees with unethical behaviors, including: 1.1 Provide mailbox, e-mail address, and fax line for reception of reporting, whose information is available via notice at the spot for clock in/clock out by employees. 1.2 Significant reward money is available for informants who provide clues for the company to prevent illegal, irregular, or improper behaviors and thereby uphold the company's benefits, with the amount of the reward set according to the value of possible loss of the company.	Compliance with article 23 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(2) Does the company establish standard operating procedures, follow-up measures that should be taken after the investigation is completed, for confidential reporting on investigating accusation cases?	V		2.1 After reception of reporting, staffers of the president's office in charge will handle the cases according to the procedure of review, validation, investigation, and award/penalty. 2.2 If any violation of the regulations is found, the violator shall be punished in accordance with the Company's personnel management rules. The judicial and prosecutor's authorities shall be notified if necessary.	
(3) Does the company take appropriate measures to protect whistleblowers in order to	V		3. Principle of confidentiality: During and after investigation of reporting, staffers in charge are strictly forbidden to reveal the	

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summarized explanation	
protect them from inappropriate treatment?			contents of case and the name of informant to unrelated parties and their superiors at various levels also bear the responsibility of confidentiality. Related materials must be handled and filed as confidential documents, to protect informants from improper trouble or retribution.	
D. Strengthening of information disclosure Does the company disclosed its ethical corporate management principles and execution results on its website and the Market Observation Post System?	V		<ol style="list-style-type: none"> <li>1. The company has disclosed information on ethical management on its website (<a href="http://www.ftc.com.tw/newftc/integrity.php">http://www.ftc.com.tw/newftc/integrity.php</a>) and in its annual report.</li> <li>2. Designated staffers at related business unit are responsible for information collection and upgrading for posting on the company's website, in both Chinese- and English-language versions by staffers at the information center. Under the direction of spokesperson, designated staffer at the financial department is responsible for posting financial information and other key information on the Market Observation Post System.</li> <li>3. Meanwhile, the company has provided handbook for shareholders' meeting, in both Chinese- and English-language versions, for use by domestic and foreign investors, foreign investors, investment trust companies, other institutional investors or individuals.</li> </ol>	Compliance with article 25 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
E. For company with own ethical management principles, formulated according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," describe the operation of its own principles and the difference with the later: The company's board of directors approved revised ""corporate ethical management principles" on Nov. 7, 2014 and resolved to make further revision of the principles on June 23, 2017. The company's principles are in general similar to the official version but stress more the nature of guidelines and integration, to accommodate the need of the company's survival and development.				
F. Other key information conducive to the understanding of the operation of the company's ethical management (such as how does the company revise its ethical management principles). The company arranges attendance of corporate-governance courses by directors and managerial staffers every year to augment their capabilities governing and supervising various businesses, in the hope of boosting governance efficacy and materializing ethical management.				

(G) How to inquire about the company's corporate governance best-practice principles:

The company has formulated corporate governance best-practice principles; please access the company's website at

<http://www.ftc.com.tw/newftc/governanceop.php>

(H) Disclose other important information conducive to the understanding of the operation of the company's corporate governance:

The company has formulated "Guidelines for Ethical Conducts of the Company's Directors and Managerial Staffers" (for details, refer to the company's annual report, item 6 specially registered items, VIII).

The company will publish the latest "CSR report 2020" by the end of June 2021; for reference please access the company's website at

[http://www.ftc.com.tw/newftc/respons\\_report.php](http://www.ftc.com.tw/newftc/respons_report.php)

(I) Execution status of internal control system

1. Statement on internal control system

Statement on internal control system by public companies

(Legal compliance specified in the statement is applicable to all laws/regulations)

Formosa Taffeta Co., Ltd.  
Statement on Internal Control System  
March 12, 2021

Based on self review, the company makes the following statement on the company's internal control system in 2020:

1. The company is fully aware that establishment, execution, and maintenance of internal control system is the company's board of directors and managerial staffers, in order to provide reasonable assurance for the efficacy and efficiency of operation (including profitability, performance, and protection of the safety of assets), the reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
2. Internal control system has its inherent constraint, as it, no matter how perfect is its design, can only provide reasonable assurance for the attainment of the aforementioned three objectives. In addition, change in environment and status may affect the efficacy of internal control system. Therefore, the company's internal control system has a mechanism of self supervision, capable of locating defects for immediate rectification.
3. The company evaluates the efficacy of its internal control system, according to the evaluation items contained in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" ("regulations" in short hereafter), which divides internal control system into five constituents, according to the procedure of management control: 1. control environment, 2. risk management, 3. control activities, 4. information and communications, 5. monitoring activities, with each containing several items (refer to the stipulations of the "regulations."
4. The company has employed the aforementioned evaluation items in checking the efficacy of the design and execution of the internal control system.
5. Based on the aforementioned evaluation, the company believes that with reasonable assurance, the company's internal control system (including supervision and management of subsidiaries) as of Dec. 31, 2020 had been effective in both design and execution concerning understanding of the efficacy and efficiency of management, reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
6. The statement will be publicized, as a major part of the company's annual report and prospectus. Falsehood, concealment, and other illegalities in the aforementioned publicized contents would entail legal responsibilities, according to article 20, article 32, article 171, and article 174 of the Securities and Exchange Act.
7. The statement was approved by the company's board of directors on March 12, 2021, endorsed by all of the 11 directors in attendance, without any contrary opinion.

Wong Wen-yuan  
Chairman  
Signature

Lee Ming-chang  
President  
Signature

Formosa Taffeta Co., Ltd.

2. In case review of internal control system is outsourced to certified public accountant, disclose the CPA review report: nil.

(J) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law on the Company or its internal personnel, any sanctions imposed by the Company on its internal personnel for violations of internal control system provisions, major deficiencies, and the

state of any efforts to make improvements:

The Company (including the gas stations) violated the laws and regulations in the preceding period and was imposed a total of 7 penalties by the competent authority, with a total of NT\$ 417,000. No subsequent increase may occur. All deficiencies have been improved according to the requirements of the competent authority.

(K) Major resolutions of shareholders' meeting and the board of directors in the recent year and as of the date for the publication of the yearbook

### **1. Shareholders' meeting on June 19, 2020**

Directors in attendance: Hsie, Shih-Ming, Lee, Ming-chang, Lee, Man-chun, Hsieh, Ming-der (attendees above are directors), Kuo, Chia-chi (independent directors), totaling 5 persons

#### **(1) Ratification Items**

##### **Case 1**

Contents: The Company's 2019 final statements proposed in accordance with the law.  
Please proceed to ratify. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,387,118,036; the result: 1,336,239,996 votes of recognition (with 1,203,981,569 electronic votes), accounting for 96.3% of the total voting rights; 90,015 votes of opposition (with 90,015 electronic votes); 0 invalid vote; 50,788,025 votes of abstention and unvote (with 50,788,025 electronic votes). The number of recognition exceeded the required amount and the proposal was ratified.

##### **Case 2**

Contents: The Company's 2019 earning distribution proposed in accordance with the law. Please proceed to ratify. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,387,118,036; the result: 1,337,546,435 votes of recognition (with 1,205,288,008 electronic votes), accounting for 96.4% of the total voting rights; 111,576 votes of opposition (with 111,576 electronic votes); 0 invalid vote; 49,460,025 votes of abstention and unvote (with 49,460,025 electronic votes). The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: The 2020 general meeting of shareholders approved a cash dividend of NT\$ 2.5 per share, which was passed by the third meeting of the Board of Directors on June 19, 2020. July 19, 2020 is set as the base date for cash dividend distribution, and the dividend will be issued from August 14.

#### **(2) Discussion Items (I)**

##### **Case 1**

Contents: Amendment to the "Rules of Procedure for Shareholders' Meeting" of the Company. Please proceed with the discussion.  
(Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,387,118,036; the result: 1,335,520,762 votes of recognition (with 1,203,262,335 electronic votes), accounting for

96.3% of the total voting rights; 122,249 votes of opposition (with 122,249 electronic votes); 0 invalid vote; 51,475,025 votes of abstention and unvote (with 51,475,025 electronic votes) The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: According to the resolution of the shareholders' meeting, the amended procedure shall be reported to the MOPS and announced on the Company's website. The amended procedure shall be implemented accordingly.

### (3) Election Item

#### Case 1

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

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,387,118,036. The Chairman of the meeting assigned Chen Mei-Lun as the scrutineer and Guo Ming-Sian as the teller. Chairman ordered the secretary of the meeting announced the election result on-site immediately. The list of elected directors (including independent directors) and the numbers of votes with which they were elected are shown as below:

#### 1. List of eight elected directors:

Names	The numbers of votes with which they were elected
Wong, Wen-yuan, representative of Formosa Chemicals & Fibre Corporation	1,310,004,137
Hsieh, Shih-ming, representative of Kai Fu Enterprise Co., Ltd.	1,281,472,886
Hong, Fu-yuan, representative of Formosa Chemicals & Fibre Corporation	1,198,528,654
Lu, Wen-Chin, representative of Formosa Chemicals & Fibre Corporation	1,162,692,598
Lee Ming-chang, representative of Formosa Chemicals & Fibre Corporation	1,156,882,956
Tsai Tien-shuan, representative of Formosa Chemicals & Fibre Corporation	1,091,861,986
Lee Man-chun, representative of Changhua County Shuwang Lai's Welfare and Charity Foundation	1,053,768,349
Hsieh Ming-der	1,033,760,861

#### 2. List of three elected independent directors:

Names	The numbers of votes with which they were elected
Lin, sheng-chung	1,000,229,813
Kuo, Nein-Hsiung	980,211,509
Kuo Chia-chi	944,655,969

Status of execution: According to the order Jing-Shang-Zih No. 10901118410 issued by the Ministry of Economic Affairs, the change of registration was approved and the information was posted on the website of the Company.

#### **(4) Discussion Items (II)**

Contents: Appropriateness of releasing the newly elected Directors and the juristic person shareholder which appointed their authorized representatives to be elected as directors, from non-competition restrictions. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 741,404,537; the result: 530,491,238 votes of recognition (with 413,923,879 electronic votes), accounting for 71.5% of the total voting rights; 133,924,326 votes of opposition (with 133,924,326 electronic votes); 0 invalid vote; 76,988,973 votes of abstention and unvote (with 76,988,973 electronic votes). The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: To carry out in accordance with the resolution of the shareholders' meeting.

#### **(3) Extempore motion: nil**

### **2. First 2020 meeting of the board of directors on March 13**

#### **Case 1**

Contents: Proposal of the 2019 Remuneration of Directors and Employees. Please proceed to ratify.

(Supplementary report by the Secretariat, part of the director's remuneration in this case has been submitted to the Remuneration Committee for approval.)

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present at the meeting agreed to pass the case and report it to 2020 Annual Meeting of Shareholders.

#### **Case 2**

Contents: Proposal for the 2019 financial statements and 2020 annual operation plan. Please proceed to ratify.

(The business segment supervisors of each business group report the 2019 operating status and the 2020 operating plan, respectively.)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

#### **Case 3**

Contents: Proposal of the 2019 annual earnings distribution Table. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

#### **Case 4**

Contents: Proposal for convening 2020 Annual Meeting of Shareholders on June 19, 2020. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 5

Contents: Proposal for re-election of all Directors at the 2020 Annual Meeting of Shareholders. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 6

Contents: Proposal for the lifting of the prohibition on Directors' non-compete clause. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 7

Contents: The "Statement of Internal Control System". Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 8

Contents: Proposal to authorize Directors Lee, Ming-chang to manage the internal audit unit. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: Except for Director Lee, Ming-Chang, who was recused due to the conflicts of interest, the remaining directors present agreed to pass the case.

Case 9

Contents: Proposal for replacing the CPA of the Company's financial statements. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 10

Contents: Amendment to the Company's "Organizational Rules of the Audit Committee". Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 11

Contents: Amendments to the Internal Control System and the Enforcement Rules of the Internal Control System for the preparation of its financial statements. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 12

Contents: The investment in "FG INC" for US\$ 1.29 million according to the investment structure. Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 13

Contents: Amendment to the Company's "Rules of Procedure for Annual Meeting of

Shareholders". Please proceed to ratify.  
Independent Directors' opinions and the treatment status: None.  
Resolution: All the Directors present agreed to pass the case and reported it to 2020 Annual Meeting of Shareholders for resolution.

Case 14

Contents: Amendments to the "Rules of Procedure for the Board of Directors' Meetings" and "Scope of Duties of Independent Directors". Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

**3. Second 2020 meeting of the board of directors on May 07**

Case 1

Contents: Proposal for the list of director candidates (including independent directors) from shareholders who hold more than 1% of the total issued shares of the Company. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present agreed to pass the case and were included in the list of candidates for directors (including independent directors) at the 2020 general meeting of shareholders.

Case 2

Contents: Proposal to adjust the investment structure of "Plastic Hejing Iron and Steel Industrial Co., Ltd." Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present agreed to pass the case and reported it to 2020 Annual Meeting of Shareholders for resolution.

Case 3

Contents: Amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules". Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

**4. Third 2020 (interim) meeting of the board of directors on June 19**

Case 1

Contents: Proposal for election of Managing Director of the Board, Chairman, and Vice Chairman of the Company. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed that Wong, Wen-yuan, Hsie, Shih-ming, and Lin, Sheng-chung were elected as the managing directors; all directors present elect Wong, Wen-yuan as the Chairman and Hsie, Shih-ming as the Vice Chairman.

Case 2

Contents: Proposal of the cash dividend base date and payment date for the Company's 2019 earnings distribution. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 3

Contents: Proposal to appoint independent directors, Lin, Sheng-chung, Kuo, Nein-hsiung, and Kuo, Chia-chi, as members of the remuneration committee. Please proceed to ratify.

(Three independent directors are the parties, recusal shall be carried out.)

Independent Directors' opinions and the treatment status: None.

Independent Directors' opinions and the treatment status: None.

Resolution: Except for independent directors above mentioned, who were recused due to the conflicts of interest, the remaining directors present agreed to pass the case.

#### Case 4

Contents: Amendments to the "Principles of Corporate Governance" and "Principles of Corporate Social Responsibility." Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

### **5. Fourth 2020 meeting of the board of directors on August 7**

#### Case 1

Contents: Proposal for the establishment of "Self-Evaluation or Peer Evaluation of the Board of Directors of the Company. Please proceed to ratify.

(Proposed by the Remuneration Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

#### Case 2

Contents: Amendments to the Remuneration Committee Charter of the Company. Please proceed to ratify.

(Proposed by the Remuneration Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

#### Case 3

Contents: Proposal for the establishment of the remuneration of the current directors. Please proceed to ratify.

(Proposed by the Remuneration Committee)

(Three independent directors are the parties, recusal shall be carried out.)

Independent Directors' opinions and the treatment status: None.

Resolution: Except for independent directors mentioned above, who were recused due to the conflicts of interest, the remaining directors present agreed to pass the case.

#### Case 4

Contents: Proposal for the establishment of the remuneration of the current Chairman and Vice Chairman. Please proceed to ratify.

(Proposed by the Remuneration Committee)

(Since Chairman and Vice Chairman are the parties, recusal shall be carried out. Lin, Sheng-chung was appointed as the temporary Chair of the meeting by the Chairman)

Independent Directors' opinions and the treatment status: None.

Resolution: Except for directors aforementioned, who were recused due to the conflicts of interest, the remaining directors present agreed to pass the case.

Case 5

Contents: Proposal to continue the remuneration standard and structure of current executive officers. Please proceed to ratify.

(Proposed by the Remuneration Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 6

Contents: Proposal to continue the evaluation system of current executive officers. Please proceed to ratify.

(Proposed by the Remuneration Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 7

Contents: Proposal for compensations for the company's managerial staffers would remain unchanged in 2020, as all the other employees. Please proceed to ratify.

(Proposed by the Remuneration Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

**6. Fifth 2020 meeting of the board of directors on November 6**

(Only report items are included in this meeting, without discussion items.)

**7. Sixth 2020 meeting of the board of directors on December 11**

Case 1

Contents: Proposal to formulate the Company's 2021 annual audit plan. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 2

Contents: Proposal to set up the regulations for risk management of the Company. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

**8. First 2021 meeting of the board of directors on March 12**

Case 1

Contents: Proposal of the 2020 Remuneration of Directors and Employees. Please proceed to ratify.

(Supplementary report by the Secretariat, part of the director's remuneration in this case has been submitted to the Remuneration Committee for approval.)

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present at the meeting agreed to pass the case and report it to 2021 Annual Meeting of Shareholders.

Case 2

Contents: Proposal for the 2020 financial statements and 2021 annual operation plan. Please proceed to ratify.

(The business segment supervisors of each business group report the 2020 operating status and the 2021 operating plan, respectively.)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 3

Contents: Proposal of the 2020 annual earnings distribution Table. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 4

Contents: Proposal for convening 2021 Annual Meeting of Shareholders on June 25, 2021. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 5

Contents: The "Statement of Internal Control System". Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 6

Contents: Proposal to replace the Chief Internal Control of the Company. Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 7

Contents: Amendment to “the Rules of Election of Directors” of the Company. Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case and report it to 2021 Annual Meeting of Shareholders.

Case 8

Contents: Amendment to the “Rules of Procedure for Shareholders’ Meeting” of the Company. Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case and report it to 2021 Annual Meeting of Shareholders.

**9. Second 2021 meeting of the board of directors on May 7**

Contents: Amendment to the relevant regulations on handling of the Company’s stock affairs. Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

- (L) The main content of Opinions of director or supervisor on record or in written statement different from important resolutions of the board of directors in the recent year and the current year as of the date of the publication of the annual report: None

(M) In the most recent year and as of the date of publication of the annual report, Company related person Summary of the resignation and dismissal of the Company's Chairman, President, Accounting Manager, Finance Manager, Head of Internal Audit and Head of Research and Development:

Title	Name	Date of assuming office	Date of dismissal	Reason
Chief Internal Auditor	WANG, JI-HUO	2018.03.16	2021.03.12	Retirement

Note: Parties related to the Company refer to president, manager, principal accounting officer, principal financial officer, chief internal auditor, corporate governance officer, and research and development officer.

## E. Information on professional fee for certified public accountants

Information on professional fees for certified public accountants

Name of accounting firm	Names of certified public accountants		Auditing period	Note
PwC Taiwan	Wu Han-chi	Liang Hua-ling	2020.01.01-2020.12.31	

Note: Should there be replacement of CPA or accounting firm, list the auditing period of the original ones and explain reason for the replacement in note column.

Unit: NT\$1,000

Fee brackets \ Fee items		Auditing fee	Non-auditing fee	Total
1	Less than NT\$2,000,000			
2	NT\$2,000,000 (inclusive)~NT\$4,000,000			
3	NT\$4,000,000 (inclusive)~NT\$6,000,000	3,900	150	4,050
4	NT\$6,000,000 (inclusive)~NT\$8,000,000			
5	NT\$8,000,000 (inclusive)~NT\$10,000,000			
6	NT\$10,000,000 and more			

(A) In case non-auditing fee paid to certified public accountants and their accounting firm and affiliates exceeds one quarter of auditing fee, disclose auditing fee and non-auditing fee and the contents of non-auditing service.

Information on professional fees for CPAs

Unit: NT\$1,000

Name of accounting firm	Names of certified public accountants	Auditing fee	Non-auditing fee					Auditing period of certified public accountants	Note
			System design	Company registration	Human resources	Others (note 2)	Subtotal		
PwC Taiwan	Wu Han-chi Liang Hua-ling	3,900	0	0	0	150	150	2020.01.01   2020.12.31	TP Report

Explanation: Non-auditing fee is the fee for transfer pricing report by certified public accountants in 2020.

Note 1: Should there be replacement of CPA or accounting firm in the year, list the auditing period of the original ones and explain reason for the replacement in note column, in addition to disclosure of information on the payment of auditing fee and non-auditing fee.

Note 2: Non-auditing fees should be listed for different service items separately; should non-auditing fee under the item of "others" reach 25% of total non-auditing fee, specify contents of the service in note column.

- (B) If accounting firm is replaced and auditing fee for the replacement year is less than that of the previous year, disclose auditing fees before and after the replacement and explain the reason: not applicable.
- (C) In case auditing fee is 15% or more less than that of the previous year, disclose the decreased value, percentage, and reason (auditing fee refers to professional fee paid by the company to certified public accountants for the auditing, perusal, and review of financial reports, as well as review of financial forecast and tax certification): not applicable.

**F. Information on replacement of certified public accounts: If company replaces certified public accountants in recent two years and before the publication of the financial statement, disclose information on the following items:**

1. About original certified public accountants

Replacement dates	March 16, 2018 and March 13, 2020		
Replacement reason and explanation	Job reshuffle of accounting firm		
Explain whether the replacement is due to the termination of appointment by client or refusal to accept appointment by CPA	client	CPA	Client
	status		
	Termination of appointment	V	-
	Refusal to accept (continue) appointment		-
Any reservation in auditing reports in recent two years and reason	Nil		
Any different opinion with issuer	Yes		Accounting principle or practice
			Disclosure of financial report
			Auditing scope and procedure
			Other
	No	V	
	Explanation: Nil		
Other disclosure items (stipulated in item 1-4 through item 1-1 of section 6 of article 10 of the guideline)	<p>1. Financial report is unreliable, due to lack of sound internal control system, as shown by notice by previous CPA: nil</p> <p>2. Previous CPA notifies the company expressing distrust of the company or unwillingness to have any association with the company's financial report: nil.</p> <p>3. Previous CPA notifies the company demanding expansion of auditing scope and data show expansion of auditing scope may impair the credibility of financial report certified or going to be certified but the suggestion of scope expansion fails to be materialized, due to replacement of CPA or other reasons: nil.</p> <p>4. Previous CPA notifies the company that data show possible impairment of the credibility of financial report certified or going to be certified but fails to rectify the problem, due to replacement of CPA or other reason: nil.</p>		

2. About succeeding original certified public accountants

Name of accounting firm	PwC Taiwan	
Names of certified public accountants	Wu Han-chi, Chou Chien-hung,	Wu Han-chi, Liang Hua-ling
Appointment date	March 16, 2018	March 13, 2020
Consultation before appointment on the accounting method and principle for specific transaction and opinions on financial reports going to be certified and result	Nil	
Written opinions of succeeding CPA differing from opinions of previous CPA	Nil	

3. Reply from previous CPA on items related to item 1 and item 2-3 of section 6 of article 10 of the guideline: nil.

**G. In case the company's chairman, president, or financial or accounting manager serves at the accounting firm of certified public account or its affiliate in recent one year, disclose his/her name, title, and period of service at the accounting firm or its affiliate: nil.**

**H. The situation of share transfer and change in shareholding mortgage by directors, managerial staffers, and shareholders with over 10% shareholding in the recent year and as of the date of the publication of the yearbook**

**(A) Change in shareholding by directors, managerial staffers, and major shareholders:**

Title (note 1)	Name	2020		as of April 27, 2021	
		Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)	Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)
Chairman	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Wong, Wen-yuan	-	-	-	-
Vice Chairman	Keyford development Co., Ltd.	-	-	-	-
	Representative: Hsie, Shih-ming	-	-	-	-
Standing director (independent director)	Lin, Sheng-chung	-	-	-	-
Independent director	Kuo, Nein-hsiung	-	-	-	-
Independent director	Kuo, Chia-chi	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Hong, Fu-yuan	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Lu, Wen-Chin	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Lee, Ming-chang	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Tsai, Tien-shuan	-	-	-	-

Title (note 1)	Name	2020		as of April 27, 2021	
		Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)	Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)
director	Lai Shu-wang Foundation	-	-	-	-
	Representative: Lee,Man-chun	-	-	-	-
director	Hsieh,Ming-der	-	-	-	-
President	Lee,Ming-chang	-	-	-	-
Senior vice president	Tsai,Tien-shuan	-	-	-	-
Vice president	Lin Chun-nan				
Chief of financial division, Chief Corporate Governance Officer	Cheng,Hung-ning	-	-	-	-
Chief of accounting division	Lee,Shu-ming	-	-	-	-
Shareholder with over 10% shareholding	Formosa Chemicals & Fibre Corp.	-	-	-	-

Note 1: Shareholders with over 10% shareholding should be specified as major shareholder and listed separately.

Note 2: Filling in the following table, in case the recipient of share transfer or mortgaged shares is a related party.

(B) Information on share transfer: nil

Name (note 1)	Reason for share transfer (note 2)	Transaction date	Transaction partner	Relationship of transaction partner with the company, directors, managers and shareholders with over 10% shareholding	Amount of shares	Transaction price
-	-	-	-	-	-	-

Note 1: Fill in the names of directors, managerial staffers, and shareholders with over 10% shareholding

Note 2: Fill in acquisition or disposal

(C) Information on mortgaged shares: nil

Name (note1)	Reason for change in mortgaged shares (note 2)	Date of change	Transac tion partner	Relationship of transaction partner with the company,directors , andshareholders with over 10% shareholding	Amount of shares	Percen tageof shareh olding	Mortgage rate	Mortgaged (redeemed) value
-	-	-	-	-	-	-	-	-

Note 1: Fill in the names of directors, managerial staffers, and shareholders with over 10% shareholding

Note 2: Fill in mortgaged or redeemed shares

# I. Top 10 Shareholders who are Related Parties, Spouses, or within Second Degree of Kinship to Each Other

April 27, 2021

Name (note 1)	Shareholding of shareholder		Shareholding of spouse and minor children		Shareholding in others' names		Name of spouse or relative within 2nd kinship who is also among the top 10 shareholders and their relationship (note 3)		Note
	shares	%	shares	%	shares	%	Title (or Name)	Relationship	
Formosa Chemicals & Fibre Corp. Representative: Wong Wen-yuan	630,022,431	37.40%	-	-	-	-	1. Chang Gung University, Chang Gung University of Science and Technology, Ming Chi University of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. A relative within 2nd kinship of chairman of Asia Pacific Investment Co., Ltd.	-
Chang Gung Medical Foundation Representative: Welfred Wang Jui-hui	97,599,254	5.79%	-	-	-	-	-	-	-
Yuanta/P-shares Taiwan Dividend Plus ETF Managerial officer: Lin Liang-yi	58,606,988	3.48%	-	-	-	-	-	-	-
Yu Yuang Textile Co., Ltd. Representative: Hsieh Ming-der,	43,005,328	2.55%	-	-	-	-	-	-	-
Lai Ming-hsiung	40,924,277	2.43%	6,739,828	0.40%	-	-	-	-	-
Chang Gung University Representative: Wong Wen-yuan	37,130,116	2.20%	-	-	-	-	1. Formosa Chemicals & Fibre Corp., Chang Gung University, of Science and Technology, Ming Chi University of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. Chairman of Asia Pacific Co., Ltd. is a relative within 2nd kinship	-

Name (note 1)	Shareholding of shareholder		Shareholding of spouse and minor children		Shareholding in others' names		Name of spouse or relative within 2nd kinship who is also among the top 10 shareholders and their relationship (note 3)		Note
	shares	%	shares	%	shares	%	Title (or Name)	Relationship	
Chang Gung University of Science and Technology Representative: Wong Wen-yuan	35,812,944	2.13%	-	-	-	-	1. Formosa Chemicals & Fibre Corp., Chang Gung University, Ming Chi University of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. Chairman of Asia Pacific Co., Ltd. is a relative within 2nd kinship	-
Ming Chi Institute of Technology Representative: Wong Wen-yuan	31,427,255	1.87%	-	-	-	-	1. Formosa Chemicals & Fibre Corp., Chang Gung University, Chang Gung University of Science and Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. Chairman of Asia Pacific Co., Ltd. is a relative within 2nd kinship	-
Taiwan Life Insurance Representative: Huang Shih-kuo	26,722,000	1.59%	-	-	-	-	-	-	-
Asia Pacific Investment Co., Ltd. Representative: Wong	24,134,415	1.43%	-	-	-	-	Formosa Chemicals & Fibre Corp., Chang Gung University, Chang Gung University of Science and Technology, Ming Chi University of Technology	Relative within 2nd kinship with the chairman of the aforementioned four juridical-person shareholders	-

Note 1: List all the top 10 shareholders; for juridical-person shareholders, list the names of the juridical persons and their representatives.

Note 2: In calculating percentage of shareholding, take into account not only shares owned by shareholders themselves but also those owned under other others' names and those owned by their spouses and minor children.

Note 3: Aforementioned shareholders include juridical persons and natural persons and their relationship should be disclosed according to the guidelines for compiling the financial reports of issuers.

Note 4: Chairman of Formosa Chemicals & Fibre Com. Ltd.. is a director as a representative of Chang Gung Medical Foundation.

**J. The amount of total shareholding of the company and the company's directors, managerial staffers, and directly or indirectly controlled enterprises in an invested enterprise and percentage of the shareholding.**

Unit: share; % 2020.12.31

Invested enterprises (note 1)	Investment by the company		Investment by the company's directors, managerial staffers, and directly or indirectly controlled enterprises		Total investment	
	Number of shares	Percent age of shareholding	Number of shares	Percent age of shareholding	Number of shares	Percent age of shareholding
Formosa Advanced Technologies Co., Ltd.	135,686,472	30.68	5,609,192	1.27	141,295,664	31.95
Formosa Development Co., Ltd.	16,100,000	100.00	-	-	16,100,000	100.00
Quang Viet Enterprise Co., Ltd.	18,595,352	17.99	314,075	0.30	18,909,427	18.29
Formosa Taffeta ( Hong Kong) Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta (Zhongshan) Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta Vietnam Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Industries Co., Ltd.	-	10.00	-	42.50	-	52.50
Formosa Taffeta Dong Nai Co., Ltd.	-	100.00	-	-	-	100.00
Nan Ya Photonics Incorporation	7,013,871	15.22	-	-	7,031,871	15.22
Schoeller Textil AG	-	50.00	-	-	-	50.00
Formosa Taffeta (Changshu) Co., Ltd. (note 2)	-	100.00	-	-	-	100.00
Public More International Company Ltd. (note 2)	-	100.00	-	-	-	100.00

Note 1: Long-term investment based on equity method

Note 2: Company invested by subsidiary

## IV. Fund raising

### A. Capital and shares

#### (A) Source of share capital

Month/ year	Per Value (NT\$)	Approved share capital		Paid-in capital		Note		
		share	Amount (dollars)	share	Amount (dollars)	Sources of capital	Capital Increased by Assets Other than Cash	Other
July 2006	10	1,684,664,637	16,846,646,370	Same as left column	Same as left column	Capital increment with earnings	None	Note

Note: NT\$330,326,400 of capital increment with earnings in 2005, following approval by the Cabinet-level Financial Supervisory Commission (FSC No. 0950130979, July 17, 2006).

April 27, 2021

Unit: share

Kind of share	Approved share capital			Note
	Issued shares in circulation (note)	Un-issued shares	Total share	
Common share (registered)	1,684,664,637	—	1,684,664,637	—

Note: all listed shares on the stock market

Information on self-registration: not applicable

#### (B) Shareholder structure

April 27, 2021

Shareholder structure Amount	Government agencies	Financial institution	Other juridical person	Individual	Foreign institution and foreigners	Total
Number of shareholders	2	16	248	66,903	239	67,408
Shareholding (shares)	3,803,038	75,351,550	1,019,211,286	418,994,586	167,304,177	1,684,664,637
Shareholding ratio	0.226%	4.473%	60.499%	24.871%	9.931%	100.00%

Notes: Disclose of Chinese shareholding by companies with primary share listing on the stock market (over-the-counter market) and emerging enterprise market: Chinese shareholding refers to shares owned by people, juridical persons, groups, other institutions, or their invested companies in a third place, as stipulated in article 3 of the "Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan."

## (C) Shareholding distribution status

April 27, 2021

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Share)	Shareholding ratio
1~999	21,996	5,138,875	0.31%
1,000~5,000	32,739	72,229,605	4.29%
5,001~10,000	6,379	50,092,659	2.97%
10,001~15,000	2,032	25,921,138	1.54%
15,001~20,000	1,305	24,041,121	1.43%
20,001~30,000	1,099	28,170,666	1.67%
30,001~50,000	792	31,697,165	1.88%
50,001~100,000	535	38,445,205	2.28%
100,001~200,000	262	37,967,621	2.25%
200,001~400,000	127	35,573,480	2.11%
400,001~600,000	34	16,611,429	0.99%
600,001~800,000	20	14,293,780	0.85%
800,001~1,000,000	12	10,767,052	0.64%
1,000,001 or over	76	1,293,714,841	76.79%
Total	67,408	1,684,664,637	100.00%

## (D) List of Major Shareholders

April 27, 2021

Major Shareholders \ Share	Shareholding (Share)	Shareholding ratio
Formosa Chemicals & Fibre Corp.	630,022,431	37.40%
Chang Gung Medical Foundation	97,599,254	5.79%
Yuanta/P-shares Taiwan Dividend Plus ETF	58,606,988	3.48%
Yu Yuang Textile Co., Ltd.	43,005,328	2.55%
Lai Ming-hsiung	40,924,277	2.43%
Chang Gung University	37,130,116	2.20%
Chang Gung University of Science and Technology	35,812,944	2.13%
Ming Chi Institute of Technology	31,427,255	1.87%
Taiwan Life Insurance Co., Ltd.	26,722,000	1.59%
Asia Pacific Investment Co., Ltd.	24,134,415	1.43%

Note: Shareholders ratio for the top ten shareholders

## (E) Market share price, net worth, earnings, stock dividends, and related data in recent two years

Unit: NT\$, share

Item \ Year		2019	2020	Current year as of March 31, 2021 (note 8)
Market share price (note 1)	Highest	40.80	39.95	34.50
	Lowest	33.00	26.50	26.50
	Average	35.70	32.00	31.97
Net worth per share (note 2)	Before distribution	38.12	36.54	36.83
	After distribution	35.62	35.54	-
Earnings per share	Weighted average number of shares		1,684,664,637	1,682,471,409
	Earnings per share (note 3)	Before adjustment	3.08	1.25
		After adjustment	-	-
Dividend per share	Cash dividend (note 9)		2.5	1.0
	Grant Stock	Stock grant with earnings	0	0
		Stock grant with capital reserve	0	0
	Accrued dividend (note 4)		-	-
Return on investment	Price earnings ratio (note 5)		11.59	25.60
	Price dividend ratio (note 6)		14.28	32
	Yield rate of cash dividend (note 7)		7.00	3.13

Note 1: List highest and lowest market prices of common shares in various years and calculate the average market prices of various years according transaction values and volumes in those years.

Note 2: Based on the number of shares issued at the end of year and fill in the status of distribution as resolved by shareholders' meeting next year.

Note 3: In case there needs retroactive adjustment for stock grant, list earnings per share before and after the adjustment.

Note 4: If there is requirement in the issuance conditions for equity securities for accumulation of unissued share dividends until a year with earnings for payout, disclose accrued dividend as of current year.

Note 5: Price earnings ratio = average closing share price of current year/earnings per share

Note 6: Price dividend ratio = average closing share price of current year/cash dividend per share.

Note 7: Yield rate of cash dividend = cash dividend per share/ average closing price of current year

Note 8: Provide data on net work per share and earnings per share certified (reviewed) by certified public accountants up to the latest quarter as of the date for the publication of the annual report; provide data of current year as of the date for the publication of the annual report for other columns.

Note 9: NT\$1.0 cash dividend and no stock dividend for distribution of 2020 earnings is a proposal, which needs passage at the 2021 shareholders' meeting.

(F) The company's dividend policy and execution status

1. Dividend policy

With business belonging to mature industry, the company retains stable profits, with dividend policy focusing on cash-dividend payout, capital increment with earnings, and capital increment with capital reserves. After deducting appropriations for legal reserve and special reserve, at least 50% of the distributable earnings of the current year is used in dividend payout, especially cash dividend. The combined amount of capital increment with earnings and capital increment with capital reserves should not exceed 50% of the dividend payout of the year.

2. Proposal for dividend payout at the shareholders' meeting

The Company distributed cash dividend NT\$1.0 per share, stock dividend NT\$0 per share, totaling NT\$1.0 dividend per share.

3. Expected major change in dividend policy: nil.

(G) Effect of proposal of stock grants at the shareholders' meeting on the company's business performance and earnings per share: not applicable (the company doesn't compile financial forecast).

(H) Compensations for employees and directors:

1. Percentage and scope of compensations for employees and directors specified in corporate charter: After settlement of final account, the resulting net profit, after deduction of business income tax, should be used in priority to cover accumulated loss of previous years, before appropriation of 10% of the balance as legal reserve and, if necessary, additional appropriation as special reserve, followed by appropriation for dividend. The remaining earnings, should it exist, would be combined with accumulated retained earnings of previous years for formulation of shareholder bonus payout by the directors for submission to shareholders' meeting for approval.

According to revised corporate charter approved by shareholders' meeting on June 24, 2016, if the company turns in a profit, after deduction of compensations for employees and directors, 0.05% to 0.5% of pretax profit would be appropriated for employee compensations and up to 0.5% for compensations for directors. However, if the company still has accumulated loss, appropriation should be made first on the profit to cover the loss.

2. Accounting for difference between the estimate as the basis for compensations for employees and directors and number of shares as the basis for stock payout as employee compensations and the actual payout value:

Estimate as the basis for compensations for employees and directors is made according to related law/regulation, the company's charter, and past experience. Difference between the estimate and actual payout value, if any, would be handled as variable in accounting and listed as profit/loss of next year.

3. Payout of compensations approved by the board of directors:

The company's board of directors passed the following resolution on March 12, 2021:

(1) Cash payout of NT\$4,393,629 for employee compensation and NT\$2,196,814 for compensations for directors.

(2) No payout for employee compensation in the form of stock, with share of such payout in after-tax net profit and total employee compensation being zero.

4. Explain the difference, if any, between actual payout for compensations for employees, directors, and supervisors in previous year (including the number of shares and value of money paid out and stock price) and the recognized amount of compensations for employees, directors, and supervisors, the scale of difference, reason, and handling status:

Status of execution of payout approved by shareholders' meeting of the company on June 19, 2020:

- (1) Actual bonus payout in cash for employees reaches NT\$11,220,436 and NT\$5,610,218 for compensations for directors, with no stock payout;
- (2) actual bonus payout for employees in the form of stock is zero, with share in capital increment with earnings being zero;
- (3) after deduction of aforementioned payouts, earnings per share is imputed at NT\$3.08.
- (4) there is no difference between the aforementioned actual payout and the payout plan approved by the board of directors.

(I) Share buyback by the company: nil.

**B. Issuance of corporate bonds: nil**

**C. Issuance of special shares: nil**

**D. Issuance of overseas depository receipts: nil**

**E. Issuance of employee stock option certificates: nil**

**F. Managerial staffers with acquisition of employee stock option certificates and names of top 10 employees with largest number of employee stock option certificates and status of acquisition and subscription: nil**

**G. Issuance of restricted stock awards: nil**

**H. Managerial staffers with acquisition of restricted stock awards and names of top 10 employees with largest number of restricted stock awards and status of acquisition: nil**

**I. Issuance of new shares for acquisition of other company or transfer of other company's shares: nil**

**J. Status for the execution of fund utilization plan**

(A) Contents of plan

1. Previous securities issuances or private share placements which have not been completed as of the date of the publication of annual report: nil
2. Plans in recent three years which have been completed but have yet to manifest significant benefits: nil

(B) Execution status

Analyze item by item the purposes of aforementioned various plan as of the quarter prior to the publication of the annual report, execution status, and comparison with anticipated benefits: nil

## **V. Business Status**

### **A. Business contents**

(A) Business scope (according to business items registered with the Department of Commerce, the Ministry of Economic Affairs)

1. The company's major business items are:

- ( 1)production and sale of nylon fabric and polyester fabric;
- ( 2)production and sale of the alveolar bone of umbrella rib and tyre cord;
- ( 3)manufacturing, processing, and sale of polymers and related products;
- ( 4)traditional combed cotton yarn, blended yarn, new functional yarn, special protective yarn, and woven fabric;
- ( 5)production and sale of protective textile devices, including: [1] bulletproof vest, jacket, helmet, shield, mask; abrasion-resistance fabric, and products with composite materials (sports devices, fishing gear); [2] industrial work clothes, including clothes with acid-, alkaline-, fire-, and high temperature endurance and reprocessed products using such textiles, including fire-fighting coat, anti-heat clothes for working in boiler room, and chemical-industry work clothes; [3] clean-room wares (sterilized clothes, surgical gown, medical wrapping cloth, anti-static electricity clothes), and sterilized clothes;
- ( 6)Information software and service and design, manufacturing, and sale of communications software/hardware and components;
- ( 7)management of recreational area, children's amusement park, park, camping ground, swimming pool, skating rink, zoo, and general sports ground and lease of gear for water recreational activities and yacht;
- ( 8)management of hotel and affiliated restaurant;
- ( 9)transactions in staples, artifacts, groceries, general merchandise, and apparels;
- ( 10)agency and production of domestic and foreign artistic and performing-art events;
- ( 11)running of gas stations for sale of gasoline, diesel oil, kerosene, and petroleum products in small package, plus lubricant oil for autos and motorcycle, as well as simple maintenance, car washing, auto and motorcycle products, convenience store, parking lot, operation of automatic vending machine, and entrusted operation of regular auto inspection;
- ( 12)other businesses except those forbidden or restricted by law/regulation.

The above are the major business contents of Formosa Taffeta Co., Ltd.

## 2.2020 Revenue distribution

Unit: NT\$1,000

Major products	Unit	Quantity	Amount	%
Oil products	Kiloliter	465,628	9,414,248	32.71
Polyamide/Polyester fabric	1,000 yards	223,547	11,762,430	40.86
Polyamide/Polyester Tire Cord	Metric ton	47,635	6,126,786	21.29
Special textile	1,000 yards	5,555	871,217	3.03
PE bags	Metric tons	4,469	271,170	0.94
Number of yarn	Pieces	10,801	280,251	0.97
Land development		-	19,252	0.07
Business recruitment		-	31,992	0.11
Commission income		-	6,146	0.02
Total		-	28,783,492	100.00

### 3. The company's existing products:

Filament polyamide/polyester woven fabric, spun woven fabric, filament and spun interwoven fabric, dyed check, Environmental protection copper amine rayon plain weave, polyamide /polyester tire cord, PE bag, combed cotton yarn, blended yarn, new functional yarn, special protective yarn and textile, Military uniform / police uniform / firefighting fabric, medical fabric, bullet-proof fabric, composite-material textile, Clean clothes/clean room work clothes fabric, gas-station service, daily-life products, and car-washing service.

### 4. New products planned to be developed:

Environment-protection materials, biomedicine products, textiles for senior citizens, development and application of nano-level materials, fluorine-free water-repellant fabric, multifunctional smart clothing fabric for temperature control and photovoltaic positioning , waterless dyeing technology, bluesign® polyamide textile featuring chemical-free processing, fireproof and anti-near infrared camouflage fabric, high visibility fireproof fabric, flame retardant fabric against molten iron splash, the development of the tablet for automated robotic arm and thermoplastic board for 3C.

## (B) Industry status

### 1. Polyamide/polyester long-fiber dyed fabric

In 2020, sales and profits of long-fiber business slumped, due to the impact of a litany of adverse factors on the global textile market, including raging COVID-19 pandemic, which led to border control, lockdown, social distancing, shop closure, restriction of gatherings, and cancellation of sports events, as well as Sino-U.S. trade dispute, loose money supply, and greenback devaluation after revaluation, slashing consumption demands, boosting inventories of

international apparel brands, and postponing new arrivals. However, sales picked up in Q4, thanks to robust demands for winter clothes, with the momentum expected to continue well into 2021, due to increasing vaccination in the U.S. and Europe, which will boost sales at the physical outlets of international fashion brands. As a result, orders from apparel brands are expected to rebound in 2021, resulting in business upturn.

In 2021, despite expectation of multiple challenges, the company is confident of attaining sales growth, via various measures, including consolidation of strategic partnership with major international brands; exercise of the respective advantages of the five plants in three places to attain synergy; intensification of R&D for high added-value, niche, and differentiated products; utilization of integrated operating platform for product-development innovation and branding initiatives; installation of new equipment, development of new technologies, process improvement, reduction of failure cost, and energy conservation and waste abatement; utilization of AI to optimize dyeing modules, so as to increase first pass yield rate of dyeing, reduce cost, improve abnormal phenomena, and meet customer demands; compliance with brand customers' plan for integrating fabrics and consolidating supply chain, so as to shorten delivery and enhance competitiveness. Therefore, the company is upbeat in attaining the 2021 business target.

## 2. Cotton spun yarn

- (1) Industry status and development: Impacted by massive cancellation of orders from major overseas markets, including Europe, the U.S., and Japan, and sharp contraction of the consumer-goods market, many short-fiber yarn manufacturers in Taiwan scaled down operations, via plant closure, reduction of spinning machines in operation, and even layoff. To cope with the adverse environment, the company filled the unmet demands for niche products resulting from plant closures of peers and adjusted its product mix, in favor of high value-added products and industrial-use yarns, in order to uphold its edge among peers.
- (2) Association among the upstream, midstream, and downstream sectors of the industry: Combining the special and natural / chemical fiber of upstream suppliers and downstream weaving / dyeing / special processing plants / brand customers, meet the needs of end consumers collectively, develop customized and refined end products to enhance the competitive capability of yarn mills.
- (3) Product development trend: In 2020, the Company continued to transform filament and spun composite yarn machines, and cooperated with the patent authorization and brand of cloth merchants for vertical integration. In 2021, the high-end sportswear market and antibacterial and epidemic prevention cloths have been promoted, and machines have been continuously rebuilt to increase supply.

### 3.Special fabric

- (1)Industry status and development: Shipment of anti-static electricity fabric rose, due to increased demands for anti-epidemic isolation gowns and masks, demands for oil workwear plunged on sharp reduction of petroleum output, demands for the fabric of military and police uniforms and fire-fighting coats inched up, while demands for industrial fabric remained flat.
- (2)Association among upstream, midstream, and downstream sectors of the industry: The U.S. was the main supplier of upstream materials; China, India, Taiwan, and Turkey were major supplying sources for midstream yarn, fabric, dyeing and finishing, and printing; garments came mainly from suppliers in China, India, Pakistan, Vietnam, Southeast Asia, and the Middle East.
- (3)Development trend and competitive status of various products: Products were developed in the direction of elastic and moisture-absorbing blend fabric at medium and low prices. While Chinese and Indian manufacturers were scrambling for low-price fabric, the company stepped up effort for developing new products, new purposes, and new customers.

### 4.Carbon-fiber fabric

- (1)Industry status and development: Impacted by COVID-19 pandemic, Q1 demands, from both domestic and overseas markets, dropped significantly before recovering gradually in Q2, prompting the company's carbon-fiber plant to step up supply rapidly.
- (2) Association among upstream, midstream, and downstream sectors of the industry: Carbon fiber fabrics and preregs belong to midstream semi-finished products processing industry. The upstream raw material is from Formosa Plastics Taililang Carbon Fiber Factory and Japan's famous carbon fiber factory. For downstream, there are bicycle components factory, sports equipment factory, ship material manufacturing factory, composite material molding factory, pipeline and pipeline reinforcement factory, construction reinforcement industry and drone production factory. Formosa Plastics and the Company are affiliated companies of Formosa Plastics and have good mutual trust.
- (3)Development trend and competitive status: Carbon-fiber textiles include 1.5K, 3K, 12K, and 24K plain and twill fabrics, resin prepreg fabric, carbon-fiber slab, extension-fiber fabric, and multi-axial/-layer fabric, suitable for thermosetting and thermoplastic shaping. The company's composite carbon fiber plant collaborated with upstream and downstream partners in producing thermosetting/thermo plastic shaping cases for 3C products, auto parts/components, and robotic arms, in addition to supporting customers in undertaking civil engineering and construction reinforcement projects. Backed by a well-equipped laboratory, the company can supply partners valid construction and testing data rapidly, to facilitate applications by the latter and help them increase the magnitude of its products, boosting sales.

## 5. Tire cord

- (1) Industry status and development: With capacity reaching 3,600 tons/month, the Taiwanese plant shipped 33% of its output to the domestic market and 67% abroad, including Southeast Asia, India, Sri Lanka, the U.S., China, Japan, South Korea, and Europe. Meanwhile, the Vietnamese plant, with monthly capacity of 2,000 tons, shipped 45% of its output to the domestic market, leaving 55% for overseas markets. Due to acute price competition caused by oversupply, plus zero tariff for China-made polyamino tire cord imported to Taiwan and denial of preferential tariffs to Taiwan-made products in some markets, has dampened the prices of Taiwan-made products for a long time. Due to lockdown by countries worldwide in the first half, foreign automakers and tire factories shut down, driving down demands steeply. However, following gradual lifting of lockdown in Q3, demands for personal transportation vehicles surged, as people shunned mass transportation services, to cut down on the chance of infection, jacking up demands for tires, especially motorcycle and bicycle tires.
- (2) Association among upstream, midstream, and downstream sectors of the industry: High-strength yarns for tire cord are made mainly from polyamide 6, polyamide 66, and polyurethane, supplied by affiliates of Formosa Plastic Group and Indonesian and mainland Chinese yarn manufacturers. Different from ample supply in the past, yarn supply began to be strained in Q4 2020, due to strong tire demand, manpower shortage of chemical fiber plants, global container shortage, and abnormal climate, leading to strong rebound of tire-cord prices. Yarn supply is expected to remain insufficient in the first half of 2021.
- (3) Development trend and competitive status: Given low technological threshold for bulk tire cords, global price competition, and disadvantageous tariffs for Taiwan-made products in major markets, the company has gradually shifted production of bulk tire cords to the Vietnamese plant, while installing production equipment for bicycle tire cords at the Taiwanese plant and the Vietnamese plant, thereby raising the share of products with higher added value in sales, on top of development of tire cords for high-tier bicycles and flexible carbon-fiber wires, for the sake of higher margin.

## 6. PE bags

- (1) Industry status and development: Under chronic price competition, the plastics processing plant of company has focused on the Japanese market, due to its demands for quality products with higher prices, which now accounts for 76% of the company's sales of PE bags, leaving 23% for shipment to America and 1% for domestic sales in Taiwan.
- (2) Association among upstream, midstream, and downstream sectors of the industry: The upstream raw materials are high-density polyethylene granules and color masterbatch, and the source is Formosa Plastics Co., Ltd., which is also a Formosa Plastics-related enterprise with good mutual trust and close

relations with the Company. The factory mainly engages in film blowing, printing and bag making. It mainly supplies downstream retailers such as supermarkets, hypermarkets, convenience stores, etc., providing T-shirt bags, roll bags and garbage bags for consumers.

- (3)Development trend and competitive status: Due to the consideration of environmental protection, restriction of or ban on t-shirt bags has become an international trend. Japan's Ministry of Environment, for instance, has banned free t-shirt bags, effective July 2020, except biodegradable bags thicker than 50 mic and bags with bioplastic contents exceeding 25%. Chile has also forbidden t-shirt bags from Aug. 2020, except biodegradable bags and bags for carrying unpackaged merchandises. Such mandatory ban or restriction is expected to continue, aggravating market challenge, on top of price competition. Backed by its advantageous quality, the company is confident to retain steady growth via continuing development of environment-friendly materials.

#### 7. Formosa Taffeta gas station (106 stations)

- (1)Industry status and development: There were 2,487 gas stations in Taiwan as of the end of 2020 (source: the Bureau of Energy, the Ministry of Economic Affairs), including 600 owned by CPC Corp., Taiwan directly, with the remainder being gas stations run by private enterprises, franchised stations, and independent stations.
- (2)Association among upstream, midstream, and downstream sectors of the industry: Gas stations are situated at the end of the channel of oil-product market, with oil products supplied by CPC Corp., Taiwan and Formosa Petrochemical Corp. mostly, as import volume is very low. The Company and Formosa Petrochemical Company are the affiliated companies of Formosa Plastics, with good mutual trust and close relationship.
- (3)Development trend and competitive status: The competition among gas stations in Taiwan is fierce, and it is a highly mature market. The requirements for multiple services and SOP operations for station services must be higher than the peers in the industry. Upstream oil plants are also developing differentiated oil products. Formosa Petrochemical launched 95 Plus gasoline to make driving smoother, more fuel-efficient, strong horsepower, and faster acceleration. It has effectively reduced engine carbon deposits and pollution emissions. The increase of selection volume can be expected. The sales ratio of gasoline and diesel in Taiwan: gasoline accounts for about 70%, and diesel accounts for about 30%.
- (4)Engaged in the running of gas stations, retail of oil products, plus some auto and daily-life goods, and car-washing business, Therefore, the company has focused on the management of gas stations, including quality of services, personnel deployment, promotion of by-products, and car washing. The Company consistently strengthens SOP standard operations and training. In recent years, we have paid attention to environmental protection, community safety and corporate social responsibility (CSR). We have participated in

community public welfare activities. Since 2020, we have publicly disclosed the organization's greenhouse gas emissions, which have been verified by a third party. We follow the operations of water and power conservation to reduce air pollution and enhance environmental protection and security.

(C) The State of Technology and Research & Development

Year	Expense in R & D(NT\$)	Result
2020	256,114,277	1.Smart technology thermal control model optimisation 2.Nomex anti-NIR camoflouflage fabric development 3.ZDHC/ chemicals management and promotion project 4.Temperature/moist reactive color change fabric 5.Graphene cooling/ warmth retention fabrics development 6.Schoeller Cold black/bio-3XDRY/Nanospere/c-change collabration 7.bio-degradable fabirics 8.Ocean recycled & recycled fishing net fabrics 9.Irregular cross-section fiber combination development 10. Waterless dye(Aqua-off® 、Solution Dyed) 11.Taiwan textile federation collaboration 12.Biomass plastics development 13.Kevlar high-end bicycle unidirectional anti-stab fabrics development 14.Hybrid tire cord
2021 Q1	61,692,667	1.Medical protective fabric development 2.Ocean recycled & recycled fishing net fabrics 3.Eco-friendly stretch yarn development 4.Bio polyamide fabrics development

(D) Long- and short-term business development plan

1. Polyamide/polyester filament woven & dyed fabric

1.1 Short term

- (1)Expand supply of product mix featuring highly differentiated niche products and environment-friendly materials.
- (2)Tap business of emerging brands, flexibly adjust the interaction between orders and capacity, and assure stability of order sources.
- (3)In line with the trend of orders with short-delivery time among market customers, offer customized service covering product recommendation throughout product development to customers, to solicit their orders.
- (4)The company must dedicate to enhancement competitiveness of supply chain, via R&D/ equipment/quality/delivery time/service.
- (5)In response to CSR current, actively seek treatment of discharged water, including separate sewer, regeneration, and recycling, to attain the goal of volume reduction, supply reduction, and consumption reduction.

1.2 Long term

- (1)Intensify market information collection, strengthen strategic partnership with branded customers, consolidate supply chain, and raise full-purchase rates of branded customers.
- (2)Tap multiple terminal markets, in the four categories of outdoor apparel, functional sportswear, fashion and leisure, and umbrellas for both

sunny and rainy days.

- (3)Materialize the benefit of KPI (key performance indicators) and assure rapid and punctual delivery of goods, so as to meet customer demands.
- (4)Form strategic alliance with apparel suppliers designated by branded firms, develop and promote products with material suppliers, apparel firms, and design houses jointly.
- (5)In response to the request of branded firms to cut energy and water consumption in process, Formosa Taffeta's various plant premises plan to complete various environment-protection projects according to schedule, so as to enhance CSR competitiveness.

## 2. Cotton spun yarn

### 2.1 Short term

- (1)Collect various new fibers, alongside development of new products and new channels(Protection, medical, ...etc) by the company's special textile factory.
- (2)Continue forming strategic alliance with upstream material suppliers in the development of new type and new usage, so as to lengthen product line.
- (3)With the continuous transformation and addition of long and short fiber composite yarn machines, we develop a series of innovative products to provide brand customers with use and create new applications with high added value.
- (4)In response to the increasing market demand for medical fabrics, the Company's cotton yarn mills target silver fiber, zinc oxide fiber and other antibacterial yarns and cooperate with customers to grasp the market of antibacterial underwear, mask covers, diabetic socks, medical protective gear and various antibacterial clothing.

### 2.2 Long term

Continue introduce ever-progressing hi-tech textile materials, from both domestic and overseas sources and in line with demands of end customers for products with diversified and compound functions, carry out vertical integration of upstream, midstream, and downstream sectors, for the development of customized, differentiated, and environment-friendly products, in the hope of becoming a hub in the supply chain for short-fiber functional textiles in Asia-Pacific.

## 3. Special textile

### 3.1 Short term

To offset sharp decline in demands for fire-retardant fabric for oil workwear, it is necessary to develop other fire-retardant materials, low- and medium-priced

products, and innovative products, such as multi-functional elastic, comfortable, and moisture-absorbing composite fabric for military, police, and fire-fighting uniforms. Demands for fabric for anti-epidemic isolation gowns and clean-room suits for TSMC, and sterile-gown fabric in Europe will expand further. Moreover, the company will actively develop food-industry uniforms and painter workwear, as well as anti-virus, elastic, and creaseproof fabric for medical clothes and uniforms, to help with attainment of sales goal.

### 3.2 Long term

The company will foray into European and U.S. markets for fire-retardant fabric and meet various market needs by mixing various fire-retardant materials and adopting various processing methods. Extend applications of anti-static electricity fabric to long-term care and anti-epidemic usage, PM 2.5 masks, and improved medical fabric, on top of introduction of anti-virus elastic, creaseproof medical fabric, to better patient care. In industrial fabric, develop e-car textiles and high-strength PE, elastic, fire-retardant fabric.

## 4. Carbon-fiber fabric

### 4.1 Short term

Take advantage of the unique production specifications of the multi-axial equipment of the company's carbon fiber plant to meet the needs for structural strength by yacht and ship builders and help shipbuilding departments of domestic colleges develop repair technology for ships made of composite materials.

### 4.2 Long term

Take advantage of the plant's composite-material shaping technology to produce, in collaboration with customers, auto parts. Collaborate with the company's plastic plant in developing new technology blending plastic materials and carbon fiber for production of bicycle tires by tire plants.

## 5. Tire cord

### 5.1 Short term

(1) Polyamide tire cord of Taiwan plant: Given strained supply of PA yarn, due to strong global demands for tires, it is difficult to keep output and sales at previous levels, despite significant price hike. In addition to increasing the capacities of bicycle tire cords and anti-friction fabric further, the Taiwanese plant will continue expanding its market share and optimize product mix by getting rid of low-price money-losing products, so as enhance overall margin. Focus will be on the markets of Taiwan, the U.S., Japan, Southeast Asia, India, and Europe and continue developing, as well as soliciting orders for, high-tier bicycle tire cord with fine denier yarn. Therefore, the Taiwanese plant will continue shifting orders for which it has low competitiveness, due to tariff barrier,

to the company's Vietnamese plant.

- (2) Polyester tire cord and fabric: Amid global shortage in yarn supply, the company will strive to win the support of Nan Ya Plastics, an affiliate, to assure sufficient supply. Continue soliciting orders from sedan tire plants in Taiwan, Serbia, Sri Lanka, and Indonesia, to keep up overall business scale, and retain an optimized product mix for the Taiwanese plant by forgoing orders for polyester tire cords from customers in some markets which refuse to raise prices to a reasonable level.
- (3) Other products with high added value: Strive for more orders for anti-friction fabric, fine-denier tire cord for high-tier bicycle tires, stab-resistant fabric, and other products with high added value, in addition to pushing flexible carbon-fiber steel wire products for inner tires of high-tier road bikes, to increase global market share.
- (4) Vietnam plant: Consolidate the plant's capacities, now standing at 1,700 tons/month for twist weaving and 2,000 tons/month for dipping, for which new single-yarn dipping machines will start to operate in 2021, following test run in June 2020. In order to raise margin, the Vietnamese plant will optimize its product mix in 2021 and step up trial production of anti-friction fabric and anti-stabbing fabric, which are expected to hit the market in the second half.

## 5.2 Long term

To strengthen their operation and enhance product competitiveness, the Taiwanese and Vietnamese plants will carry out a series of improvement programs in 2021, including increase of first pass yield, rationalization of production schedule, precision cost analysis and control, and enhancement of equipment availability, in addition to formulating various SOP (standard operating procedure) documents and audio-visual teaching materials, so as to improve management of equipment, manpower, raw materials, and technologies and cut failure cost, and intensifying waste abatement and reduction of waste-water discharge.

Collaboration between the Taiwanese and Vietnamese plants in via supplementation of their production and sales has mitigated the impact of the changes in the general market environment significantly. The arrangement can solve the problem of disadvantageous tariffs faced by the Taiwanese tire-cord plant, as Vietnam has joined multiple free trade schemes, as ASEAN, RCEP, and CPTPP, and signed free trade agreements with the EU and many other countries. In the future, the Taiwanese plant will focus on the development of niche products with high added value, to augment its presence in the blue-sea market.

## 6. PE bag

### 6.1 Short term

In accordance with the laws and regulations of some countries, the Company produces bioplastic new bags, focusing on securing existing customer and developing new customer and reducing production costs. According to the declined trend of raw material prices in 2020, the Company will adjust the inventory of raw material and finished products to reduce the cost of raw material and the inventory of finished products.

### 6.2 Long term

The Company pays attention to the logistic industry and industrial packaging materials products, in response to the development of demand for environmentally friendly plastic products, develop related new products, and seek transformation and sustainable operation.

## 7. Formosa Taffeta gas stations (106 stations)

### 7.1 Short term

- (1) Recruit customers by contract: Solicit bulk oil-consumption customers in the fields of agricultural machines and industries, so as to boost oil sales.
- (2) development plural payment instruments and intensify sales promotion, so as to stabilize existing customers and strive for new ones and enhance oil sales.
- (3) Offer sophisticated car-washing service and improve service quality, to increase revenue.
- (4) Adjust stocks, in line with price fluctuation.
- (5) Enhance corporate image, via engagement in community charity activities.
- (6) In line with increasingly strict supervision of gas stations by municipal governments, in terms of inspection of safety, equipment, and environmental protection, the company carried out online management of all the 106 stations, improving report of defects, reducing penalties, strengthening environmental protection, and assuring communal safety.

### 7.2 Long term

- (1) Phase out stations with lackluster performance, taking into account lease length and locations, so as to boost overall profits of gas station operation, expanding market share by increasing new stations.
- (2) To save manpower and meet customer demands, increase installation of self-service filling equipment, as part of the effort to fully automate the operation of gas stations, so that every station has self-service option to provide customer discounts.
- (3) Push co-brand card and membership card, to increase non-oil revenue and raise customer loyalty.
- (4) Diversify revenue sources, offer sales of urea, sales of the Company's

own products, manual car washing and installation of charging and replacement power stations, etc.

- (5) With electric motorcycles have caused an increasing impact on the operation of gas stations, cautiously consider long-term countermeasures for the trend of electric vehicles and driverless cars, but environmental protection and carbon reduction that are conducive to Taiwan's environment, are generally in response to technological changes.

## **B. Market and production/sale status**

### **(A) Market analysis**

#### **1. Major outlets and market shares**

The textile products produced and sold by the Company are widely used in the people's livelihood and are not in the oligopolistic market such as electronics or rare products. There are hundreds of thousands of companies in the same industry in the world, and the requirements of products and materials vary. As there is a lack of transaction volume data collected by international agencies or customs of various importing countries, and one enterprise account for relatively low ratio in the global production and sales, Therefore, the market share data can hardly be found. However, we are pursuing full production capacity of equipment, focusing on the substantial growth of annual overall production quality and sales volume, focusing on the continuing order and full purchase rate of existing customers for similar processing fabrics of filament plain woven fabrics, and expanding customer territory in the market of emerging countries.

#### **(1) Polyamide/Polyester filament dyed fabric**

Formosa Taffeta's textile products are shipped mainly to four end markets: outdoor functional wear with 34.4%, sportswear with 51.6%, casual wear with 8.0%, and umbrella with 6.0%. Major customers are international renowned brands, with which the company has entered into strategic alliance, forming a tight supply chain along with apparel manufacturer customs, which covers product design, joint development of materials, fabric design, dyeing and finishing, and apparel. The company's fabric is supplied mainly to apparel plants in China, Hong Kong, Northeast Asia (South Korea, Japan), Southeast Asia (Vietnam, Indonesia, Thailand, Laos, Burma). Customers' continuing purchase volume and full purchase rates fluctuate along with performance for sales to branded customers.

#### **(2) Cotton yarn:**

- 1) Sales outlets: ratio between domestic sales and export and areas are shown

in the following table:

Area	Year	Taiwan	Southeast Asia	South America	Others	Total
Sales share (%)	2019	79	14	4	3	100
	2020	90	7	1	2	100
Explanation	Calculation on yearly basis					

- 2) Traditional yarn accounted for 47.3% of the sales volume of the cotton weaving plant in 2020, with the remaining 52.7% for functional yarn, but in terms of sales amounts the share of Traditional yarn was 24.5%, functional yarn was 75.5%, which underscores the high added amounts of the latter.
- 3) Traditional yarn business is clouded by sluggish trading in yarn counts, as orders received by downstream textile firms drop under the strong competition from imported apparel and foreign brands.
- 4) Strengthen R&D on functional and high-price industrial yarn, develop in the direction of small volume/large variety products, and focus on the production functional yarn, in concerted effort with upstream and downstream firms, so as to boost market competitiveness.
- 5) In line with the needs of downstream fabric and apparel plants, accelerate development via strategic alliance of differentiated products and environment-friendly products, so as to avoid red-sea competition and augment product competitiveness.

### (3)Special fabric

- 1) Sales outlets: Major outlets with shares are shown in the following table:

Area	Year	Taiwan	Europe & the U.S.	Asia Pacific	Total
Sales share (%)	2019	12	32	56	100
	2020	12	28	60	100
Explanation	Calculation on yearly basis				

- 2) The main market for flame retardant fabric is Asia-Pacific and the mid-east.
- 3) Anti-static electricity fabric is shipped mainly to the European and Taiwan market.
- 4) The main market for technical fabrics is in Taiwan.

### (4)Carbon-fiber fabric

- 1) The Company's carbon fiber composite material factory is the only manufacturing plant in Taiwan that is equipped with production facilities of carbon fiber fabrics, epoxy resin prepregs, multi-axial carbon fiber fabrics, and compression molds that can meet the diverse needs of customers.
- 2) Domestic sales accounts for 73% and 27% for foreign sales. The export areas include Japan, South Korea, Thailand, mainland China, Australia, Canada, Middle and South America and Europe.

### (5)Tire cord,

Sales outlets: Major outlets with shares (Taiwan plant & Dong Nai plant) are shown in the following table:

Area	Year	Taiwan	India	South east Asia	North east Asia	China	The U.S	Others	Total
Sales share	2019	21	18	35	11	5	4	6	100
	2020	30	10	34	7	8	6	5	100
Explanatio	Calculation on yearly basis (Taiwan plant + Dong Nai plant)								

The company's plants in Taiwan and Vietnam have been endeavoring to cut energy consumption, carbon emission, and water usage, in order to lower cost, uphold quality and on-time delivery, on top of developing vigorously new products, raising the share of differentiated environment-friendly products with higher added value and augmenting revenue.

(6)PE bag:

In 2020, Japan was the largest outlet for the company's PE bags, boasting 76%, followed by America with 23% and Taiwan with 1%. On the basis of existing niche, the company has been actively developing new customer sources, in order to raise market share. The company has been substituting new equipment for old ones, in order to meet the growth of demands from increasing convenience store outlets in Japan, achieve energy conservation and cut carbon emission, lower production cost, develop differentiated and environment-friendly products, improve product mix, and enhance product competitiveness. Besides, in order to cooperate with the plastic restriction and carbon reduction policies implemented in Japan, the bio-environmentally friendly T-shirt bag has been certified by JBPA in Japan, and will be wildly used in 7-11 convenient stores since June 2020.

(7)Formosa Taffeta gas stations:

- 1) Market share: There were 106 Formosa Taffeta gas stations in 2019, whose oil supply volume per station was slightly lower the industry average, with market share reaching 3.2%. Taiwan's gas stations are divided into three groups, stations directly owned by CPC Taiwan (600 stations for 24.1% share); sub-groups of stations run by Formosa Taffeta, Formosa Oil, NPC, Uni-President Smile, Taiwan Sugar, and Shan-loong (each with 70-110 stations); and small-chain or individual stations.
- 2) Outlook for supply and demand and growth potential on the market: Under the oligopoly of CPC Taiwan and Formosa Petrochemical Corp., supply on the domestic oil-product market is not a problem. In 2020, the inefficiency of agreement among oil-producing countries on output reduction and the COVID-19 pandemic resulted in less outdoor activities of customers and the demand of gasoline which make the competition of gas stations much more intense. In 2021, through the introduction of diversified ways of payment, promotions, and operation, sales volume is expected to grow a little bit as the vaccinations rolling out.
- 3) Development of competition and countermeasures: Major competitive practices on the gas-station market include price cut, preferential rate for

credit-card customers, and preferential charge for car washing, adopted by stations run by large business groups or chain stations in pushing various sales campaigns. As a member of Formosa Plastics Group, Formosa Taffeta gas stations boast the advantages of established brand, quality, systemized operation, availability of self-produced promotional items, preferential treatment for credit-card consumption, and logistics support. Consequently, the company has carved out a solid market share, especially in central and southern Taiwan. Faced with acute competition on the mature market, Formosa Taffeta gas stations will continue providing preferential rates to customers with cash or co-brand card payment and VIP card holders and pushing personnel training, 5S operation, and TPM management, plus promotion of self-service gas filling, monthly bills for agricultural-machinery and corporate customers, professional car-washing service, use of by-products in sales campaign.

2. Market sharers, demand-supply market outlook, growth potential, competitive edge, favorable and unfavorable factors for business outlook and countermeasures: Refer to aforementioned reports on various products and explanations in V. business status and I. business reports for shareholders of the pamphlet.

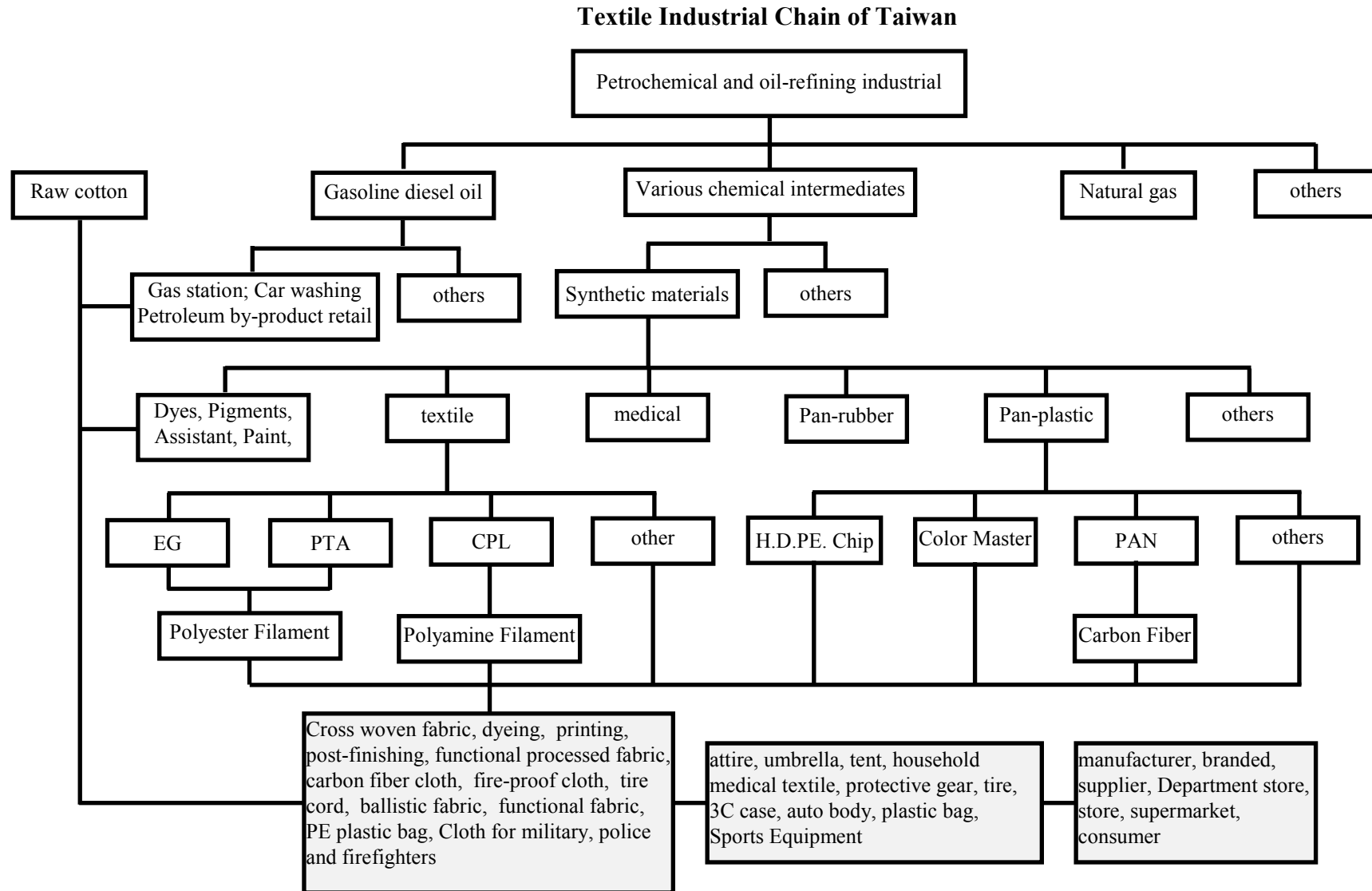
3. Market competitive status and countermeasure

Except the B2C service of gas stations, all other products of the company are B2B Marketing model, for which the company has longstanding customers and enjoys the trust and acclaim of international branded final buyers. However, faced with the acute price competition from established firms and newcomers, the company has been endeavoring to develop new materials, new functions, differentiated features, and green and innovative products, plus insistence of quality and exploration of emerging markets, in order to shed reliance on blue-sea markets, products, and customers.

4. Linkage of supply chain

For years, the company has purchased 60% of raw materials from affiliates of Formosa Plastics Group, without any concern about credit standing and transaction problems, and supplied over 60% of products to reliable longstanding and branded customers, assuring stable business.

Chart of the connection of the company' supply chains for up-, medium- and downstream materials and products



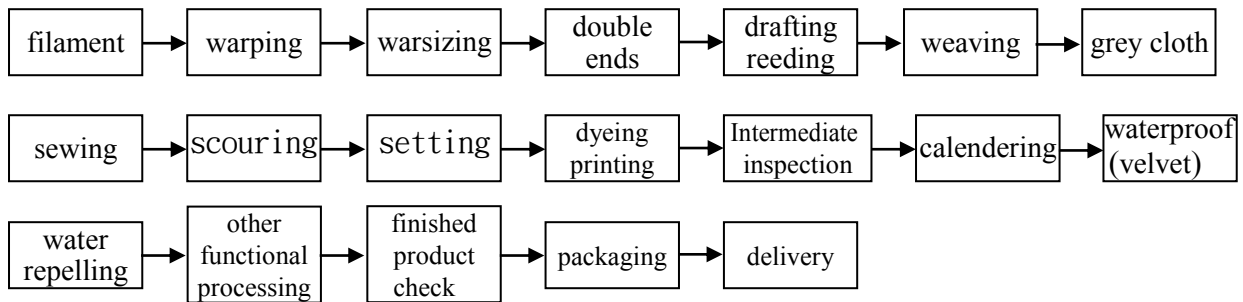
(B) Major purposes and production processes of various products

1. Major purposes of various products

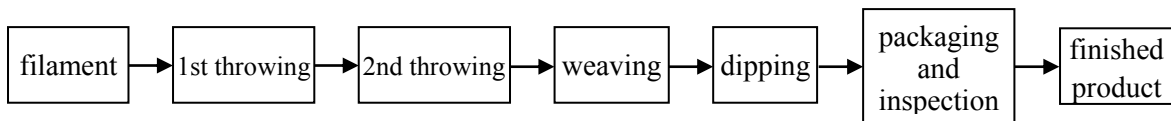
Product name	Major purposes
Polyamide fabric	Air-permeable raincoat, water-proof air-permeable snow coat, jackets, sleeping bag, down jackets, sportswear, hunting jacket, hat, tent, air mattress, golf umbrella, beach umbrella, wind sail, gloves, and anti-magnetic wave shields, Multifunctional smart clothing such as temperature control, light display, detection and positioning
Polyester fabric	Casual sportswear, ultra thin-fiber clothes, curtain
Cotton fabric, blended fabric, long- and short-fiber interwoven fabric, dyed check	Garment, jacket, shirt, knapsack, medical and sanitary fabric
Tire cord	Various kinds of tire cords, tire chafer, base cloth of conveyer belt, anti-stab fabric of bike tire, lining
PE bag	Shopping PE bag, point-broken roll garbage bag, sanitary bag
Combed cotton yarn, blended yarn	For production of various woven and knitted fabric, cotton and blended woven fabric, long- and short-fiber interwoven fabric, and dyed check
New functional yarn	For production of fabrics for various clothes, bedding, health-related products, casual sportswear, clothes and hats, overcoats, parasol (umbrella), as well as other kinds of woven and knitted fabric
Protective textile	Fire-proof fabric and fabrics for uniform of air-force pilot, tank-operator fatigues, clothes for task-force operatives, firefighter clothes, arc-welding work clothes
Special textile	Clean-room clothes for electronics, foodstuff, and pharmaceutical industries, surgeon clothes, wrapping fabric, anti- bullet and anti-stabbing fabric, helmet, shield, drum paper for speaker, magnetoelastic-wave fabric for stereo equipment
Carbon-fiber composite fabric	Materials for sports equipment, bicycles, motorcycles, autos, aeronautics, 3C products, industrial robotic arms and mechanical structures, construction reinforcements, and wind-turbine blades
Premium diesel oil, 98, 95 Plus, 92 unleaded gasoline, various kinds of engine oil, daily-life merchandises, car washing	Auto fuel oil, generator oil, lubricants, and maintenance and cleaning products

## 2. Production process of major products

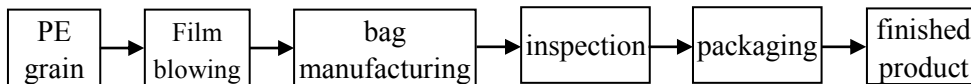
### (1) filament fabric :



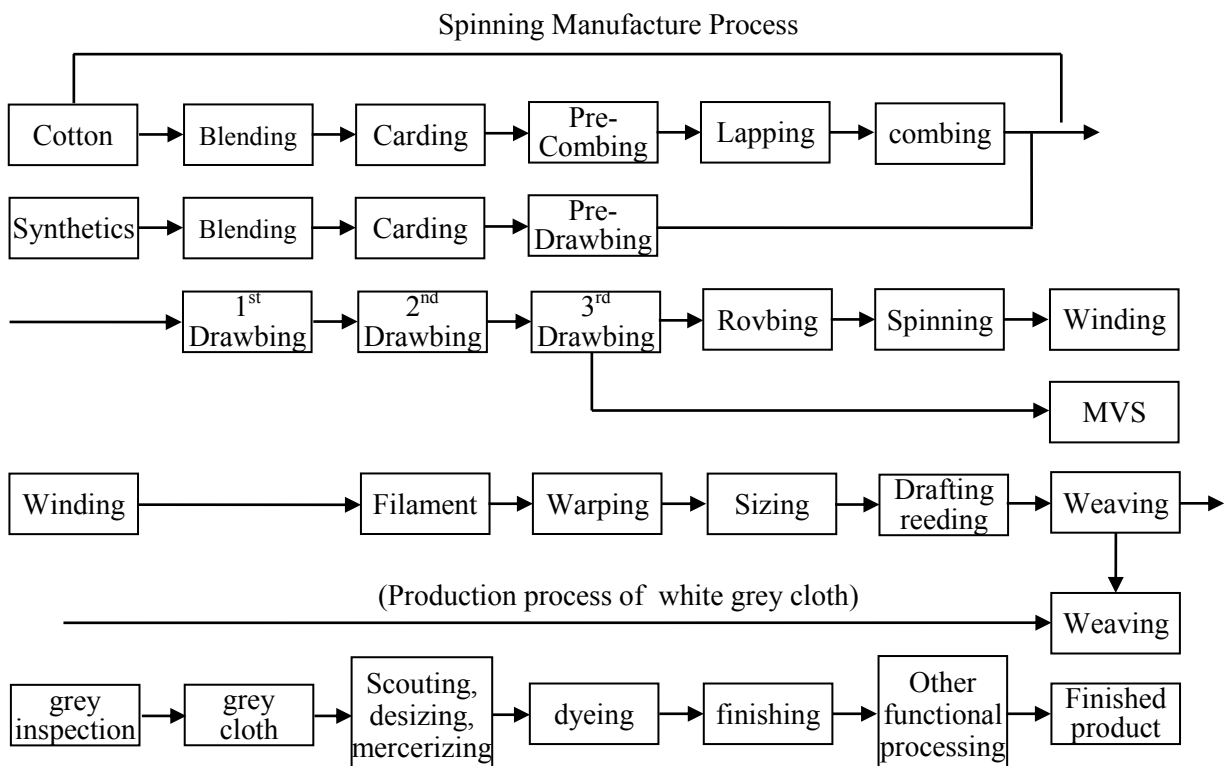
### (2) Tire cord:



### (3) PE bag:



### (4) spun fabric:



## (C) Supply status of major raw materials

Dec. 31, 2020

unit: NT\$1,000

Kinds of raw materials	Unit	Quantity	Amount	Major suppliers
Tire- cord filament	Metric ton	26,216	2,382,751	Formosa Chemicals & Fibre Corp., Sheepon Company
Polyamide filament	Metric ton	6,516	597,373	Formosa Chemicals & Fibre Corp., Formosa Industries Corp., Far Eastern New Century
Polyester filament	Metric ton	7,473	519,597	Nan Ya Plastics Corp., Lealea Enterprise, Toray Industries, Sinkong Textile
Assistant	Metric ton	24,145	1,419,124	Farsmart Co., Ltd., Huntsman, Global Shine Corp.
Polyester tire-core filament	Metric ton	8,097	473,860	Nan Ya Plastics Corp., New Site Industries
Cotton, polyester staple fiber	Metric ton	3,328	218,938	Formosa Chemicals & Fibre Corp., Nan Ya Plastics Corp., Tsaiyi
Dye	Metric ton	2,969	540,588	Jinhuang, Taifeng, Xiejing
Grey cloth	1,000 yards	15,981	261,963	Qinjiashang, Suzhou Xinjincheng
Alkene	Metric ton	4,358	125,188	Formosa Plastics Corp.
Dressing compound	Metric ton	4,261	103,060	Lisong, Jinneng, Wenhao, Juhe

(D) Names of customers/suppliers accounting for over 10% of the procurement (sales) of the company in The two recent years, their values and shares

1. Names of major suppliers for procurements

The company's oil product division has been actively making deployment in oil-product channels and expanding the number of gas stations, in addition to responding to the demands of customers, resulting in the following changes:

Unit: NT\$1,000

Item	2019				2020				as of the first quarter of 2021 (note 2)			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	Formosa Petrochemical Corp.	10,726,911	30.30	Stakeholder	Formosa Petrochemical Corp.	8,144,370	37.06	Stakeholder	Formosa Petrochemical Corp.	2,300,847	36.04	Stakeholder
2	Others	24,677,311	69.70	-	Others	13,829,438	62.94	-	Others	4,084,116	63.96	-
3	-	-	-	-	-	-	-	-	-	-	-	-
	Net Purchases	35,404,222	100	-	Net Purchases	21,973,808	100	-	Net Purchases	6,384,963	100	-

Note 1: Specify the names of suppliers accounting for over 10% of total procurement value, as well as the value and share of procurement. Code names can be used, in case names of suppliers cannot be disclosed, according to contracts, or trading partners are individuals who are not stakeholders.

Note 2: Disclose the latest financial data, as of the date of the publication of the annual report, audited and certified, or reviewed, by certified public accountants for public companies or companies with stocks being traded at offices of securities firms.

## 2.Names of major customers

Changes resulting from the need of market diversification, development of new customers, and changes of customer demands:

Unit: NT\$1,000

Item	2019				2020				as of the first quarter of 2021 (note 2)			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	Others	36,647,721	100	-	Others	28,783,492	100	-	Others	8,159,917	100	-
2	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
	Net sales	36,647,721	100	-	Net sales	28,783,492	100	-	Net sales	8,159,917	100	-

Note 1: Specify the names of suppliers accounting for over 10% of total procurement value, as well as the value and share of procurement. Code names can be used, in case names of suppliers cannot be disclosed, according to contracts, or trading partners are individuals who are not stakeholders.

Note 2: Disclose the latest financial data, as of the date of the publication of the annual report, audited and certified, or reviewed, by certified public accountants for public companies or companies with stocks being traded at offices of securities firms.

## (E) Output Quantity and amount in recent two years

Unit: NT\$1,000

Major products \ Year output	Units	2020			2019		
		Capacity	Output Quantity	Output Amount	Capacity	Output Quantity	Output Amount
Polyamide/polyester fabric	yards	312,914,000	239,279,000	11,975,084	340,000,000	296,443,000	15,686,336
Polyamide/polyester tire cord	metric tons	64,400	47,285	6,065,776	64,400	51,743	7,518,288
PE bag	metric tons	8,040	4,514	273,930	8,040	5,540	367,101
Yarn count	pieces	26,400	13,291	343,282	26,400	20,999	416,277
Cotton fabric	yards	-	-	-	-	-	-
Special fabric	yards	5,040,000	5,331,000	944,094	5,040,000	5,081,000	1,305,714
Total		-	-	19,602,166	-	-	25,293,716

Note : 1. Capacity refers to production amount of the company's existing production equipment under normal operation, after excluding the factors of necessary suspension of operation and holidays.

2. The production capacity, and output value of cotton products in 2019 and 2020 were incorporated into polyamine / polyester fabrics.

## (F) Sales Quantity and amount in recent two years

Unit: NT\$1,000

Major products	Units	2020				2019			
		Domestic sales		Exports		Domestic sales		Exports	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Polyamide/ Polyester fabric	yards	31,492,000	1,014,549	192,055,000	10,747,695	37,089,000	1,363,574	249,066,000	14,085,923
Polyamide/ Polyester tire cord	metric tons	10,684	1,763,348	36,951	4,363,624	9,339	1,680,217	43,114	5,964,521
PE bag	metric tons	1,032	46,591	3,437	224,579	1,604	82,781	4,053	292,054
Yarn count	pieces	10,489	268,729	312	11,522	16,488	319,969	993	21,290
Cotton fabric	yards	-	-	-	-	-	-	-	-
Special fabric	yards	3,721,000	498,811	1,834,000	372,406	3,422,000	636,252	1,384,000	412,037
Petroleum product	kiloliters	465,628	9,414,248	0	0	466,101	11,744,169	-	-
Land development			19,252		0	-	2,771	-	-
Business Solicitation income			-		31,992	-	-	-	35,060
Commission income			6,146		0	-	7,103	-	-
Total			13,031,674		15,751,818	-	15,836,836		20,810,885

Note : 1. The volume and amount of sales of cotton products in 2019 and 2020 were incorporated into polyamine / polyester fabrics.

## C. Human Resources

Year		2019	2020	Current year as of March 31, 2021
Number of employees	Male	1,821	1,755	1,729
	Female	833	798	798
	Total	2,654	2,553	2,527
Average age		45.0	45.7	45.8
Average length of service		19.1	19.1	19.1
Distribution of Education %	Ph.D.	0	0	0
	Master	1.51	1.68	1.74
	Bachelor	38.28	39.48	39.34
	Senior High School	53.81	52.81	52.67
	Below Senior High School	6.40	6.03	6.25
Note	1. Additional employment of 627 foreign laborers, 241 contract laborers, and 1,131 gas-station workers in 2019. 2. Additional employment of 520 foreign laborers, 229 contract laborers, and 1,141 gas-station workers in 2020 3. Additional employment of 497 foreign laborers, 224 contract laborers, and 1,109 gas-station workers in 2021, as of March 31.			

## D. Information on environmental-protection outlay

- (A) In the recent year and as of the date for the publication of the annual report, total value of the loss and handling cost for employee injuries from polluted environment and working environment:

Item \ Year	2020	As of March 31, 2021
Compensation recipient or handling unit	Competent authority	Competent authority
Compensation value or handling status	NT\$372,000	0
Other loss	0	0
Explanation	Fine of NT\$72,000 for violating the regulation on waste disposal and Water Pollution Control Act.  There were four violations of the Occupational Safety and Health Act, with the total fine of NT\$300,000.	

(B) Future countermeasures and possible outlays

1. Plan for installation of pollution-abatement equipment within two years

Item \ Year	2020	As of March 31, 2021
Planned installation of pollution-abatement equipment or contents of outlays	1. Set one set of 3500 tons of reverse osmosis recovery equipment for printing and dyeing. 2. Update two sets of shafts of sludge dryer.	1. Update one set of 69kv of main transformer at high voltage substation. 2. Convert fuels of two steam boilers at Plant II to natural gas.
Expected improvement	1. Wastewater recovery and reuse. 2. Sludge disposal to reduce the treatment costs.	1. To ensure power supply safety. 2. To reduce air pollutants.
Value	NT\$42,000,000	NT\$24,000,000

2. Water pollution abatement management measures

The Company applies for discharge approval, formulates measures governing water pollution abatement, according to regulation, and enforces waste-water abatement to a level conforming the standard for waste (polluted) water discharge.

In compliance with environmental-protection law/regulation, the company has installed around-the-clock detection equipment for discharge at waste-water treatment plant, analyzing water quality and recording water volume, which is connected to the website of environment-protection agencies.

(1) Source management for waste water

Pertaining to facilities for waste-water collection, transmission, and advance treatment, formulate regulations on operation, control, and monitoring of waste-water resources, so as to materialize source management for waste-water quality and quantity.

- a. facilities for collection, transmission, and advanced treatment of waste water from process And measurement;
- b. facilities for collection, transmission, and advanced treatment of waste water from daily-life activities And measurement;
- c. properly install separate sewer system;
- d. monitoring of waste-water quality and quantity from various sources;
- e. purchase low energy-consumption, low-pollution, and high-efficiency cutting-edge production equipment;
- f. R&D on branded green products;

g.improve process to cut fresh-water consumption and install extra water-recycling equipment, to raise recycled-water utilization rate.

(2)Management of waste-water treatment facilities:

a.Management of waste-water quality and quantity:

- a) setup of dedicated unit for managing waste-water treatment facilities;
- b) application of permission for waste-water discharge and periodic declaration;
- c) self management via in-house and outside auditing units;
- d) commissioning outside unit for help with various application documents and execution of periodic water-quality inspection;
- e) Measures for installation and maintenance of autonomous CWMS continuous water-quality monitoring system for discharged waste water;
- f) intensification of the management and control of separated discharge of rainwater and sewage and dismantling of aberrational pipelines by deadline.

b.Regulation on the operation and management of waste-water facilities;

- a) regulation on the operation of waste-water treatment;
- b) regulation on the discharge of waste water;
- c) recording of waste-water treatment and online declaration;
- d) declaration for water-pollution fee;
- e) sludge treatment; f).abnormality reporting;
- f) monitoring of waste-water discharge and online connection.
- g) Rainwater management: Inspection, maintenance, and operation of rainwater discharge pipe and rainwater channel and lock gate in public area and installation of separate sewer systems at head plant and second plant.

3.Measures for reducing greenhouse-gas emission

Dedicated unit conducts inventory and registration of greenhouse-gas emission and supports pushing of energy conservation and carbon abatement, decreasing CO<sub>2</sub> emission, in line with global environmental-protection trend. In 2020, 64 cases of energy conservation and carbon abatement were completed, reducing CO<sub>2</sub> emission by 28,544 tons/year.

4.Measures governing air-pollution abatement:

- (1)Reduce pollutants of boilers and process equipment, such as Sox, Nox, VOCs, and dust and install new and effective recycling equipment, to raise pollutant-removal efficiency and reduce emissions.
- (2)Install air-pollution abatement equipment for boiler and process, including static-electricity dust collector, wet-type flue gas desulfurization column, SCR smoke-exhaust denitrifying equipment, active-carbon and condensation-nucleus recycling absorber, and heat-storage incinerator.
- (3)Conduct eriodic calibration and inspection of autonomous boiler smoke detection equipment and declaration of air-pollution fee.

5.Waste management measures:

For recycling and reuse of resources, it is necessary to control waste disposal and reduce

and classify waste in process before outsourcing waste disposal legally, with major management measures listed below:

(1)Waste classification and storage:

Wastes are classified into common trash, process wastes, and engineering wastes for separate storage before calculation of amount for registration and declaration. Storage containers must be in good shape, without filth, corrosion, leakage, or deformation and kept at sites with water (rain)-proof facilities and treatment facilities and labeling for waste water and foul gas. Sludge must be dried to cut water content before outsourcing for disposal.

(2)Waste disposal and treatment:

To assure legal reuse of final disposal of all wastes, pertinent management systems include:

a.formulate (revise) and update waste disposal plan according to law/regulation;

b.set up data on waste-disposal contractors;

c.standard procedure to assure completion of online waste declaration;

d. management of waste disposal plan to assure conformance of factory wastes to declaration data, in terms of items and quantity. In addition, for tracking the destination of wastes, require contractors to formulate procedure for tracking the progress of waste disposal, in conjunction with online declaration, plus spot check of waste-transport vehicles and requirement for contractors to provide online declaration documents when applying for disposal fees, to prevent illegal disposal of wastes.

## **E.Labor-management relationship**

(A) The company's various employee benefits, study and training, retirement system, plus execution status, as well as labor-management agreements and measures upholding labor rights and interests:

1.Employee benefit measures

(1)Leave benefit

Provision of various leaves for employees, including special leave, marriage leave, funeral leave, official leave, work-related injury leave, maternity leave, election leave, sick leave, menstrual leave, personal leave, family-care leave

(2)Insurance benefit

Arrangement of the coverage of labor insurance and national health insurance for employees according to the law

(3)Retirement benefit

Monthly appropriations for labor retirement fund and labor retirement reserve fund, in preparation for retirement-fund payment for employees upon their retirement according to the law.

(4)Marriage and child-rearing benefits

- a.Gift of cash for marriage or death of employees or relatives and subsidies for managerial staffers for the provision of such gift of cash.
- b.Installation of nursery room, for breastfeeding by employees during work time
- c.Provision of leave of absence for baby care, available for application by employees

(5)Health-care benefit

- a.Regular physical examination for certain employees mandated by law every year.
- b.For factory workers exposed to noise and other hazards to health, arrange special physical examination and carry out graded health management. The participation rate for the examination has been 100% in past years.
- c.Subsidies for employees and relatives receiving treatment at Chang Gung Memorial Hospital, which also offers discounts for employees and relatives taking physical examination there, provision of health and hygiene information irregularly, and organization of lectures on health issues in factory premise.
- d.Establishment of medical room and full-time medical care staffers in the factory premises, and organization of health-care events irregularly, including health and weight management, promotion of quitting smoke, cancer screening, and disease prevention and health care.

(6)Daily-life benefits

- a.Provision of gift of cash for birthday, Labor Day, and Mid-Autumn Festival.
- b.Planning and subsidy for such activities as employee travel and year-end dinnery party.
- c.Installation of employee restaurant, dormitory for singles, and convenience stores in factory premises.
- d.Provision of scholarship for employees' children.
- e.Arrangement of designated stores where discounts are available.
- f.Setup of corporate kindergarten.

(7)Employee restaurant

- a.Subsidy for employees' meals daily
- b.Two times of extra dishes every month and employees on duty during Spring Festival

(8)Promotion of employee relationship

- a.Subsidy for activities of employee associations
- b.Organization of sports contents to encourage sports hobbies among employees.
- c.Awarding staffers with excellent performance with citation certificates or prizes.

(9)Personal and family care

- a.Provision of work clothing or money for work clothing every year.
- b.Setup of employee mutual assistance committee, with regular corporate contribution, providing grants to employees for marriage, death, disablement, child birth, and medical treatment, as well as death, medical treatment, marriage of family members, and education loans for children, according to measures of the committee.
- c.Compensation for death of employee according to death compensation measures.

2.Employee study and training

The company has regarded employee education and training highly, with its training system including pre-job training for newcomers, job-related basic training, job-related professional training, and training for managerial candidates. Annual education and training plan has been formulated and executed, plus evaluation of the results. Moreover, to facilitate internationalization of operation, language training, mainly for English and Japanese, has been held.

3.Retirement system

- (1)Application for retirement
    - a.Age 55 or higher with over 15 years of service
    - b.Over 25 years of service, regardless of age
    - c.Age 60 or higher with over 10 years of service
  - (2)Mandatory retirement
    - a.Age 65 or over
    - b.Unsuited to job, due to mental or physical disability
  - (3)Options for retirement payment
    - a.Employees with the starting year of service before June 30 2005 has the option of choosing the retirement payment, calculated according to the "Labor Standards Act." For those who chose the retirement payment calculated according to the "Labor Pension Act" before June 30, 2010, the retirement payment for the portion of service years covered by the act will be calculated according to the stipulations of the act, with the retirement payment for the previous service years still being calculated according to the "Labor Standards Act." For service years covered by the "Labor Pension Act," the "Labor Standards Act" is not applicable.
    - b.Employees joining the company after July 1, 2005 are all subject to the stipulations on retirement payment of the "Labor Pension Act."
  - (4)Calculation criteria for retirement payment
    - a.Retirement payment is calculated by multiplying the average pay in the six months before retirement with base number, at maximum of 45, calculated according to article 55 of the "Labor Standards Act."
    - b.Employees mandated to retire due to job-induced mental or physical disability are entitled to 20% markup on retirement payment calculated according to "Labor Standards Act."
    - c.For employees covered by the Labor Pension Act," the company would appropriate 6% of their monthly pays for deposits into their personal
    - d.labor-retirement accounts, to be withdrawn by them at age 60 via application with the Bureau of Labor Insurance, according to article 24 of the act.
  - (5)Application method for retirement
    - a.Retirement applications must fill out two copies of "voluntary (mandatory) retirement application form," to be submitted, along with proof documents, to superiors for approval.
    - b.For mandatory retirees, the retirement application form would be filled out by the human-resource department.
- 4.Status of the execution of employee benefit measures and retirement system: good
- The aforementioned employee-related measures have been executed faithfully, with good results. In addition to regular provisions for new and old retirement funds every month, the company examines the balance in the account of labor retirement reserve fund at the end of every year, to assure the amount is sufficient to cover retirement payments in the coming year. The number of retirees in 2020 reaches 76.
- 5.Status of labor-management agreement: good
- (1)Labor-management meeting has been convened periodically, when labor and management representatives would discuss a wide range of issues, including labor-management relationship, promotion of labor-management cooperation, improvement of labor conditions, planning for labor benefits, and improvement of work efficiency.
  - (2)Formulate work rule and personnel management rule, setting definite regulations on the rights and obligations of laborers and management, to help employees understand and uphold their rights and interests.

- (3) In line with legal requirements for labor safety, conduct physical examination for employees regularly, institute staffers in charge of labor safety and hygiene, and formulate various rules governing labor safety and hygiene, so as to prevent accidents and disasters and uphold employee safety.

6. Status for upholding various labor rights and interests: good

Based on the spirit of safeguarding employees' work rights and interests, set up integrated manpower mechanism, featuring job reassignment rather than layoff during business slowdown, which would be conducted after oral notice and according to set procedure. The company complies strictly with domestic and foreign norms on labor and human rights and institute a mechanism for regular communications with employees, notifying employees business changes with possible major consequences and treating all employees fairly, including:

- (1) Formulate labor conditions according related labor laws/regulations.
- (2) In line with the "Employment Service Act," provide job opportunities to all job seekers in an open, fair, and just manner.
- (3) Set up multiple channel for complaints by employees on infringement on or improper handling of their rights and interests.
- (4) Set up reward and punishment committee, consisting of various senior managers, for discussion and resolution on proposals of major rewards and punishments, for which related employees can appeal within seven days after publication.
- (5) Promote prevention of sexual harassment, formulate "measures against sexual harassment," and provide channels for complaints by employees on the issue.
- (6) Formulate "measures governing handling of complaints by internal and external stakeholders," offering smooth channels for complaints by internal and external stakeholders (including employees) on improper and unfair treatment or encroachment on rights or interests. Complaints expressed via such channels, including complaint box, dedicated complaint phones, and complaint e-mail address, are handled promptly. Employees can also put forth proposals at regular labor-management meetings and the meetings of employee benefit committee, an arrangement which can promote a harmonious labor-management relationship and contribute to the company's sustainable development. Complaint boxes are installed at spots frequented by employees, enabling employees to request assistance for job- or daily life-related problems, which are handled by designated staffers.

(B) Loss caused by labor-management disputes in the recent year and as of the date for the publication of the annual report

1. Status of labor-management disputes

Loss resulting from labor-management disputes in the recent year and as of the date for the publication of the annual report: nil

2. Value of loss: nil

3. Anticipated loss in the future

Given good labor-management relationship, as evidenced by rare labor-management disputes, it is predicted that chance for loss resulting from labor-management dispute in the future is slim.

4. Countermeasures:

Given increasing labor-right awareness, plus respect for labor dignity, confrontation can only be removed via intensified communication. As a result, the company has been

striving to understand the opinions and needs of employees various methods and channels. To ward off possible disputes, in case of revision of law/regulation and government policy, the company has communicated and coordinated with labor union, to attain consensus, in addition to revising corporate regulations accordingly.

**F.Important contracts: nil**

## VI. Financial status

### A. Brief balance sheet, comprehensive income statement, names of certified public accountants, and auditing opinions in recent five years

(A) Brief balance sheet and comprehensive income statement of consolidated financial report

1. Brief balance sheet of consolidated financial report

Unit: NT\$1,000

Year Item		Financial data in recent five years					Financial data of current as of March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020 (Note 1)	
Current assets		23,210,986	23,982,143	23,771,559	17,512,757	15,579,258	16,158,937
Property, plant, and equipment		16,644,213	17,022,278	18,770,958	12,698,739	12,322,002	12,164,291
Intangible assets		-	-	-	-	-	-
Other assets		52,174,897	53,698,614	50,483,976	50,550,377	51,560,798	51,609,066
Total assets		92,030,096	94,703,035	93,026,493	80,761,873	79,462,058	79,932,294
Current liabilities	Before distribution	9,293,527	9,413,895	9,191,230	8,482,750	7,666,097	7,678,123
	After distribution	11,820,524	12,614,758	12,729,026	12,694,412	9,350,762	-
Non-current liabilities		12,456,669	12,106,570	8,886,573	8,005,223	10,312,373	10,285,085
Total liabilities	Before distribution	21,750,196	21,520,465	18,057,803	16,537,973	17,978,470	17,963,208
	After distribution (note 2)	24,277,193	24,721,328	21,595,599	20,749,635	19,663,135	-
Equity attributable to shareholders of the parent		66,748,150	69,379,395	68,913,204	64,219,249	61,483,588	61,969,086
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital reserve		266,458	274,343	1,268,860	1,289,642	1,297,081	1,297,065
Retained earnings	Before distribution	13,330,120	14,752,410	19,525,220	21,091,868	19,003,712	19,577,624
	After distribution (note 2)	10,803,123	11,551,547	15,987,424	16,880,206	17,319,047	-
Other components of equity		36,326,427	37,525,951	31,291,978	25,010,157	24,355,213	24,266,815
Treasury stock		(21,501)	(19,935)	(19,500)	(19,064)	(19,064)	(19,064)
Non-controlling interest		3,531,750	3,803,175	6,055,486	4,651	-	-
Total equity	Before distribution	70,279,900	73,182,570	74,968,690	64,223,900	61,483,588	61,969,086
	After distribution (note 2)	67,752,903	69,981,707	71,430,894	60,012,238	59,798,923	-

Note 1: The financial information for 2020 was verified by the accountant and the financial information for the first quarter of 2021 was verified by the accountant.

Note 2: The post-allocation data for 2020 is estimated based on the surplus distribution plan approved by the board of directors on March 12, 2021.

## 2. Comprehensive income statement of consolidated financial report

Unit: NT\$1,000

Item \ Year	Financial data in recent five years					Current year as of March 31, 2021 (note 1)
	2016	2017	2018	2019 (note2,3)	2020 (note1)	
Operating revenue	39,848,986	40,705,664	35,759,528	36,647,721	28,783,492	8,159,917
Operating gross Profit	5,494,107	5,138,771	3,546,752	3,721,319	3,012,827	1,090,881
Operating Income	2,772,232	2,461,490	884,133	1,066,098	576,346	441,566
Non-operating revenue and expenses	1,702,567	2,814,994	3,645,274	4,096,075	1,686,216	198,723
Income before tax	4,474,799	5,276,484	4,529,407	5,162,173	2,262,562	640,289
Current net profit of continuing operations	3,840,500	4,760,016	3,900,407	4,625,213	2,095,790	573,912
Loss of discontinued operations	-	-	1,420,293	1,204,254	(484)	-
Current net Income (loss)	3,840,500	4,760,016	5,320,700	5,829,467	2,095,306	573,912
Other Comprehensive income (Income after tax)	12,457,558	971,444	(3,151,652)	(6,364,452)	(626,986)	(88,398)
Total current comprehensive income	16,298,058	5,731,460	2,169,048	(534,985)	1,468,320	485,514
Net income attributed to shareholders of the parent company	3,481,285	4,279,871	4,737,406	5,188,729	2,095,548	573,912
Net income attributed to non-controlling interests	359,215	480,145	583,294	640,738	(242)	-
Comprehensive income attributed to shareholders of the parent company	15,824,162	5,148,811	1,730,196	(1,175,723)	1,468,562	485,514
Comprehensive income attributed to non-controlling interests	473,896	582,649	438,852	640,738	(242)	-
Earnings per share (NT\$)	2.07	2.54	2.82	3.08	1.25	0.34

Note : 1. The financial information for 2020 was verified by the accountant and the financial information for the first quarter of 2021 was verified by the accountant.

- The company passed a resolution of the board of directors on December 13, 2019 to approve the 16% equity of Formosa Advanced Technologies Co., Ltd, and completed the equity transfer procedure on December 16, 2019. After the disposal, the group's shareholding ratio was 30.68% and There is no substantial control, so the consolidated turnover and profit amount are re-expressed according to the regulations.
- At the meeting of the board of directors on 17<sup>th</sup> Oct, 2019, it was approved to sell the Schoeller F.T.C. (Hong Kong) Co., Ltd. to Schoeller Textil AG; the transfer was completed on 9<sup>th</sup> April, 2020. Therefore, the consolidated revenue and profits were restated.

## (B) Brief balance sheet and comprehensive income statement of individual financial report

## 1. Brief balance sheet of individual financial report

Unit: NT\$1,000

Year Item		Financial data in recent five years				
		2016	2017	2018	2019	2020 (note 1)
Current assets		10,347,343	10,750,378	11,099,040	11,138,323	9,783,820
Property, plant, and equipment		7,614,649	7,432,389	6,785,900	6,478,848	6,339,354
Intangible assets		-	-	-	-	-
Other assets		65,055,570	67,321,393	62,614,563	57,763,020	58,678,588
Total assets		83,017,562	85,504,160	80,499,503	75,380,191	74,801,762
Current liabilities	Before distribution	4,240,651	4,408,906	2,953,605	3,245,897	3,073,268
	After distribution (note 2)	6,767,648	7,609,769	6,491,401	7,457,559	4,757,933
Non-current liabilities		12,028,761	11,715,859	8,632,694	7,915,045	10,244,906
Total liabilities	Before distribution	16,269,412	16,124,765	11,586,299	11,160,942	13,318,174
	After distribution (note 2)	18,796,409	19,325,628	15,124,095	15,372,604	15,002,839
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital reserve		266,458	274,323	1,268,860	1,289,642	1,297,081
Retained earnings	Before distribution	13,330,120	14,752,410	19,525,220	21,091,868	19,003,712
	After distribution (note 2)	10,803,123	11,551,547	15,987,424	16,880,206	17,319,047
Other components of equity		36,326,427	37,525,951	31,291,978	25,010,157	24,355,213
Treasury stock		(21,501)	(19,935)	(19,500)	(19,064)	(19,064)
Total equity	Before distribution	66,748,150	69,379,395	68,913,204	64,219,249	61,483,588
	After distribution (note 2)	64,221,153	66,178,532	65,375,408	60,007,587	59,798,923

Note 1: The financial information for 2020 was verified by the accountant.

Note 2: The post-allocation data for 2020 is estimated based on the surplus distribution plan approved by the board of directors on March 12, 2021.

## 2.Comprehensive income statement of individual financial report

Unit: NT\$1,000

Year Item	Financial data in recent five years				
	2016	2017	2018	2019	2020 (note 1)
Operating revenue	24,595,183	25,713,839	27,593,484	27,468,794	21,524,891
Operating gross profit	2,773,594	2,498,379	2,150,618	2,212,089	2,104,229
Operating income	840,838	604,472	223,793	280,100	243,559
Non-operating revenue and expenses	2,927,147	3,878,948	5,031,969	5,313,287	1,946,664
Income before tax	3,767,985	4,483,420	5,255,762	5,593,387	2,190,223
Current net profit of continuing operations	3,481,285	4,279,871	4,737,406	5,188,729	2,095,548
Loss of discontinued operations	-	-	-	-	-
Current net profit (loss)	3,481,285	4,279,871	4,737,406	5,188,729	2,095,548
Other comprehensive income (Income after tax)	12,342,877	868,940	(3,007,210)	(6,364,452)	(626,986)
Total current comprehensive income	15,824,162	5,148,811	1,730,196	(1,175,723)	1,468,562
Earnings per share (NT\$)	2.07	2.54	2.82	3.08	1.25

Note 1: The financial information for 2020 was verified by the accountant.

(C) Names of certified public accountants and auditing opinions

Year	CPA for certification	Auditing opinion
2016	Chou Chien-hung, Juan Lu Man-yu	Without reservation opinions
2017	Chou Chien-hung, Juan Lu Man-yu	Without reservation opinions
2018	Wu Han-chi, Chou Chien-hung	Without reservation opinions
2019	Wu Han-chi, Chou Chien-hung	Without reservation opinions
2020	Wu Han-chi, Liang Hua-ling	Without reservation opinions

Note: 1. In line with change in the organization and job positions of PwC, CPA Chou Chien-hung has been replaced by CPA Liang Hua-ling for the certification for the company's financial statements since Q1, 2020.

## B. Analysis of finance in recent five years

### (A) Analysis of consolidated financial report

Unit: NT\$1,000

Analysis items (note 2) \ Year		Financial data in recent five years					Current year as of March 31, 2021 (note 1)
		2016	2017	2018	2019	2020 (note 1)	
Financial structure	Liabilities to assets ratio (%)	23.63	22.72	19.41	20.48	22.63	22.47
	Long-term fund to property, plant, and equipment ratio (%)	497.09	501.04	446.62	569.18	582.66	593.99
Debt repayment ability	Current ratio	249.75	254.75	258.63	206.45	203.22	210.45
	Quick ratio (%)	156.09	159.45	158.90	103.10	108.47	112.08
	Times interest earned	23.92	27.14	21.13	23.54	14.49	18.97
Operating performance	Average collection turnover (times)	7.91	8.25	6.89	8.30	8.61	8.72
	Average collection days	46.14	44.24	52.97	43.97	42.39	41.85
	Average turnover (times)	4.38	4.36	3.75	3.92	3.45	4.05
	Average payable turnover (times)	11.19	11.38	10.87	11.89	10.44	12.17
	Average days of sales	83.33	83.71	97.33	93.11	105.79	90.12
	Turnover of property, plant, and equipment	2.35	2.42	2.00	2.33	2.30	2.67
	Total assets turnover (times)	0.46	0.44	0.38	0.42	0.36	0.41
Earnings power	Return on assets (%)	4.63	5.26	4.34	5.52	2.78	3.02
	Return on equity (%)	6.08	6.64	5.27	6.65	3.33	3.72
	Pretax net profit to paid-in capital ratio(%)	26.56	31.32	26.89	30.64	13.43	15.20
	Net profit rate (%)	9.64	11.69	10.91	12.62	7.28	7.03
	Earnings per share (NT\$)	2.07	2.54	2.82	3.08	1.25	1.36
Cash flow	Cash flow ratio ( % )	52.77	67.30	60.57	79.59	55.03	-4.42
	Cash flow adequacy ratio (%)	152.21	123.49	102.23	97.25	91.21	85.40
	Cash flow reinvestment ratio (%)	2.19	2.84	1.78	3.22	0.01	-0.33
Leverage	Operating leverage	3.74	3.89	9.22	8.45	8.96	3.71
	Financial leverage	1.07	1.08	1.31	1.26	1.39	1.09

Note 1: The financial information for 2020 was verified by the accountant and the financial information for the first quarter of 2021 was verified by the accountant.

Note 2: Reasons for changes in various financial ratios in recent two years (analysis not necessary for changes less than 20%).

1. Reasons for the change in the ratio of Times interest earned: Mainly due to Pre-Tax Income in 2020 decreased by NT\$ 2,899,611 thousand compared with 2019.
2. Reasons for the change in the Return on assets: Mainly due to post-tax profit (loss) in 2020 decreased by NT\$ 2,529,423 thousand compared with 2019.

3. Reasons for the change in the Return on Equity: Mainly due to post-tax profit (loss) in 2020 decreased by NT\$ 2,529,423 thousand compared with 2019.
4. Reasons for the change in the operating profit ratio: Mainly due to operating profit in 2020 decreased by NT\$ 489,752 thousand compared with 2019.
5. Reasons for the change in the pre-tax income margin: Mainly due to pre-tax income in 2020 decreased by NT\$ 2,899,611 thousand compared with 2019.
6. Reasons for the change in the profit margin: Mainly due to post-tax profit (loss) in 2020 decreased by NT\$ 2,529,423 thousand compared with 2019.
7. Reasons for the change in the ratio of basic earnings per share: Mainly due to consolidated net income (Attributed to Stockholders of the Company) in 2020 decreased by NT\$ 3,093,181 thousand compared with 2019.
8. Reasons for the change in cash flow ratio: Mainly due to the net cash flow from operating activities in 2020 decreased by NT\$2,533,051 thousand compared with 2019.
9. Reasons for the change in cash flow reinvestment ratio: Mainly due to the net cash flow from operating activities in 2020 decreased by NT\$ 2,533,051thousand compared with 2019 along with the decrease of NT\$ 650,415 thousand in cash dividend.

## (B) Analysis of individual financial report

Year Analysis item		Financial data in recent five years				
		2016	2017	2018	2019	2020 (Note 1)
Financial structure	Liabilities to assets ratio (%)	19.60	18.86	14.39	14.81	17.80
	Long-term fund to property, plant, and equipment ratio (%)	1034.54	1091.11	1142.75	1113.38	1131.48
Debt repayment ability	Current ratio (%)	244.00	243.83	375.78	343.15	318.35
	Quick ratio (%)	130.05	127.86	206.97	197.01	189.65
	Times interest earned	32.84	38.16	50.51	69.88	29.95
Operating performance	Average collection turnover (times)	10.69	11.34	11.66	12.24	10.7
	Average collection days	34.14	32.19	31.30	29.82	34.11
	Inventory turnover (times)	5.06	4.98	5.16	5.29	4.58
	Average payable turnover (times)	9.80	10.57	12.62	13.39	11.58
	Average days of sales	72.13	73.29	70.74	69.00	79.69
	Turnover of property, plant, and equipment	3.23	3.46	4.07	4.24	3.40
	Total assets turnover (times)	0.30	0.30	0.34	0.36	0.29
Earnings power	Return on assets (%)	4.65	5.19	5.81	6.74	2.87
	Return on equity (%)	5.83	6.29	6.85	7.79	3.33
	Pretax net profit to paid-in capital ratio (%)	22.37	26.61	31.20	33.20	13.00
	Net profit rate (%)	14.15	16.64	17.17	18.89	9.74
	Earnings per share (NT\$)	2.07	2.54	2.82	3.08	1.25
Cash flow	Cash flow ratio ( % )	48.69	85.22	135.38	126.39	90.01
	Cash flow adequacy ratio (%)	118.44	103.31	100.92	96.19	89.24
	Cash flow reinvestment ratio (%)	0.04	1.22	0.81	0.61	(1.56)
Leverage	Operating leverage	7.66	10.06	25.26	20.51	22.2
	Financial leverage	1.16	1.24	1.86	1.39	1.43

Notes 1: The financial information for 2020 was verified by the accountant and the financial information for the first quarter of 2021 was verified by the accountant.

Note 2: Reasons for changes in various financial ratios in recent two years (analysis not necessary for changes less than 20%).

1. Reasons for the change in Liabilities to assets ratio: Mainly due to the total liabilities in 2020 increased by NT\$ 2,157,232 thousand compared with 2019.
2. Reasons for the change in Liabilities to assets ratio: Mainly due to the pre-tax income in 2020 decreased by NT\$ 3,403,164 thousand compared with 2019.
3. Reasons for the change in Return on assets: Mainly due to the operating profit after tax in 2020 decreased by NT\$ 3,093,181 thousand compared with 2019.
4. Reasons for the change in the Return on Equity: Mainly due to the operating profit after tax in 2020 decreased by NT\$ 3,093,181 thousand compared with 2019.
5. Reasons for the change in pre-tax income margin: Mainly due to the pre-tax income in 2020 decreased by NT\$ 3,403,164 thousand compared with 2019.
6. Reasons for the change in the profit margin: Mainly due to the operating profit after tax in 2020 decreased by NT\$ 3,093,181 thousand compared with 2019.
7. Reasons for the change in the ratio of basic earnings per share: Mainly due to consolidated

- net income (after tax) in 2020 decreased by NT\$ 3,093,181 thousand compared with 2019.
8. Reasons for the change in cash flow ratio: Mainly due to cash flows from operating activities in 2020 decreased by NT\$ 1,336,186 thousand compared with 2019.
  9. Reasons for the change in cash reinvestment ratio: Mainly due to cash flows from operating activities in 2020 decreased by NT\$ 1,336,186 thousand compared with 2019 along with the decrease of NT\$ 368,569 thousand in cash dividend.

Note 3: Calculation formulas for various financial ratio follow:

1. Financial structure

- (1) liabilities to assets ratio = total liabilities/total assets
- (2) Long-term fund to property, plant, and equipment ration = (shareholders' equity + non-current liabilities)/net value of plant, plant, and equipment.

2. Debt-repayment ability

- (1) Current ratio = Current assets/current liabilities
- (2) Quick ratio = (Current assets - inventories - prepaid expenses)/current liabilities
- (3) Times interest earned = Earnings before interest and taxes/interest expenses

3. Operating performance

- (1) Average Collection Turnover = Net Sales / Average TradeReceivables
- (2) Days Sales Outstanding = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (5) Average Payment Turnover = Cost of Sales / Average TradePayables
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Earnings power

- (1) Return on Total Assets = (Net Income + Interest Expenses (1 - Effective Tax Rate))/ Average Total Assets
- (2) Return on Equity = After-tax income/average total equity
- (3) Ratio of income before tax to paid-in capital = Profit Before Tax to Capital Stock/ paid-in capital
- (4) Net Margin = Net Income / Net Sales
- (5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (note 4)

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend )
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/ (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (note 5)

6. Leverage

- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (note 6)
- (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: When evaluating the aforementioned calculation formula for earnings per share, give special notices for the following items:

1. It should be based on weighted average number of common shares, rather than the number of shares in circulation at the end of the year.
2. If there is cash increment or trading in treasury stocks, calculate weighted average number of shares during the circulation period. ]
3. If there is capital increment with earnings or capital reserve, retroactive adjustments should be made according to the scale of capital increment in calculating the earnings per share of past year and half a year, without the need of taking into account the issuance period of the capital increment.
4. If special shares are accumulated inconvertible special shares, their share dividends for the current year (no matter issuance or not) should be deducted from after-tax net profit or be increased to after-tax net loss. If special shares are not accumulated ones, dividends for special shares should be deducted from after-tax net profit, if any; in the case of loss, it doesn't need adjustment.

Note 5: When evaluating cash flow, give special notices to the following items:

1. Net cash flow of operating activities refer to net operating inflow in cash flow table.
2. Capital outlay refers to cash outflow for annual capital investments.
3. Inventory increase is taken into account, only when initial balance is larger than ending balance; if inventory decreases at the end of year, it is calculated as zero.
4. Cash dividend includes cash dividends for common shares and special shares.
5. Gross property, plant, and equipment refers total value of property, plant, and equipment before depreciation.

Note 6: Issuers should classify operation cost and operating expenses into fixed and variable ones and notices its reasonable and consistent nature, if estimate or subjective judgment is involved.

Note 7: If company stock has no face value or has a face value other than NT\$10, use the share of parent company's equity ownership in balance sheet in the calculation of the share in paid-in capital.

**C. The Audit Committee's Review Report of the financial report for the latest year**

**FORMOSA TAFFETA CO., LTD.  
The Audit Committee's Review Report**

The Company's 2020 Business Report, Financial Statements, including Consolidated and Parent Company Only ones, and Earnings Distribution Proposal have been prepared by the Board of Directors. An audit of the Financial Statements was conducted by the CPAs of PricewaterhouseCoopers Taiwan (PwC), and the audit reports were issued by PwC. The Audit Committee members of Formosa Taffeta Co., Ltd. reviewed the Business Report, Financial Statements, and Earnings Distribution Proposal and determined the information to be correct and accurate. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Taffeta Co., Ltd. Chairman  
of the Audit Committee:

Lin, Sheng-Chung

March 12, 2021

- D. Consolidated financial report of parent company and subsidiaries of the recent year audited and certified by certified accountant (for details refer to page 184 - 273 )**
- E. Individual financial report of the recent year audited and certified by certified accountant(for details refer to page 274 - 349 )**
- F. Effect of financial problem, if any, of the company and affiliates on the company's financial status in the recent year and the current year as of the date of the publication of the annual report: nil**

## VII Financial status, review and analysis of management performance, and risk items

### A. Review and analysis of financial status--consolidated financial report

Unit: NT\$1,000

Item \ Year	2020	2019	Difference		
			Amount	%	Explanation
Current assets	15,579,258	17,512,757	(1,933,499)	(11.04)	-
Non-Current assets	63,882,800	63,249,116	633,684	1.00	-
<b>Total assets</b>	<b>79,462,058</b>	<b>80,761,873</b>	<b>(1,299,815)</b>	<b>(1.61)</b>	-
Current liabilities	7,666,097	8,482,750	(816,653)	(9.63)	-
Non-Current liabilities	10,312,373	8,055,223	2,257,150	28.02	1
<b>Paid-in capital</b>	<b>17,978,470</b>	<b>16,537,973</b>	<b>1,440,497</b>	<b>8.71</b>	-
Capital stock	16,846,646	16,846,646	-	0.00	-
capital surplus	1,297,081	1,289,642	7,439	0.58	-
Retained earnings	19,003,712	21,091,868	(2,088,156)	(9.90)	-
Other equity	24,355,213	25,010,157	(654,944)	(2.62)	-
Treasury stock	(19,064)	(19,064)	-	-	-
Equity ownership of parent company	61,483,588	64,219,249	(2,735,661)	(4.26)	-
Non-controlling equity	-	4,651	(4,651)	(100.00)	2
<b>Total equity</b>	<b>61,483,588</b>	<b>64,223,900</b>	<b>(2,740,312)</b>	<b>(4.27)</b>	
Explanation: 1. Non-Current assets increased by NT \$ 2, 257, 150 thousand in 2020 compared with 2019: mainly due to the increase of NT \$ 2, 440, 108 thousand in long-term debt payable. 2. Non-controlling interests decreased by NT 4,651 thousand in 2020 compared with 2019: mainly due to the transaction of all shares of Schoeller F.T.C. (Hong Kong) Co., Ltd.( hereinafter referred to as Schoeller Asia Co., Ltd) on March 16, 2020.					

## B. Review and analysis of management performance

(A)Comparative analysis of management performance--consolidated financial report

Unit: NT\$1,000

Item \ Year	2020	2019	Increase (decrease)	Change (%)
Operating revenue	28,783,492	36,647,721	(7,864,229)	(21.46)
Gross profit	3,012,827	3,721,319	(708,492)	(19.04)
Operating expenses	2,436,481	2,655,221	(218,740)	(8.24)
Operating Income	576,346	1,066,098	(489,752)	(45.94)
Non-operating revenue and expenses	1,686,216	4,096,075	(2,409,859)	(58.83)
Net profit before Tax	2,262,562	5,162,173	(2,899,611)	(56.17)
Net profit of continuing business units in the current period	2,095,790	4,625,213	(2,529,423)	(54.69)
Profits (losses) of closed	(484)	1,204,254	(1,204,738)	(100.04)
Other current comprehensive income	(626,986)	(6,364,452)	5,737,466	(90.15)
Total current comprehensive income	1,468,320	(534,985)	2,003,305	(374.46)

Explanation for analysis of change in share:

1.Operating income in 2020 decreased by NT \$ 489, 752 thousand compared to 2019:

Mainly due to the decrease in operating profit by NT \$ 708, 492 thousand.

2.Other comprehensive income increased by NT \$ 5,737,466 thousand in 2020

compared with 2019: mainly due to the increase in unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income by NT \$ 3,687,867 thousand, the increase in share of profit of associates accounted for using equity method-Components of other comprehensive income that will not be reclassified to profit or loss by NT \$ 1,737,364 thousand, increase in measurements of the defined benefit liability by NT \$ 192,220 thousand, and increase in share of profit (loss) of associates and joint ventures accounted for using equity method-components of other comprehensive income that will be classified to profit or loss by NT \$ 125,338 thousand.

3.The total comprehensive income for the current period increased by NT \$ 2,003,305

thousand in 2020 compared to 2019: mainly due to the decrease in profit by NT \$3,734,161 thousand, the increase in share of profit of associates accounted for using equity method-Components of other comprehensive income that will not be reclassified to profit or loss by NT \$ 1,737,364 thousand, increase in measurements of the defined benefit liability by NT \$ 192,220 thousand, and increase in share of profit (loss) of associates and joint ventures accounted for using equity method-components of other comprehensive income that will be classified to profit or loss by NT \$ 125,338 thousand.

(B)Analysis of change in operating gross profit: N/A

## C. Review and analysis of cash flow--consolidated financial report

Unit: NT\$1,000

Cash balance beginning of year	Net cash flow from Operating in the year	Cash outflow in the year	Cash balance (shortfall)	Remedy for cash shortfall	
				Investment plan	Financing plan
3, 236, 624	4, 218, 754	4, 372, 056	3, 083, 322	-	-

### 1. Analysis of cash flow in the year:

- (1) Business activities: Net cash inflow from operating activities in the current year reached NT\$ 4.219 billion, mainly due to NT\$ 3.095 billion from operating benefits(excluding depreciation and investment benefits recognized by the equity method), decreased in payable (inflow) NT \$ 89 million, decrease in inventory (inflow) NT \$ 1.235 billion, decrease in inventory prepayments (inflow) NT \$ 219 million, increase in other current liability (inflow) NT \$ 258 million, payment Income tax expense (outflow) is NT \$ 420 million, and payable (outflow) NT \$ 308 million.
- (2) Investment activities: Net cash outflows from investment activities in the current year amounted to NT \$ 2,488 million, mainly due to purchases of real estate, plant and equipment prices (outflow) of NT \$ 983 million, acquisition of financial assets (outflow) measured at fair value through other comprehensive income of NT \$ 129 million, and investments accounted for using equity method (outflow) of NT \$ 1,354 million.
- (3) Fund-raising activities: Net cash outflow from fund-raising activities during the year was NT \$ 1.911 billion, mainly due to the repayment of long-term loans (outflow) of NT \$ 9.259 billion, cash dividend payments (outflow) of NT \$ 4.209 billion, and lease principal repayment (outflow ) NT \$ 156 million, short-term borrowing decreased (outflow) NT \$ 487 million, Short-term notes and bills payable increased (inflow) NT \$ 0.5 billion and long-term borrowing (inflow) NT \$11.7 billion.

### 2. Remedy for cash shortfall and liquidity analysis: not applicable.

### 3. Analysis of cash flow in the coming one year

Unit: NT\$1,000

Cash balance beginning of year (1)	Expected Net cash flow from Operating in the year (2)	Expected cash outflow in the year (3)	Expected cash balance (shortfall) (1)+(2)-(3)	Remedy for expected cash shortfall	
				Investment plan	Financing plan
3, 083, 322	5, 485, 280	5, 793, 612	2, 774, 990	-	-

## D. Influence of major capital outlays in the recent year on finance and business

### (A) Status of major capital outlays and funding sources

Unit: NT\$1,000

Projects	Actual or planned source of capital	Actual or planned date of completion	Total capital in need	Actual or anticipated fund utilization							
				2020	2021	2022	2023	2024	2025	2026	2027
Replacement of old machines with new ones setup of new gas stations equipment from 2020	Cash and income generated from the company's operation, with the remainder from banking loans	2021.12.31	141,379	121,557	19,822	-	-	-	-	-	-
Replacement of old machines with new ones and setup of new gas stations equipment from 2021	Cash and income generated from the company's operation, with the remainder from banking loans	2022.12.31	234,723	-	223,109	11,614	-	-	-	-	-

### (B) Anticipated benefits

Anticipated contribution to production and sales volume and value, as well as gross profit

NT\$1,000

Year	Item	Production volume	Sales volume	Amount of Sales	Gross profit
2021	3 K carbon-fiber textile	200 km <sup>2</sup>	-	66,000	8,800
	Environment-friendly shopping bags	1,680 tons	-	105,600	6,600
	Sales of gasoline	The gas station delivered 3,682 kiloliter		95,195	9,528
2022	Anti-puncture Fabric	237.6 tons	-	3,306	664
	Soft tire frame fetus	15.1 tons	-	34,560	12,180
	3K Carbon fiber cloth and 12 KUD prepreg	652,080 meters	-	113,462	9,781
	Filament/Spun Compositied Yarn	218 tons	-	87,600	21,600
	Sales of gasoline	The gas station delivered 3,720 kiloliter	-	86,697	8,191

## E. Reinvestment policy, major reasons for profit or loss, improvement plan, and investment plan in the coming year:

For information on businesses invested by the Company, refer to history of the Company specified in the Report as well as financial statements. The followings are the main items of these three years:

1. Established in 1973, the Company has expanded the plants and all kinds of equipment. Since 1975, the company started to operate and has annually earned profits. The financial report, covering all subsidiaries, of each year has not shown the deficit for past four decades. The variances lie in the amount of net operating profit.
2. Due to the disposal of some idle land, dismissal of FTC America Corp, transfer of all shares of Schoeller F.T.C. (Hong Kong) Co., Ltd., Formosa Taffeta (Cayman) Co., Ltd., and transfer some shares of Formosa Advanced Technologies Co., Ltd., the total assets of consolidate financial report of 2020 was NT\$ 79.462 billion, a decrease of 16.9%, compared with 94.703 billion in 2017. ass
3. Participating in the issuance of common stock for cash for Schoeller Textil AG of CHF 39.58 million, the Company invested (exchange rate 1: 32.4787) in March, 2020, holding 50% of shares. It is a milestone for the Company to move forward to the high-tech textile industry.
4. Due to the adverse influences of the pandemic in 2020, some physical stores were shut down or restricted; the international games such as Olympic Games were postponed or cancelled. These led to the adverse impacts on the Company's sales, which gradually recovered. The Company's consolidated revenue dropped by 21.5%, from NT\$36,647.72 million in 2019 to NT\$28,783.49 million in 2020, a decrease of NT\$ 7,864.23 million, with consolidated pretax profit decreasing by 56.17%, from NT\$ 5,162.17 million to NT\$2,262.56 million, a decrease of NT\$ 2,899.61 million. Profit for 2020 was NT\$2,095.31 million and the after-tax earning per share was NT\$1.25 per share. Please refer to 2020 annual report.
5. In response to the needs from brand customers such as orders, performance, short delivery and CSR sustainable environment, The company has been investing in equipment continuously at the company's five plan premises, including those in Taiwan, in China,. and Vietnam, focusing on equipment updating, process improvement, removal of bottlenecks, automated transport, inspection and testing devices, innovative processing machines, new high-performance machines, small-volume high-variety machines, and waste-discharge and air-pollution abatement equipment, thereby boosting labor productivity and product value. The company has expanded the production capacity of dyed and finished fabrics of Vietnam's Long-An subsidiary to 12 million yards/year, and continued to replace the equipment in 2018 and 2019.
6. In terms of water treatment, we strive to reduce water consumption per product produced. Five plants at three countries of the Company invest in hardware equipment to divert rain and sewage to implement water control comprehensively. Following the goal of reducing total water consumption by 20% in the end of 2018 compared with 2017; in 2019, the Company invested NT\$ 118 million in ultrafiltration reverse osmosis system, and the amount of recycling water was 2,644,312 tons of, an increase of 30.2, compared with 2018.The amount of recycling water for 2020 was 2,976,441 tons, an increase of 12.56% compared with 2019.

7. In terms of air pollution control, following the achievements made in 2018, including the VOCs volatile organic compounds (volatile organic compounds) treatment efficiency reached 90%, NOx nitrogen oxides (nitrogen oxides) reduced 72%, Taiwan plant # 6 dip-dryer reduced SOx sulfur oxides by 83% by converting pyrolysis low sulfur fuel oil to natural gas, in 2019, to transform the heating system of the machine, 2170 meters of underground gas pipelines were buried in October. The pipelines were extended to the gas flow meter station outside the plant. In February 2020, the facility was in operation as an environmental investment.
8. In the cultivation of IT manpower, the company has been actively pushing education and training for manpower related to Industry 4.0. Since May 107, it has cooperated with LEOSYS Co., Ltd to set up an AI artificial intelligence training project of "Industry 4.0" to collect and analyze big data on the success rate of dyeing once. After passing entrance exam, eight staffers attended the AI technology leadership cultivation course held by the Taichung branch of Taiwan AI Academy, completing 384 hours/person training, during Aug. through Dec. 2018. In 2019, the three factories and five factories implemented a total of 2,145 pieces of education and training. The average training time was 32.63 hours per person, and the training cost was NT\$4,219 per person. In 2020, 1,898 training courses were offered, and the average of training hour for an employee was 20.1 hours. It is expected that these trainings could be applied to the complicated process in practice, especially focusing on the success rate of "optimized dyeing recipe" and "checkups of the appearance for textile products" to fulfill the business philosophy of "doing the right thing at first try," making improvement, via the assistance of big-data analysis, in failure cost, work-schedule rotation, and delivery time, which is also conducive to energy conservation, waste abatement, and emission reduction.
9. The Company has set up the solar power- generating equipment in the long-an plant, which was used in September, 2019. The annual power generation reaches to 1,377 MWH, accounting for 3.4% of the total amount of power usage of 2020 in Long-an plant. In 2021, the Company continues to the green power usage, especially on attaining the target of water and energy conservation as well as the carbon reduction. In May, 2021, 2.6 MW solar power generated infrastructure was set up in Douliu plant; in addition, the phase II for installing 1.75 MW in Long-an plant is ongoing.

In sum, in response to the needs of famous branded customers, both in Taiwan and abroad, and market demands, the company has been offering all-round service, via integration of supply chain spanning upstream, midstream, and downstream sectors, enhancing the magnitude of new product development, pushing new production mode featuring energy conservation and carbon abatement, water conservation, regeneration, and recycling, employment of non-toxic chemicals, environment friendliness, and creation of high-quality environment-friendly products, so as to meet customer need and environmental need at the same time.

## **F. Risk items**

- (A)Influence of changes in interest rate and exchange rate and inflation on the company's profit and

future countermeasures:

1. Interest rate:

In order to hedge the risk of interest-rate fluctuation on the company's long-term liabilities with floating interest rates, the company would cautiously evaluate the situation and financial market and sign interest-swap contracts when interest rate is at low level, so as to keep interest rate lower than the forecast funding cost in investment plan. In 2019 and 2020, interest rates will be lowered, and the company's long-term debt interest expenses will be reduced. There is no risk of interest rate changes in the short to medium term.

2. Change of exchange rate:

For the insufficient part of the Company's operating and exchange funds, the Company buys spot or forward foreign exchange in response. For foreign currency long-term liabilities, long-term forward foreign exchange or exchange swap contracts are signed when the exchange rate is relatively low, so as to minimize the impact of changes in the exchange rate on the Company's revenue.

3. Inflation

According to the Cabinet-level Directorate General of Budget, Accounting, and Statistics, annual increase of Taiwan's consumer price index reached -0.23% in 2020, with core consumer prices rising by 0.35%. The low inflation risk poses no influence on the company's profit.

(B) Policy for engagement in high-risk, high-leverage investments, loan extension, endorsement and guarantee, and derivatives, major reasons for profit or loss, and countermeasures in the future:

1. High-risk, high-leveraged investments:

The company engages mainly in textile, oil products, gas stations, which are mature and stable industries, with low risk. With stable business management and sound finance, the company shuns high-leverage investments.

2. Loan extension

Proposal for loan extensions by the company must be passed by the board of directors and approved by shareholders' meeting, according to "measures for extension of loans to others." Up to now, the company has not extended any loan to others. In the future, loans will be only extended to affiliates for fund maneuvering and in compliance with "measures for extension of loans to others."

3. Endorsement and guarantee:

The company's operating procedure for provision of endorsement and guarantee is based on "operating procedure for endorsement and guarantee," which has been approved by the board of directors and agreed by shareholders' meeting. In principle, endorsement and guarantee are extended only to parent company, subsidiaries, affiliates with business linkage, or joint ventures at an extent proportionate to the share of the company's contribution. The company has never incurred loss from endorsement and

guarantee, mainly on loans, due to sound finance and stable business of affiliates.

#### 4.Trading in derivatives:

The company's engagement in trading in derivatives is for hedging market risks caused by fluctuation of exchange rates and interest rates, instead of arbitrage and speculation. Such trading is carried out according to the company's "procedure for engagement in trading in derivatives," as well as related domestic laws and regulations and IFRS (International Financial Reporting Standards).

#### (C)Future R&D plan and expected R&D expenses (2021)

R&D items and new R&D equipment	Expected input for R&D (NT\$1,000)
1. Medical protective fabric development	15,000
2. Nomex anti-NIR camouflage printed fabrics development(in progress)	5,000
3. ZDHC/chemicals management and promotion project	5,000
4. Ocean recycled & recycled fishing net fabrics(in progress)	15,000
5. Smart technology conductive fabrics development	8,000
6. Sustainable green technology functional fabrics development	15,000
7. Aerobrane fabrics development	15,000
8. Air-permeability and breathable /waterproof film development	40,000
9. Eco-friendly stretch fabrics development	10,000
10. Garment recycled fabrics development	10,000
11. Eco-friendly high tenacity anti-abrasion fabrics	10,000
12. Eco-friendly irregular multi-cross section textiles	10,000
13. Bio-polyamide fabrics development	10,000
14. Taiwan textile federation collaboration projects	6,000
15. Hybrid tire cord	10,000
16. Bead ring carbon fiber frame fetus development	15,000
Total	199,000

#### (D)Effect of change in major policies and laws, both in Taiwan and abroad, on the company's finance and business and countermeasures:

The Company closely monitors all domestic and foreign governmental policies and regulations that might impact the Company's business and financial operations and arranges personnel to receive professional training as needed. During the period of 2020 to February 28, 2021, the following changes or developments in governmental policies and regulations may

influence the Company's business and financial operations:

Pursuant to the Announcement No. 10904606910 dated December 31, 2020 from the Ministry of Economic Affairs regarding the "Regulations Governing the Chartered Capacity on Electricity Consumption Agreements Which the Users Shall Install Renewable Energy Facilities for Exceeding a Certain Capacity," starting from January 1, 2021, electricity consumers with chartered capacity exceeding 5,000 kWh shall either install a renewable energy power generation device and an energy storage device with a certain capacity on their own, or purchase a certain amount of renewable energy power and renewable energy certificates. The aforementioned required capacity of renewable energy storage shall be calculated based on 10% of the average chartered capacity from the previous year, and such obligation shall be fulfilled within 5 years (by 2025). In addition, the obligation of the entitled reductions and the early completion of reductions for existing renewable power generation devices are also specified. The Company will set up renewable energy devices or power configurations in line with relevant regulations.

- (E) Influence of technological and industrial changes on the company's finance and business and countermeasures: There is no technological changes with major influence on the company, since the company belongs to an industry with mature technology.
- (F) Influence of change in corporate image on corporate crisis management and countermeasures: Adhering to the management concept of "diligence and down-to-earth style, quest for perfection, sustainable development, and contribution to society," the company has established a good corporate image and will insist on the concept for further progress, in order to make even bigger contribution to the society.
- (G) Expected benefits from acquisition, possible risk, and countermeasures: nil.
- (H) Expected benefits from factory expansion, possible risk, and countermeasures: Evaluation shows that there is no major risk for factory expansion.
- (I) Risk for concentration of purchase or sale and countermeasures:
  - 1. Purchase: The company's major raw materials, including tire-cord filament, PU filament, and polyester filament are supply mainly by affiliates Formosa Chemicals & Fibre Corporation and Nan Ya Plastics Corp. in abundant volume, with any risk of shortage.
  - 2. Sales: In 2020, the ratio between domestic sale and export of the company was 45.39% and 54.61%. Major exported products are long- and short-fiber fabric, tire cord, and PE bag, shipped mainly to contracted customers in Southeast Asia, Hong Kong, China, India, Japan, and South Korea, while major products for domestic sales are long- and short-fiber fabric, tire cord, special fabric, and oil products. Given diversification in markets and customers, related risk is low.
- (J) Influence and risk of massive share transfer by directors, supervisors, and major shareholders with over 10% shareholding and countermeasures: nil.
- (K) Influence and risk of change in management right and countermeasures: nil.

(L) List major litigations, non-contentious cases, administrative litigations, including those with settled ruling or still in progress, involving the company and the company's directors, supervisors, president, actual responsible person, major shareholders with over 10%shareholding, and subordinated companies, whose outcomes may have major influence on shareholders' equity or security prices. Disclose the facts of the contentions, values of targets, starting dates of litigations, major parties involved, and status of handling as of the date of the publication of the annual report:

- 1.Taiwan Cooperative Bank Co., Ltd. (hereinafter referred to as TCB) filed a civil lawsuit against the Company at Taipei District Court in September 2019. TCB claimed that the former employees of the Company colluded with New Site Industries Inc. (hereinafter referred to as New Site) and New Brite Industries Inc. (hereinafter referred to as New Brite) to make false statements. TCB was misled the fact that New Site and New Brite had debts of accounts receivable against the Company, causing their damage. Therefore, TCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case is purely the personal behavior of the former employee. At present, the whole case is still under trial in the court, and it is impossible to judge the possible outcome and the amount of the case. However, the Company has invited a lawyer to submit a strong defense to protect the Company's rights and interests.
- 2.DBS (Taiwan) Commercial Bank Co., Ltd. (hereinafter referred to as DBS) filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company at Taipei District Court in September 2019. The former employees of the Company and Formosa Dong Nai colluded with New Site Industries Inc. (hereinafter referred to as New Site) to make the false statements. DBS was misled the fact that New Site has debts of accounts receivable against the Company and Formosa Dong Nai, causing their damage. Therefore DBS claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case is purely the personal behavior of the former employee. At present, the whole case is still under trial in the court, and it is impossible to judge the possible outcome and the amount of the case. However, the Company and Formosa Dong Nai have invited lawyers to submit a strong defense to protect the Company's rights and interests.
- 3.O-Bank filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company on Taipei District Court in February 2020. The former employees of the Company and Formosa Dong Nai colluded with I Chin Young Inc. (hereinafter referred to as I Chin Young) to make false statements. O-Bank was misled the fact that I Chin Young has debts of accounts receivable against the Company and Formosa Dong Nai, causing their damage. Therefore, O-Bank claimed that the Company and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case is purely the personal behavior of the former employee. At present, the whole case is still under trial in the court, and it is impossible to judge the possible outcome and the amount of the case. However, the Company and Formosa Dong Nai have invited lawyers to submit a strong defense to protect the Company's rights and interests.

(M) Other major risks and countermeasures: Information Security Risk

1. In order to assure the safety and stability of information safety, prevent abnormality and disaster of information systems and damage of computer information files, and strengthen protection of personal data, the company has set up related management measures and

handling guidelines, plus multi-layer control and protection mechanisms, so as to effectively manage risks of corporate information systems and uphold continuing operation of the company. In order assure safety of information utilization and establish a reliable environment for information usage, the company has embraced the following information-safety policy:

- (1) comply with legal requirements and arouse information security awareness;
- (2) value risk management and protect data safety;
- (3) require all employees' participation and seek continuous improvement.

2. Given linkage of global information networks, which facilitates business promotion, recurrent hacking may paralyze extensive network services, computer viruses and malware compromise the services and confidentiality of information systems, and culprits may steal corporate secrets via social media, taking advantage of the negligence of the company's staffers. To prevent such risks, the company has put in place a set of complete information measures, including:

- (1) Establish firewall to ward off outside attacks and Websense Internet access filtration mechanism for employees, to screen malicious websites and continuous advanced attack on the defense system, in addition to forbid unnecessary Internet access by employees and make backup copies for e-mails.
- (2) Establish access control, identity verification for access to application system, password control, access authorization, and regular scanning for vulnerable spots, plus installation of antivirus software, renovation of built-in safety patch program, control of USB access, and setup of back-up copy mechanism.
- (3) Hold information-safety education, training, and testing for employees every year, to strengthen employees' awareness of information-safety risk.
- (4) Review information-system protection measures and systems every year and concern about information-safety issues and formulate contingency plan, to assure their propriety and efficacy.

3. Due to constant progress and renovation of hackers' technology and methods, it is impossible to ward off hacking activities entirely but the company has managed to minimize such threat, via information-safety protection measures and education/training.

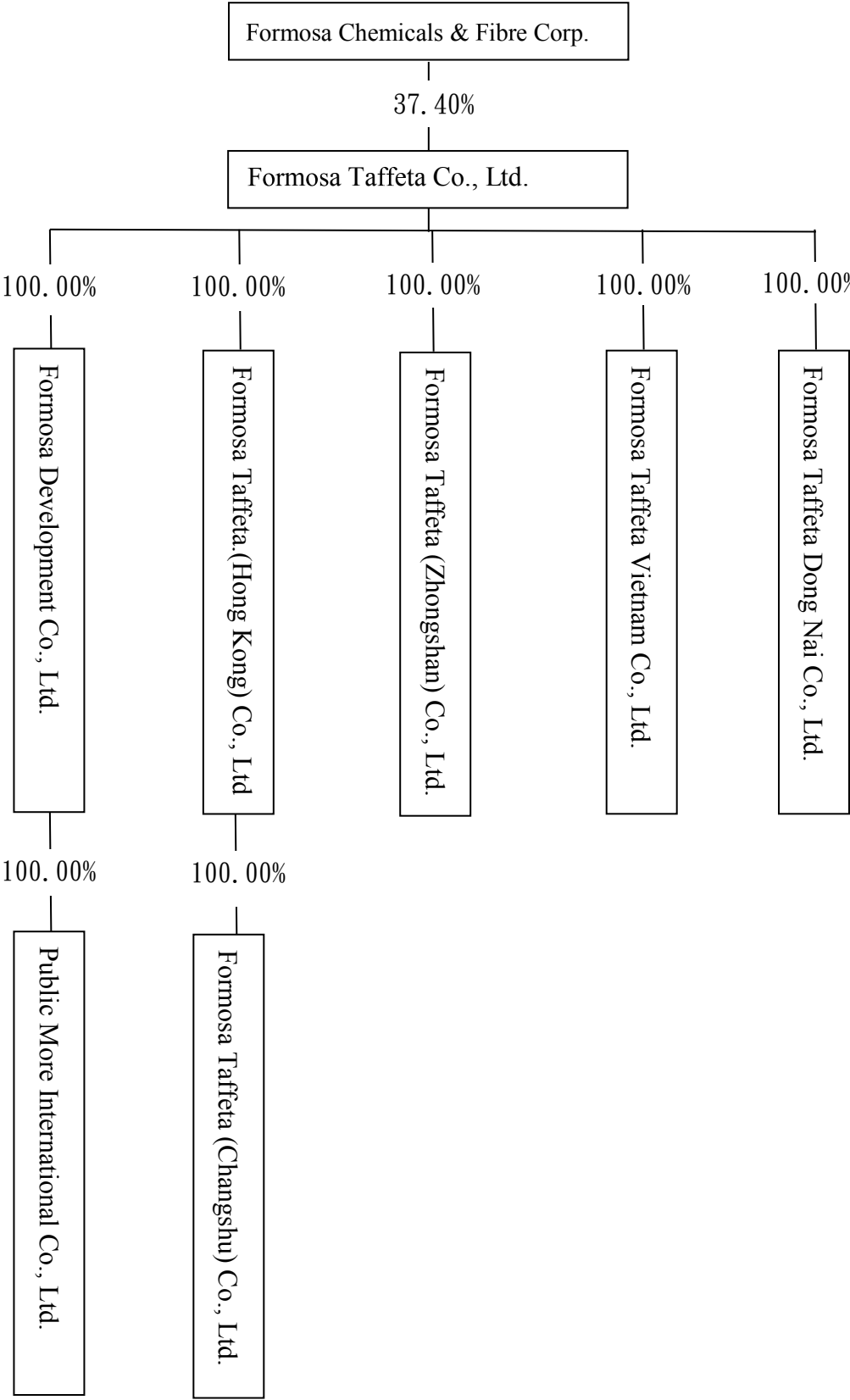
**G. Other important items: nil.**

VIII.Items with special registration

A. Data on affiliates

(A) Consolidated business report with affiliates

1. Organizational chart of affiliates



## 2.Basic data on affiliates

unit: NT\$1,000

Company name	Date of incorporation	Address (the address on corporate license)	Paid-in capital	Major business items
Formosa Development Co., Ltd.	1990.9.20	29, Lane 224, Shuliou RD., Touliou 640, Yunlin, Taiwan	161,000	Urban land consolidation and development and lease of residences, office buildings, and factories
Formosa Taffeta (Hong Kong) Co., Ltd.	1989.4.11	Room 1606, Tower 6, China Hong Kong City, 33 Canton RD., Tsimshatsui, Kowloon, Hong Kong	1,356,822	Sale of filament fabric and spun fabric
Formosa Taffeta (Zhong shan) Co., Ltd.	1992.12.3	167, S. Shenwan Avenue, Shenwan Town, Zhongshan City, Guangdong Province 528462, China	1,402,085	Chemical long fiber polyamine fabric, polyester fabric
Formosa Taffeta Vietnam Co., Ltd.	1999.6.16 Acquisition and reorganization	Sec.1, Nhut Chanh, Com, Ben Luc Dist., Long An Province, Vietnam	2,340,866	Production and processing of chemical-fiber fabric, dyeing and finishing, finished fabric
Formosa Taffeta Dong Nai Co., Ltd.	2004.6.25	Nhon Trach 3 Ind. Zone, Hiep Phuoc Town, Nhon Trach Dist., Dong Nai Province, Vietnam	2,590,434	Production, processing, and sale of various chemical-fiber fabrics, dyeing and finishing, and tire cord
Formosa Taffeta (Changshu) Co., Ltd.	2005.4.4	15, Peng-Hu RD., Dongnan Street, Changshu City, Jiangsu Province, 215500 CHINA	1,302,019	Engagement in dyeing and finishing of high-end fabric; lease of facilities; property management
Public more International Co., Ltd.	2017.2.15	27, Lane 224, Shuliou RD., Touliou 640, Yunlin, Taiwan	5,000	Employment service, temporary help service, manpower brokerage

3. Inferred as having a control-subordination relationship: omitted
4. Overview of businesses engaged by affiliates:
  - ( 1 ) Formosa Development engages mainly in urban land consolidation.
  - ( 2 ) Formosa Taffeta (Hong Kong) Co., Ltd. engages in export and import of filament fabric and spun fabric.
  - ( 3 ) Formosa Taffeta (Zhongshan) Co., Ltd. engages in production and sale of polyurethane fabric and polyester fabric, plus weaving, dyeing, and finishing of high-end fabric.
  - ( 4 ) Formosa Taffeta Vietnam Co., Ltd. engages in the production and sale of chemical-fiber woven fabric and dyeing and finishing.
  - ( 5 ) Formosa Taffeta Dong Nai Co., Ltd. engages in production and sale of chemical-fiber woven fabric and tire cord, plus dyeing and finishing.
  - ( 6 ) Formosa Taffeta (Changshu) Co., Ltd. engages in dyeing and finishing of high-end fabric.
  - ( 7 ) Public more International Co., Ltd. engages in employment service, temporary help service, and manpower brokerage.
5. Names of the directors, supervisors, and presidents of affiliates and their shareholdings or contributions

Information on the directors, supervisors, and presidents of affiliate

Unit: share

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Development Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Hsie, Shih-ming	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Tseng, Ching-pin (president)	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chang, Hsien-tang	16,100,000	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	16,100,000	100.00%
Formosa Taffeta (Hong Kong) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
	President	Chen, Jui-mao	—	—

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Taffeta (Zhong Shan) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu, Li-jen	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
Formosa Taffeta Vietnam Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hong Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu, Li-jen	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
Formosa Taffeta Dong Nai Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hong Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu, Li-jen	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
Formosa Taffeta (Changshu) Co., Ltd.	Chairman	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Hong, Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Lee, Ming-chang (president)	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wu, Li-jen	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Chien-kuan	—	100.00%
	Supervisor	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Cheng, Hung-ning	—	100.00%

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Public More International Company Ltd.	Director	Representative of Formosa Development Co., Ltd. : Tseng,Ching-pin	—	100.00%

Note 1: In case an affiliate is a foreign company, list persons with equivalent positions.

Note 2: In case an invested company is a company limited by shares, please specify the number of owned shares and percentage; for others, please specify contribution to paid-in capital and percentage, plus notes.

Note 3: in case directors or supervisors are institutional investors, information on their representatives should also be provided.

1. Director Wong, Wen-yuan is chairman of Formosa Chemicals & Fibre Corp. and Formosa Taffeta Co., Ltd.; 2. Director Hsieh, Shih-ming is vice chairman of Formosa Taffeta Co., Ltd.; 3. Director Hong, Fu-yuan is vice chairman of Formosa Chemicals & Fibre Corp.; 4. Director Lee, Ming-chang is president of Formosa Taffeta Co., Ltd.; 5. Director Tsai, Tien-shuan is senior vice president of the second business segment of Formosa Taffeta Co., Ltd.; 6. Director Tseng, Ching-pin is president of Formosa Development Co., Ltd.; 7. Director Chang, Hsien-tang is deputy senior specialist of Formosa Development Co., Ltd.; 8. Director Lee, Chien-kuan is deputy assistant vice president of the first business segment of Formosa Taffeta Co., Ltd. (as well as acting vice president of first business segment); 9. Director Wu, Li-jen is deputy assistant vice president of the first business segment of Formosa Taffeta Co., Ltd.; 10. Director Cheng, Hung-ning is deputy assistant vice president of General Management Divisions (as well as acting vice president of General Management Divisions) of Formosa Taffeta Co., Ltd.; 11. Director Chen, Jui-mao, the president of Formosa Taffeta (Hong Kong) Co., Ltd., is senior administrator of dyeing and finishing division of Formosa Taffeta Co., Ltd.

## 6. Operating status of affiliates

Unit: NT\$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit/loss (after tax)	Earnings per share (NT\$) (after tax)
Formosa Development Co., Ltd.	161,000	336,397	43,236	293,161	19,252	9,987	22,962	1.43
Formosa Taffeta ( Hong Kong) Co., Ltd.	1,356,822	1,802,147	616,726	1,185,421	1,240,386	20,837	24,374	
Formosa Taffeta (Zhongshan) Co., Ltd.	1,402,085	2,132,482	268,758	1,863,724	1,327,827	110,648	77,230	
Formosa Taffeta Vietnam Co., Ltd.	2,340,866	2,857,260	769,282	2,087,978	2,224,795	81,701	56,041	
Formosa Taffeta Dong Nai Co., Ltd.	2,590,434	5,549,608	3,323,815	2,225,793	3,593,247	82,478	8,755	
Formosa Taffeta (Changshu) Co., Ltd.	1,302,019	1,686,533	612,965	1,073,568	1,233,559	23,157	24,328	
Public More International Company Ltd.	5,000	18,880	5,044	13,836	38,988	8,642	6,900	

1. The Company sold all shares of Formosa Taffeta (Hong Kong) Co., Ltd. on March 16, 2020.
2. The liquidation of Xiamen Xiangyu Formosa import & export Trading Co., Ltd. was completed in July, 2020.
3. The Board of Directors of the Company passed to dissolve Formosa Taffeta (Cayman) Co., Ltd. whose 3.847% shares of FORMOSA HA TINH (CAYMAN) LIMITED was transferred to the Company. The process of liquidation and the transfer of shares were completed in November, 2020.

## Declaration

We hereby declare that the company's consolidated parent company-subsidary financial report for fiscal 2020 (Jan. 1, 2020, through Dec. 31, 2020), IFRS (International Financial Reporting Standards) 10, covers parent company and subsidiaries, the same as the stipulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and has disclosed information required by the latter. Therefore, the company will not compile a separate consolidated financial statement of affiliated enterprises.

Company Name: Formosa Taffeta Co.,Ltd. & Subsidiary

Responsible person: Wong Wen-yuan

March 12, 2021

Formosa Taffeta Co., Ltd.

Review report on affiliation report by certified public accountant

No. 20009531

To Formosa Taffeta Co., Ltd.

The 2020 affiliation report compiled by Formosa Taffeta Co., Ltd. on March 12, 2021 is based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," disclosing information without much aberration from related information disclosed in the notes of the financial statement covering the aforementioned period.

The certified public account has found no major aberration in the notes of the 2020 affiliation report of Formosa Taffeta Co., Ltd. from the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," after comparing the two documents.

Wu Han-chi, PwC Taiwan

Liang Hua-Ling certified public accountant

March 12, 2021

Formosa Taffeta Co., Ltd.  
2020 Affiliation Report

1 Status of relationship between subordinate company and controlling company

Unit: share; %

Name of controlling company	Reason of control	Shareholding of controlling company and pledge of stock rights			Directors, supervisors, or managers assigned by controlling company	
		Number of shares in held	%	Number of pledged shares	Title	Name
Formosa Chemicals & Fibre Corp.	That company can directly or indirectly control the company's personnel, finance, or business	630,022,431	37.40%	0	Chairman Director Director Director Director	Wong Wen-yuan Hong Fu-yuan Lu Wen-Chin Lee Ming-chang Tsai Tien-shuan

2. Transactions between subordinate company and controlling company

(1) Status of purchase and sale

Unit: NT\$1,000

Transactions with controlling company					Conditions for transactions with controlling company	Common transaction conditions		Reasons of difference	Note receivable (payable) and account receivable (payable)	Overdue Account receivable			Notes	
Purchase (sale)	Amount	Share in total purchase (sale) %	Gross margin for sale	Unit Price (NT\$))	Credit period	Unit price	Credit period		Balance	Share in total note receivable (payable) or account receivable (payable) %	Handling value	Handling method		Value of allowance for bad debts
Sale	1,083	0.00	95	Common list price	Open Account 60 Days	Common list price	45-120 days after sale	-	Account receivable 31	0.00	-	-	-	
Purchase	1,005,720	4.41	-	-	Two-month promissory note after acceptance	-	15-60 days after purchase	-	Note payable 127,610 Account payable 153,445	36.1 7.9	-	-	-	

Note: Due to effect of product specifications and nature on price, transactions between Formosa Taffeta and affiliates and between the company and common customers cannot be evaluated with the same criteria.

(2) Property transaction: nil

(3) Loan extension: nil

(4) Lease of assets: nil

(5) Other important transactions: nil

3. Endorsement and guarantee: nil

4. Other items with major influence on finance and business: nil

Chairman: Wong Wen-yuan

Managerial staffer: Lee Ming-chang

Accounting chief: Lee Shu-ming

B. Disclose the status of securities issuance via private placement in 2019 and 2020 as of the publication of the annual report, including date and amount approved by shareholders' meeting or the board of directors, basis and reasonableness for the setting of issuance price, method for the selection of specific persons, necessity for the private share placement, targets and qualifications of the private share placement, their subscription amounts, relationship with the company, participation in the company's management, actual subscription (or conversion) prices, difference between actual subscription prices and reference prices, effect of private share placement on shareholders' equity, utilization of the fund collected from private share placement during the interval before formulation of utilization plan for the fund, status for the utilization of the fund, progress for the execution of the fund utilization plan, and manifested result: nil.

C. Holding or disposal of the company's shares by subsidiaries in the recent year and as of the date of the publication of the annual report:

Unit: NT\$1,000; share; %

Name of subsidiary (note 1)	Stock capital collected	fund Source	Percent age of shareholding by the company	Date of share acquisition of disposal	shares and amount of acquisition (note 2)	Volume and value of share disposal (note 2)	Investment income/loss	Volume and value of shareholding as of the date of the publication of the annual report (note 3))	Setting of pledge	Value of guarantee and endorsement undertaken by the company for subsidiary	Loans extended by the company to subsidiaries
Formosa Development Co., Ltd.	161,000	Own fund	100.00	2020	Nil	Nil	Nil	shares:2,193,228 amount: 68,100	Nil	Nil	Nil
				As of the printing date of this annual report	Nil	Nil	Nil	shares:2,193,228 amount: 67,551	Nil	Nil	Nil

Note 1: List the situation of subsidiaries separately.

Note 2: Value refers to actual value deriving from share acquisition of disposal.

Note 3: List the status of shareholding and share disposal separately.

Note 4: Explain their influence on the company's financial performance and status.

D. Other necessary supplementary explanations: nil

E. Whether or not there is item with major influence on shareholders' equity or securities prices, as stipulated in item 3-2 of article 36 of the Securities and Exchange Act: nil.

## **F. Guidelines for Ethical Conducts of the Company's Directors, Supervisors and Managerial Staffers**

revised by the board of directors on June 23, 2017

### **Chapter 1 General rules**

Article 1: The guidelines are formulated, to assure conformance to ethical conducts in carrying out business activities related to their jobs by the company's directors and managerial staffers (including president, executive vice president, senior vice president, vice president, financial chief, accounting chief, and others with the authority of management and signature), so as to prevent unethical conducts and conducts detrimental to the interests of the company and shareholders.

### **Chapter 2 Norms for ethical conducts**

Article 2: In handling the company's affairs, directors and managerial staffers should embrace a self-disciplined attitude, based on honesty without deception, trustworthiness and law abidance, fairness and justness, and compliance with ethics.

Article 3: Directors and managerial staffers should avoid conflict of interests involving meddling or possible meddling with the company's overall interests for personal interests, including, but not limited to, inability to handle corporate affairs in an objective and efficient manner, or provision of improper benefits to themselves, their spouses, parents, children, or relatives within second-degree kinship, thanks to their positions in the company. To prevent conflict of interest, it is necessary to pass the review by the board of directors beforehand, for the company providing loans or guarantee to, or engaging in major transactions of assets with, the aforementioned persons or their associated affiliates. Related purchase or sale should be carried out, on the consideration of the company's maximum benefits.

Article 4: In the face of profit-making opportunities for the company, directors and managerial staffers should uphold just and legal benefits available to the company. Directors and managerial staffers shouldn't take advantage of the company's properties or information or their positions to seek personal benefits. In addition to the requirements of the Company Act or corporate charter, they should not engage in business activities, in competition with the company.

Article 5: Directors and managerial staffers have the duty of confidentiality for information on the company, suppliers, and customers, except cases with authorized or legally mandated publication. Information which should be kept confidential include those whose utilization by rivals or leakage may harm the interests of the company or customers.

Article 6: Directors and managerial staffers should treat the company's suppliers, customers, rivals, and employees in a fair manner, avoiding acquisition of improper benefits via manipulation, concealing, or abuse of information obtained from their positions, untrue narration on major issues, or other unfair transaction methods.

Article 7: Directors and managerial staffers should utilize the company's assets properly, according to the needs of their jobs, and avoid stealth, negligent usage, or waste of the company's assets, which may affect the company's profitability.

Article 8: Directors and managerial staffers should abide by various laws and government regulations, as well as the company's regulations and systems.

Article 9: When discovering violation of laws/regulations or guidelines by directors or managerial staffers, the company's employees should report, along with sufficient evidence, the irregularities to the auditing committee, direct managerial superiors, personnel or internal-auditing chiefs at the President's Office, or other proper parties. After the reports are investigated and confirmed, the company will reward the informants

property, according to personnel management regulations.

The company will handle the aforementioned reports in a confidential and responsible manner and make its utmost in protecting the safety of those who make the reports in good faith, to shield them from retaliation in any form.

Article 10: Should directors or managerial staffers be confirmed to violate the guidelines, in addition to penalties according to personnel management regulations, the case should be reported to the board of directors and the offenders should be subject to civil, criminal, or administrative liabilities, in addition to disclosure on the Open Market Observation Post System of relevant information, including date, situation, relevant article of the guidelines of the offense, as well as the state of handling.

#### Chapter 3 Procedure for exemption

Article 11: Proposal to exempt directors or managerial staffers from the requirements of the guidelines under special situation should be approved by the board of directors with agreement of over two thirds of the directors in attendance, whose number should be more than half of the total. Relevant information for the exemption should be posted on the Open Market Observation System instantly, including date of approval by the board of directors, opposition or reservation of independent directors, if any, exemption period, reasons for the exemption, and criteria for the exemption, for evaluation of its propriety by shareholders, so as to uphold the company's interests.

#### Chapter 4 Method for information disclosure

Article 12: The guidelines should be publicly disclosed on corporate website, in yearbook and prospectus, and on the Market Observation Post System and the requirement also applies to its revision.

#### Chapter 5 Supplementary provision

Article 13: The guidelines are put into practice after approval by the board of directors and should be reported to shareholders' meeting; the requirement also applies to its revision.

**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.

# FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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## 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

(Continued)

**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
		<u>\$ 2,095,306</u>	<u>7</u>	<u>\$ 5,829,467</u>	<u>16</u>
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
		<u>\$ 1,468,320</u>	<u>5</u>	<u>(\$ 534,985)</u>	<u>( 1)</u>
		<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		<u>\$ 1.30</u>	<u>\$ 1.25</u>	<u>\$ 3.33</u>	<u>\$ 3.08</u>
<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		<u>\$ 1.30</u>	<u>\$ 1.24</u>	<u>\$ 3.32</u>	<u>\$ 3.08</u>

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

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

Equity attributable to owners of the parent												
		Retained Earnings				Other Equity Interest						
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity
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:	6(20)											
Legal reserve		-	-	473,741	-	( 473,741 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 3,537,796 )	-	-	-	( 3,537,796 )	-	( 3,537,796 )
Disposal of treasury stock	6(18)(19)	-	1,194	-	-	-	-	-	436	1,630	-	1,630
Changes in the net interest of associates recognised under the equity method	6(19)	-	12,719	-	-	( 1,654 )	-	-	-	11,065	-	11,065
Expired cash dividends transferred to capital surplus	6(19)	-	2,263	-	-	-	-	-	-	2,263	-	2,263
Adjustment of cash dividends paid to consolidated subsidiaries acquired	6(19)	-	4,606	-	-	-	-	-	-	4,606	-	4,606
Disposal of financial assets at fair value through other comprehensive income	6(21)	-	-	-	-	1,189	-	( 1,189 )	-	-	-	-
Cash dividends paid by consolidated subsidiaries	6(21)	-	-	-	-	-	-	-	-	-	( 591,379 )	( 591,379 )
Decrease in non-controlling interest	6(21)	-	-	-	-	-	-	-	-	-	( 6,100,194 )	( 6,100,194 )
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	-	-	-	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:	6(20)											
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	6(19)	-	( 144 )	-	-	-	-	-	-	( 144 )	-	( 144 )
Expired cash dividends transferred to capital surplus	6(19)	-	2,100	-	-	-	-	-	-	2,100	-	2,100
Adjustment of cash dividends paid to consolidated subsidiaries acquired	6(19)	-	5,483	-	-	-	-	-	-	5,483	-	5,483
Disposal of financial assets at fair value through other comprehensive income	6(21)	-	-	-	-	( 80,823 )	-	80,823	-	-	-	-
Decrease in non-controlling interest	6(21)	-	-	-	-	-	-	-	-	-	( 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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		23,641	-
Net cash flows used in investing activities		( 2,488,305 )	( 1,070,887 )
<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)	( 155,585 )	( 150,467 )
Net cash flows used in financing activities		( 1,910,683 )	( 5,831,702 )
Effect of foreign exchange rate		26,932	( 4,488 )
Net decrease in cash and cash equivalents		( 153,302 )	( 155,272 )
Cash and cash equivalents at beginning of year	6(1)	3,236,624	3,391,896
Cash and cash equivalents at end of year	6(1)	\$ 3,083,322	\$ 3,236,624

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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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

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

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

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
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
A Current items:		
Time deposit	\$ 27,148	\$ -
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

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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:

	December 31, 2020	December 31, 2019
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

	Formosa Advanced Technologies Co., Ltd.	
	December 31, 2020	December 31, 2019
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>						
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>
Opening net book amount as at January 1	\$ 2,026,308	\$ 4,340,104	\$ 5,368,515	\$ 445,703	\$ 518,109	\$ 12,698,739
Additions	-	-	-	210	1,115,344	1,115,554
Disposals	( 3,004)	( 3,906)	( 12,745)	( 3,273)	-	( 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	<u>\$ 2,023,319</u>	<u>\$ 3,946,479</u>	<u>\$ 5,306,794</u>	<u>\$ 432,036</u>	<u>\$ 613,374</u>	<u>\$ 12,322,002</u>
<u>At December 31</u>						
Cost	\$ 2,189,947	\$ 10,365,740	\$ 23,138,515	\$ 4,941,190	\$ 613,374	\$ 41,248,766
Accumulated depreciation	( 10,890)	( 6,419,261)	( 17,831,721)	( 4,509,154)	-	( 28,771,026)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,023,319</u>	<u>\$ 3,946,479</u>	<u>\$ 5,306,794</u>	<u>\$ 432,036</u>	<u>\$ 613,374</u>	<u>\$ 12,322,002</u>

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	<u>1,618</u>	<u>( 62,775)</u>	<u>( 98,327)</u>	<u>( 5,596)</u>	<u>55,305</u>	<u>( 109,775)</u>
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	<u>\$ -</u>
Less: Commercial paper payable discount	( 21)	<u>-</u>
	<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	106,411	839,700
Deferred tax:		
Origination and reversal of temporary differences	60,361	20,845
Total deferred tax	60,361	20,845
Less: Income tax expense from discontinued operations	-	( 323,585)
Income tax expense	\$ 166,772	\$ 536,960

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)
	166,772	860,545
Less: Income tax expenses from discontinued operations	-	( 323,585)
Tax expense	\$ 166,772	\$ 536,960

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					
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Disposal of discontinued operations	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)	-	-	-
	<u>137,962</u>	<u>( 34,151)</u>	<u>-</u>	<u>-</u>	<u>103,811</u>
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)	-	-	-
	<u>( 373,749)</u>	<u>( 26,210)</u>	<u>-</u>	<u>-</u>	<u>( 399,959)</u>
	<u>(\$ 235,787)</u>	<u>(\$ 60,361)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 296,148)</u>

Year ended December 31, 2019					
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Disposal of discontinued operations	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) (Shoeller F.T.C (Hong Kong) Co., Ltd.)	Other related party
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
Jiaxing 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</u>		
		<u>December 31, 2020</u>		
	Accounts	No. of shares	Object	Consideration
		(in thousand shares)		
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</u>
				<u>December 31, 2019</u>
	Accounts	No. of shares	Object	Consideration
		(in thousand shares)		
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.	<u>\$ 2,514,064</u>	<u>\$ 2,016,760</u>

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 Advance 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	<u>6,645,741</u>	<u>6,974,483</u>
	<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	<u>783,043</u>	<u>849,795</u>
	<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:

- |                     | Listed shares | Open-end fund   |
|---------------------|---------------|-----------------|
| 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:

	Year ended December 31, 2020	
	Non-derivative equity instruments	
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	\$	2,909,741
	Year ended December 31, 2019	
	Non-derivative equity instruments	
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	\$	4,191,338

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					
	First business group	Cord fabric department	Gasoline department	Other segment	Adjustment and write-off	Discontinued operations	Total
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 11,811,388	\$ 6,126,786	\$ 9,414,248	\$ 1,448,625	\$ -	(\$ 17,555)	\$ 28,783,492
Inter-segment revenue	904,443	95,723	-	177,621	( 1,177,787)	-	-
Total segment revenue	<u>\$ 12,715,831</u>	<u>\$ 6,222,509</u>	<u>\$ 9,414,248</u>	<u>\$ 1,626,246</u>	<u>(\$ 1,177,787)</u>	<u>(\$ 17,555)</u>	<u>\$ 28,783,492</u>
Segment income	<u>\$ 2,200,850</u>	<u>(\$ 209,027)</u>	<u>\$ 394,596</u>	<u>\$ 71,318</u>	<u>(\$ 195,659)</u>	<u>\$ 484</u>	<u>\$ 2,262,562</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 12,691,530</u>	<u>\$ 5,333,901</u>	<u>\$ 1,319,306</u>	<u>\$ 3,407,195</u>	<u>(\$ 266,845)</u>	<u>\$ -</u>	\$ 22,485,087
Investments using the equity method							9,626,525
General assets							47,350,446
Total assets							\$ 79,462,058

Year ended December 31, 2019

	Second business group							
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Discontinued operations	Total
<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>( 2,172,815)</u>	<u>-</u>	<u>-</u>
Total segment revenue	<u>\$ 17,179,163</u>	<u>\$ 7,951,797</u>	<u>\$ 11,744,169</u>	<u>\$ 2,059,875</u>	<u>\$ 8,867,872</u>	<u>(\$ 2,172,815)</u>	<u>(\$ 8,982,340)</u>	<u>\$ 36,647,721</u>
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>(\$ 1,527,839)</u>	<u>\$ 5,162,173</u>
<u>Segment assets</u>								
Identifiable assets	<u>\$ 13,823,985</u>	<u>\$ 5,985,014</u>	<u>\$ 1,312,025</u>	<u>\$ 3,571,650</u>	<u>\$ -</u>	<u>(\$ 538,274)</u>	<u>\$ -</u>	\$ 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	<u>\$ 21,583,130</u>	<u>\$ 8,395,704</u>	<u>(\$ 1,177,787)</u>	<u>(\$ 17,555)</u>	<u>\$ 28,783,492</u>
Segment income (loss)	<u>\$ 2,038,883</u>	<u>\$ 418,854</u>	<u>(\$ 195,659)</u>	<u>\$ 484</u>	<u>\$ 2,262,562</u>
Identifiable assets	<u>\$ 14,719,798</u>	<u>\$ 8,032,135</u>	<u>(\$ 266,846)</u>	<u>\$ -</u>	<u>\$ 22,485,087</u>
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	<u>\$ 36,376,643</u>	<u>\$ 11,426,233</u>	<u>(\$ 2,172,815)</u>	<u>(\$ 8,982,340)</u>	<u>\$ 36,647,721</u>
Segment income (loss)	<u>\$ 6,978,991</u>	<u>\$ 713,540</u>	<u>(\$ 1,002,519)</u>	<u>(\$ 1,527,839)</u>	<u>\$ 5,162,173</u>
Identifiable assets	<u>\$ 16,113,981</u>	<u>\$ 8,578,695</u>	<u>(\$ 538,581)</u>	<u>\$ -</u>	<u>\$ 24,154,095</u>
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.**  
**PARENT COMPANY ONLY 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.

# **FORMOSA TAFFETA CO., LTD.**

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## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Formosa Taffeta Co., Ltd. (the "Company") as at December 31, 2020 and 2019, and the accompanying parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

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

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of the current period are stated as follows:

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

#### Description

Refer to Note 4(9) for accounting policy on financial assets impairment, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2020, the Company's accounts receivable amounted to NT\$1,834,819 thousand, net of allowance for bad debts amounting to NT\$31,678 thousand.

The Company assesses the collectibility of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Company recognizes impairment with a credit to accounts receivable. The Company examines the reasonableness periodically. As the 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 included:

- 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(11) for accounting policy on inventory valuation, Note 5(3) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2020, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$4,455,240 thousand and NT\$617,888 thousand, respectively.

The Company 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 Company 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 losses included:

- A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net 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 the other independent auditors***

We did not audit the financial statements of certain investments accounted for under the equity method. The balance of these investments accounted for under the equity method amounted to NT\$6,474,030 thousand and NT\$7,709,785 thousand, constituting 9% and 10% of total assets as of December 31, 2020 and 2019, respectively, and comprehensive income was NT\$137,161 thousand and NT\$479,586 thousand, constituting 9% and (41%) of total comprehensive income for the years then ended, respectively. The financial statements of these investees 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 amounts included in the financial statements relative to these investees is based solely on the audit reports of the other independent auditors.

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

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

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

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

### ***Auditors’ responsibilities for the audit of the parent company only financial statements***

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

audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only 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 parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of

such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY 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)	\$	1,901,429	3	\$	2,361,271	3
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
1150	Notes receivable, net	6(4)		43,015	-		27,399	-
1160	Notes receivable - related parties	7		4,260	-		6,395	-
1170	Accounts receivable, net	6(4)		1,834,819	3		1,794,283	3
1180	Accounts receivable - related parties	7		116,682	-		195,904	-
1200	Other receivables	7		272,070	-		307,690	1
130X	Inventory	6(5)		3,837,352	5		4,648,498	6
1410	Prepayments			117,947	-		95,187	-
1470	Other current assets			246,347	-		254,769	-
11XX	Total current assets			9,783,820	13		11,138,323	15
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		40,032,761	54		36,672,540	49
1550	Investments accounted for using the equity method	6(6)		17,146,398	23		19,465,512	26
1600	Property, plant and equipment	6(7) and 7		6,339,354	8		6,478,848	8
1755	Right-of-use assets	6(8)		717,814	1		784,563	1
1760	Investment property - net	7		514,513	1		543,924	1
1840	Deferred income tax assets	6(25)		103,811	-		138,816	-
1900	Other non-current assets			163,291	-		157,665	-
15XX	Total non-current assets			65,017,942	87		64,241,868	85
1XXX	Total assets		\$	74,801,762	100	\$	75,380,191	100

(Continued)

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

Liabilities and Equity			December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 4,783	-	\$ 12,324	-
2110	Short-term notes and bills payable	6(10)	499,979	1	-	-
2120	Financial liabilities at fair value through profit or loss - current	6(11)	137	-	80	-
2150	Notes payable		133,496	-	133,168	-
2160	Notes payable - related parties	7	127,610	-	44,999	-
2170	Accounts payable		574,179	1	612,172	1
2180	Accounts payable - related parties	7	654,403	1	1,073,977	1
2200	Other payables	7	792,704	1	827,606	1
2230	Current income tax liabilities	6(25)	62,389	-	322,428	1
2280	Current lease liabilities		99,484	-	128,630	-
2300	Other current liabilities		124,104	-	90,513	-
21XX	Total current liabilities		3,073,268	4	3,245,897	4
Non-current liabilities						
2540	Long-term borrowings	6(12)	8,900,000	12	6,400,000	8
2570	Deferred income tax liabilities	6(25)	399,959	1	377,609	1
2580	Non-current lease liabilities		624,823	1	659,965	1
2600	Other non-current liabilities		320,124	-	477,471	1
25XX	Total non-current liabilities		10,244,906	14	7,915,045	11
2XXX	Total liabilities		13,318,174	18	11,160,942	15
Equity						
	Share capital	6(14)				
3110	Common stock		16,846,646	23	16,846,646	22
	Capital surplus	6(15)				
3200	Capital surplus		1,297,081	2	1,289,642	2
	Retained earnings	6(16)				
3310	Legal reserve		8,560,207	11	8,041,335	11
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		8,228,927	11	10,835,955	14
	Other equity interest	6(17)				
3400	Other equity interest		24,355,213	32	25,010,157	33
3500	Treasury stocks	6(14)	( 19,064)	-	( 19,064)	-
3XXX	Total equity		61,483,588	82	64,219,249	85
	Commitments and contingent liabilities	9				
	Subsequent event	11				
3X2X	Total liabilities and equity		\$ 74,801,762	100	\$ 75,380,191	100

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

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

		Year ended December 31			
Items	Notes	2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(18) and 7	\$ 21,524,891	100	\$ 27,468,794	100
5000 Operating costs	6(5)(22)(23) and 7	( 19,420,662)	( 90)	( 25,256,705)	( 92)
5900 Net operating margin		2,104,229	10	2,212,089	8
Operating expenses	6(22)(23) and 7				
6100 Selling expenses		( 1,320,790)	( 6)	( 1,391,821)	( 5)
6200 General and administrative expenses		( 539,880)	( 3)	( 540,168)	( 2)
6000 Total operating expenses		( 1,860,670)	( 9)	( 1,931,989)	( 7)
6900 Operating profit		243,559	1	280,100	1
Non-operating income and expenses					
7100 Interest income	6(19)	4,646	-	5,526	-
7010 Other income	6(20) and 7	1,421,489	7	2,221,660	8
7020 Other gains and losses	6(21) and 7	( 96,895)	( 1)	( 1,943,835)	( 7)
7050 Finance costs	6(24)	( 73,583)	-	( 86,942)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	691,007	3	1,229,208	4
7000 Total non-operating income and expenses		1,946,664	9	5,313,287	19
7900 <b>Profit before income tax</b>		2,190,223	10	5,593,387	20
7950 Income tax expense	6(25)	( 94,675)	-	( 404,658)	( 1)
8200 <b>Profit for the year</b>		\$ 2,095,548	10	\$ 5,188,729	19
<b>Other comprehensive income</b>	6(16)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
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	6(3)	( 2,934,649)	( 14)	( 4,223,464)	( 16)
8330 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		2,390,053	11	( 1,746,363)	( 6)
8310 Other comprehensive loss that will not be reclassified to profit or loss		( 436,196)	( 2)	( 6,053,647)	( 22)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Exchange differences on translation		( 235,984)	( 1)	( 246,306)	( 1)
8380 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		45,194	-	( 64,499)	-
8360 Other comprehensive loss that will be reclassified to profit or loss		( 190,790)	( 1)	( 310,805)	( 1)
8300 <b>Other comprehensive loss for the year</b>		( \$ 626,986)	( 3)	( \$ 6,364,452)	( 23)
8500 <b>Total comprehensive income (loss) for the year</b>		\$ 1,468,562	7	( \$ 1,175,723)	( 4)
		Before Tax	After Tax	Before Tax	After Tax
9750 Basic and diluted earnings per share	6(26)	\$ 1.30	\$ 1.25	\$ 3.33	\$ 3.08
Assuming shares held by subsidiaries are not deemed as treasury stock:					
Basic and diluted earnings per share		\$ 1.30	\$ 1.24	\$ 3.32	\$ 3.08

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

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

		Capital Reserves					Retained Earnings				Other Equity Interest			
				Capital Surplus, changes in ownership interests in subsidiaries	Donated assets received	Change in net equity of associates and joint ventures accounted for under equity method					Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
	Notes	Share capital - common stock	Treasury stock transactions				Others	Legal reserve	Special reserve	Unappropriated retained earnings				
Year ended December 31, 2019														
Balance at January 1, 2019		\$ 16,846,646	\$ 25,297	\$ 1,650	\$ 2,032	\$ 1,236,557	\$ 3,324	\$ 7,567,594	\$ 2,214,578	\$ 9,743,048	( \$ 744,846 )	\$ 32,036,824	( \$ 19,500 )	\$ 68,913,204
Profit for the year		-	-	-	-	-	-	-	-	5,188,729	-	-	-	5,188,729
Other comprehensive loss	6(17)	-	-	-	-	-	-	-	-	( 83,820 )	( 310,805 )	( 5,969,827 )	-	( 6,364,452 )
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	5,104,909	( 310,805 )	( 5,969,827 )	-	( 1,175,723 )
Appropriations of 2018 earnings:	6(16)													
Legal reserve		-	-	-	-	-	-	473,741	-	( 473,741 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	( 3,537,796 )	-	-	-	( 3,537,796 )
Disposal of treasury stock		-	1,194	-	-	-	-	-	-	-	-	-	436	1,630
Changes in the net interest of associates recognized under the equity method		-	-	-	-	12,719	-	-	-	( 1,654 )	-	-	-	11,065
Changes in share of consolidated subsidiaries		-	-	-	-	-	-	-	-	1,189	-	( 1,189 )	-	-
Adjustment of cash dividends paid to consolidated subsidiaries		-	4,606	-	-	-	-	-	-	-	-	-	-	4,606
Expired cash dividends transferred to capital surplus		-	-	-	-	-	2,263	-	-	-	-	-	-	2,263
Balance at December 31, 2019		\$ 16,846,646	\$ 31,097	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 5,587	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	( \$ 1,055,651 )	\$ 26,065,808	( \$ 19,064 )	\$ 64,219,249
Year ended December 31, 2020														
Balance at January 1, 2020		\$ 16,846,646	\$ 31,097	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 5,587	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	( \$ 1,055,651 )	\$ 26,065,808	( \$ 19,064 )	\$ 64,219,249
Profit for the year		-	-	-	-	-	-	-	-	2,095,548	-	-	-	2,095,548
Other comprehensive income (loss)	6(17)	-	-	-	-	-	-	-	-	108,781	( 190,790 )	( 544,977 )	-	( 626,986 )
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	2,204,329	( 190,790 )	( 544,977 )	-	1,468,562
Appropriations of 2019 earnings:	6(16)													
Legal reserve		-	-	-	-	-	-	518,872	-	( 518,872 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	( 4,211,662 )	-	-	-	( 4,211,662 )
Paid expired cash dividends transferred to capital surplus		-	-	-	-	-	( 144 )	-	-	-	-	-	-	( 144 )
Adjustment of cash dividends paid to consolidated subsidiaries acquired		-	5,483	-	-	-	-	-	-	-	-	-	-	5,483
Disposal of equity instruments at fair value through other comprehensive income	6(3)	-	-	-	-	-	-	-	-	( 80,823 )	-	80,823	-	-
Expired cash dividends transferred to capital surplus		-	-	-	-	-	2,100	-	-	-	-	-	-	2,100
Balance at December 31, 2020		\$ 16,846,646	\$ 36,580	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 7,543	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	( \$ 1,246,441 )	\$ 25,601,654	( \$ 19,064 )	\$ 61,483,588

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

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

		Year ended December 31	
	Notes	2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 2,190,223	\$ 5,593,387
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including depreciation on investment property)	6(7)(22) and 7	801,082	807,966
Interest expense	6(24)	73,583	86,942
Interest income	6(19)	( 4,646 )	( 5,527 )
Dividend income	6(20)	( 1,156,765 )	( 1,963,309 )
Loss (gain) on valuation of financial assets	6(2)(21)	37	( 119 )
Loss (gain) on valuation of financial liabilities	6(11)(21)	57	( 694 )
Receipt of cash dividends from investment accounted for under the equity method		-	646,882
Loss (gain) on disposal of investments	6(21)	734	( 2,016,760 )
Share of profit of associates and joint ventures accounted for using the equity method	6(6)	( 691,007 )	( 1,229,208 )
Gain on disposal and scrap of property, plant and equipment	6(21) and 7	( 36,209 )	( 3,856 )
Unrealized gain on disposal and scrap of property, plant and equipment, net	6(21) and 7	-	( 33,317 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 15,616 )	82,310
Notes receivable - related parties		2,135	( 1,966 )
Accounts receivable, net		( 40,536 )	333,867
Accounts receivable - related parties		79,222	24,461
Other receivables		35,388	( 16,914 )
Inventories		811,146	245,238
Prepayments		( 22,760 )	( 2,960 )
Other current assets		8,422	( 60,746 )
Changes in operating liabilities			
Notes payable		328	5,568
Notes payable - related parties		82,611	( 286,829 )
Accounts payable		( 37,993 )	127,427
Accounts payable - related parties		( 419,574 )	109,152
Other payables		( 105,528 )	( 14,297 )
Other current liabilities		33,591	5,359
Other non-current liabilities		( 48,948 )	( 48,530 )
Cash inflow generated from operations		1,538,977	2,383,527
Interest received		4,878	5,407
Dividends received		1,594,740	1,963,309
Interest paid		( 74,899 )	( 90,390 )
Income tax paid		( 297,359 )	( 159,330 )
Net cash flows from operating activities		2,766,337	4,102,523

(Continued)

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY 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 )	( \$ 69,570 )
Acquisition of investments accounted for using the equity method		( 1,352,445 )	-
Proceeds from disposal of investments accounted for using the equity method	6(6) and 7	18,084	2,514,064
Acquisition of property, plant and equipment	6(27)	( 410,009 )	( 433,228 )
Proceeds from disposal of property, plant and equipment		23,832	9,705
Decrease in other non-current assets		( 5,626 )	( 38,288 )
Net cash flows (used in) from investing activities		( 1,855,264 )	1,982,683
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease (increase) in short-term borrowings		( 7,541 )	12,324
Increase in short-term notes and bills payable		499,979	-
Payment of lease principal		( 151,546 )	( 146,429 )
Increase in long-term borrowings		11,700,000	9,200,000
Payment of long-term borrowings		( 9,200,000 )	( 10,700,000 )
Payment of cash dividends		( 4,211,807 )	( 3,537,796 )
Net cash flows used in financing activities		( 1,370,915 )	( 5,171,901 )
Net (decrease) increase in cash and cash equivalents		( 459,842 )	913,305
Cash and cash equivalents at beginning of year	6(1)	2,361,271	1,447,966
Cash and cash equivalents at end of year	6(1)	\$ 1,901,429	\$ 2,361,271

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

FORMOSA TAFFETA CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY 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 Yunlin 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 department</u>	<u>Major activities</u>
Primary department: Fabrics & dyeing	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastics bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers

(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) During the years ended December 31, 2020 and 2019, the Company had an average of 4,525 and 4,636 employees, respectively.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only 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 Company’s financial condition and financial performance based on the Company’s assessment.

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

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 Company’s financial condition and financial performance based on the Company’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 Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements 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 parent company only 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 and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and 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 company entities and associates 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.

**(4) 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 pay off 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 paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off 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.

(5) 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.

(6) 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 Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company 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 Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) 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 Company 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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company 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.

(9) 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 Company 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 Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company 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 Company 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 Company has not retained control of the financial asset.

(11) 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 labour, 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.

(12) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries refer to the entities (including special purpose entities) that the Company has control over their financial and operating policies and own more than 50% of voting shares directly or indirectly. The Company evaluates investments in subsidiaries accounted under the equity method in these parent company only financial statements.
- B. Unrealized profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to ensure consistency with the policies of the Company.
- C. The Company's share of its subsidiaries' 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.

- D. Associates are all entities over which the Company 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.
- E. The Company'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 Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. 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 Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company'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.
- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss.
- J. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- 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 Company 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 balance sheet date. 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:

Item	Estimated useful lives
Buildings and structures	10 ~ 60 years
Machinery and equipment	5 ~ 20 years
Transportation equipment	5 ~ 10 years
Other equipment	2 ~ 15 years

(14) 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. Leases 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.

(15) 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 30 years.

(16) Impairment of non-financial assets

The Company 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 recognising 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 amortised historical cost would have been if the impairment had not been recognized.

(17) 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.

(18) 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.

(19) 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 Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(20) 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.

(21) 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.

(22) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company 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 Company 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.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) 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 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 Company 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.

(25) 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.

(26) Dividends

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

(27) Revenue recognition

- A. The Company 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 Company 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 Company'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.

(28) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company's 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 Company's recognizes expenses for the related costs for which the grants are intended to compensate.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company'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 equity method

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

### (2) Impairment valuation of accounts receivable

In evaluating impairment, the Company 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 forecastability has increased, 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 technology innovation, the Company 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 \$3,837,352.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 59,535	\$ 48,267
Checking accounts and demand deposits	577,440	723,279
Time deposits	737,632	780,675
Cash equivalents - Commercial paper	526,822	809,050
	<u>\$ 1,901,429</u>	<u>\$ 2,361,271</u>

A. The Company 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 Company has no cash and cash equivalents pledged to others.

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

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

A. For the years ended December 31, 2020 and 2019, the Company recognized (\$37) and \$119 in profit or loss in relation to financial assets at fair value through profit or loss, respectively.

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

<u>Derivative Instruments</u>	<u>December 31, 2020</u>	
	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	USD 415	2020.12~2021.1
<u>Derivative Instruments</u>	<u>December 31, 2019</u>	
	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	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

Items	December 31, 2020	December 31, 2019
Current items:		
Equity instruments		
Listed stocks	\$ 900,285	\$ 900,285
Unlisted stocks	100,000	100,000
	<u>1,000,285</u>	<u>1,000,285</u>
Valuation adjustment	409,532	446,523
	<u>\$ 1,409,817</u>	<u>\$ 1,446,808</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,163,125	\$ 8,163,125
Unlisted stocks	6,647,116	473,360
	<u>14,810,241</u>	<u>8,636,485</u>
Valuation adjustment	25,222,520	28,036,055
	<u>\$ 40,032,761</u>	<u>\$ 36,672,540</u>

- A. The Company 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 \$38,119,348 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	(\$ 2,934,649)	(\$ 4,223,464)
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 Company were \$41,442,578 and \$38,119,348, respectively.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).
- E. 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.

(4) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 43,015	\$ 27,399
Accounts receivable	\$ 1,866,497	\$ 1,825,961
Less: Allowance for uncollectible accounts	( 31,678)	( 31,678)
	<u>\$ 1,834,819</u>	<u>\$ 1,794,283</u>

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

	December 31, 2020	December 31, 2019
Not past due	\$ 1,888,139	\$ 1,841,302
Up to 30 days	17,365	8,430
31 to 90 days	741	20
Over 90 days	3,267	3,608
	<u>\$ 1,909,512</u>	<u>\$ 1,853,360</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, and January 1, 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 \$2,269,537.

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 Company's notes receivable were \$43,015 and \$27,399, and accounts receivable were \$1,834,819 and \$1,794,283, respectively.

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

(5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 451,049	(\$ 11,951)	\$ 439,098
Supplies	54,062	( 255)	53,807
Work in process	1,454,901	-	1,454,901
Finished goods	2,074,777	( 605,682)	1,469,095
Merchandise inventory	236,878	-	236,878
Materials in transit	119,061	-	119,061
Outsourced processed materials	64,512	-	64,512
	<u>\$ 4,455,240</u>	<u>(\$ 617,888)</u>	<u>\$ 3,837,352</u>

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 442,903	(\$ 13,860)	\$ 429,043
Supplies	86,157	( 519)	85,638
Work in process	1,781,264	-	1,781,264
Finished goods	2,317,740	( 735,643)	1,582,097
Merchandise inventory	302,421	-	302,421
Materials in transit	356,387	-	356,387
Outsourced processed materials	111,648	-	111,648
	<u>\$ 5,398,520</u>	<u>(\$ 750,022)</u>	<u>\$ 4,648,498</u>

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	\$ 19,419,755	\$ 24,682,276
Service cost	114,111	210,870
(Gain) loss on inventory valuation (Note 1)	( 132,134)	309,500
Others (Note 2)	18,930	54,059
	<u>\$ 19,420,662</u>	<u>\$ 25,256,705</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.

(6) Investments accounted for using equity method

A. List of long-term investments

	December 31, 2020	December 31, 2019
Formosa Advanced Technologies Co., Ltd.	\$ 4,985,980	\$ 4,867,814
Formosa Taffeta Dong Nai Co., Ltd.	2,218,410	2,312,412
Formosa Taffeta Vietnam Co., Ltd.	2,086,772	2,135,684
Formosa Industry Co., Ltd.	1,972,294	2,010,641
Taffeta (Zhong Shan) Co, Ltd.	1,841,916	1,741,163
Schoeller Textil AG	1,270,603	-
Formosa Taffeta (Hong Kong) Co., Ltd.	1,185,421	1,152,772
Quang Viet Enterprise Co., Ltd.	1,166,522	1,247,694
Formosa Development Co., Ltd.	221,926	206,087
Nan Ya Photonics Inc.	196,554	-
Formosa Taffeta (Cayman) Limited	-	3,775,536
Schoerller Asia Co.,Ltd	-	3,354
(Schoeller F.T.C. (Hong Kong) Co., Ltd.)		
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	-	12,355
	<u>\$ 17,146,398</u>	<u>\$ 19,465,512</u>

B. The investment income (loss) on subsidiaries and associates accounted for using equity method for the years ended December 31, 2020 and 2019 was as follows:

	Years ended December 31,	
	2020	2019
Formosa Advanced Technologies Co., Ltd.	\$ 430,402	\$ 579,267
Taffeta (Zhong Shan) Co, Ltd.	77,230	110,956
Quang Viet Enterprise Co., Ltd.	64,298	183,911
Formosa Industry Co., Ltd.	59,530	37,580
Formosa Taffeta Vietnam Co., Ltd.	56,041	211,388
Formosa Taffeta (Hong Kong) Co., Ltd.	24,377	60,280
Formosa Development Co., Ltd.	17,477 (	546)
Nan Ya Photonics Inc.	8,109	-
Formosa Taffeta Dong Nai Co., Ltd.	8,755	45,844
Schoeller Textil AG	( 54,623)	-
Schoerller Asia Co.,Ltd		
(Schoeller F.T.C. (Hong Kong) Co., Ltd.)	( 242)	862
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	( 347) (	334)
Formosa Taffeta (Cayman) Limited	-	-
	<u>\$ 691,007</u>	<u>\$ 1,229,208</u>

C. The share of income of subsidiaries and associates accounted for using the equity method of \$132,193 and \$479,585 for the years ended December 31, 2020 and 2019, respectively, were based on the audited financial statements of the investee companies.

D. Subsidiaries

- (a) Information on the Company's subsidiaries is provided in Note 4(3) of the Company's 2020 consolidated financial statements.
- (b) As at December 31, 2020 and 2019, the Company's common stocks owned by its subsidiary, Formosa Development Co., Ltd., were 2,193,228 shares, treated as treasury stock.

E. Associates

- (a) The financial information of the Company's principal associates is summarized below:

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%	Associate	Equity method
Formosa Industry Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method

- (b) The Company is the director of Formosa Industry Co., Ltd., Nan Ya Photonics Inc. and Quang Viet Enterprise Co., Ltd. and has significant influence over its operations, thus, Formosa Industry Co., Ltd., Nan Ya Photonics Inc. and Quang Viet Enterprise Co., Ltd. are accounted for using the equity method.
- (c) The summarized financial information of the associates that are material to the Company is shown below:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.	
	December 31, 2020	December 31, 2019
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	\$ 3,625,240	\$ 3,507,074
Difference	<u>1,360,740</u>	<u>1,360,740</u>
Carrying amount of the associate	<u>\$ 4,985,980</u>	<u>\$ 4,867,814</u>

	Formosa Industry 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	\$ 18,821,593	\$ 19,205,066
Share in associate's net assets	\$ 1,882,160	\$ 1,920,507
Difference	90,134	90,134
Carrying amount of the associate	\$ 1,972,294	\$ 2,010,641

Statements of Comprehensive Income

	Formosa Advanced Technologies Co., Ltd.	
	Year ended December 31, 2020	Year ended December 31, 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	\$ 1,357,939	\$ 1,179,051

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

- F. The Company's material associates, Quang Viet Enterprise Co., Ltd. and Formosa Advanced Technologies Co., Ltd., have quoted market prices as follows:

	December 31, 2020	December 31, 2019
Quang Viet Enterprise Co., Ltd.	\$ 2,008,298	\$ 2,826,494
Formosa Advanced Technologies Co., Ltd.	5,128,949	5,061,105
	<u>\$ 7,137,247</u>	<u>\$ 7,887,599</u>

- G. 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.
- H. In August 2020, the Company increased its investment in Nan Ya Photonics Inc. by \$66,938 thousand. As of December 31, 2020, the Company's shareholding ratio was 15.22% and the Company was the director of the company. As the Company has significant influence over its operations, the investment is accounted for using the equity method

- I. 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 Company obtained 50% equity interest in Schoeller Textil AG after the capital increase on March 18, 2020. As the Company has significant influence on Schoeller Textil AG, but not substantial control, the investment was accounted for using the equity method.
- J. During its meeting on December 13, 2019, the Company'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 Company's shareholding ratio was reduced to 30.68% and the Company recognized \$2,016,760 as gain on disposal in 2019. Accordingly, the Company lost its control over FORMOSA ADVANCED TECHNOLOGIES CO., LTD., which became an associate accounted for using the equity method.

(Blank)

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2020</u>						
Cost	\$ 2,067,358	\$ 6,274,310	\$ 14,455,488	\$ 4,199,524	\$ 220,983	\$ 27,217,663
Accumulated depreciation	- (	4,442,834)	( 12,160,359)	( 3,979,884)	- (	20,583,077)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>
<u>2020</u>						
Opening net book amount as at January 1	\$ 1,911,620	\$ 1,831,476	\$ 2,295,129	\$ 219,640	\$ 220,983	\$ 6,478,848
Additions	-	-	-	-	492,309	492,309
Disposals	( 3,004)	( 2,699)	( 179)	-	-	( 5,882)
Transfers	-	35,096	325,938	27,638	( 388,672)	-
Depreciation charge	-	( 192,286)	( 385,564)	( 48,071)	-	( 625,921)
Closing net book amount as at December 31	<u>\$ 1,908,616</u>	<u>\$ 1,671,587</u>	<u>\$ 2,235,324</u>	<u>\$ 199,207</u>	<u>\$ 324,620</u>	<u>\$ 6,339,354</u>
<u>At December 31, 2020</u>						
Cost	\$ 2,064,354	\$ 6,298,664	\$ 14,671,995	\$ 4,163,077	\$ 324,620	\$ 27,522,710
Accumulated depreciation	- (	4,627,077)	( 12,436,671)	( 3,963,870)	- (	21,027,618)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,908,616</u>	<u>\$ 1,671,587</u>	<u>\$ 2,235,324</u>	<u>\$ 199,207</u>	<u>\$ 324,620</u>	<u>\$ 6,339,354</u>

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2019</u>						
Cost	\$ 2,068,417	\$ 6,388,806	\$ 14,293,461	\$ 4,226,369	\$ 258,518	\$ 27,235,571
Accumulated depreciation	-	( 4,299,556)	( 11,994,527)	( 3,999,850)	-	( 20,293,933)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>
<u>2019</u>						
Opening net book amount as at January 1	\$ 1,912,679	\$ 2,089,250	\$ 2,298,934	\$ 226,519	\$ 258,518	\$ 6,785,900
Additions	-	-	-	-	434,724	434,724
Disposals	-	-	( 5,617)	( 232)	-	( 5,849)
Transfers (Note)	( 1,059)	( 59,971)	391,429	45,611	( 472,259)	( 96,249)
Depreciation charge	-	( 197,803)	( 389,617)	( 52,258)	-	( 639,678)
Closing net book amount as at December 31	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>
<u>At December 31, 2019</u>						
Cost	\$ 2,067,358	\$ 6,274,310	\$ 14,455,488	\$ 4,199,524	\$ 220,983	\$ 27,217,663
Accumulated depreciation	-	( 4,442,834)	( 12,160,359)	( 3,979,884)	-	( 20,583,077)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>

Note: Transferred into investment property.

- A. 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	\$ 2,008	\$ 2,387
Range of the interest rates for capitalization	0.80%~0.99%	0.98%~1.02%

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

Items	Significant components	Estimated useful lives
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	5 ~ 20 years
Transportation equipment	Pallet trucks and fork lift trucks	5 ~ 10 years
Other equipment	Cogeneration power generation equipment	2~ 15 years

- C. Certain regulations restrict ownership of land to individuals, Accordingly, the title 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 were \$808,300.

(8) Leasing arrangements — lessee

- A. The Company 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	\$ 717,814	\$ 784,563
	Year ended December 31, 2020	Year ended December 31, 2019
	Depreciation charge	Depreciation charge
Right-of-use asset - land	\$ 145,750	\$ 142,304

- 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:

	Year ended December 31, 2020	Year ended December 31, 2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 8,258	\$ 8,156
Expense on short-term lease contracts	2,386	-

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases was \$159,804 and \$154,585, respectively.

(9) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate	Collateral
Bank borrowings			
Purchase loans	\$ 4,783	0.84%	-
Type of borrowings	December 31, 2019	Interest rate	Collateral
Bank borrowings			
Purchase loans	\$ 12,324	0.37%	-

(10) Short-term notes and bills payable

Type of borrowings	December 31, 2020	December 31, 2019
Short-term notes and bills payable	\$ 500,000	\$ -
Less: Discount on short-term notes and bills payable	( 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.

(11) 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	<u>\$ 137</u>	<u>\$ 80</u>

A. For the years ended December 31, 2020 and 2019, the Company recognized (\$57) and \$694 in profit or loss in relation to financial liabilities held for trading, respectively.

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

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

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

(12) Long-term borrowings

	December 31, 2020	December 31, 2019
Credit borrowings	\$ 8,900,000	\$ 6,400,000
Interest rate	0.72%~0.90%	0.89%~1.03%

(13) Pensions

A.(a) The Company has 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 contributes monthly an amount equal to 2% 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 would assess the balance in the aforementioned labor 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 determined as follows:

	December 31, 2020	December 31, 2019
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	\$ 313,302	\$ 470,190

(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)
Experience adjustments	(54,116)	-	(54,116)
	<u>(54,116)</u>	<u>(54,284)</u>	<u>(108,400)</u>
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	\$ 2,500,851	(\$ 2,068,801)	\$ 432,050
Current service cost	22,465	-	22,465
Interest expense (income)	31,261	(26,384)	4,877
	<u>2,554,577</u>	<u>(2,095,185)</u>	<u>459,392</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(75,285)	(75,285)
Experience adjustments	159,106	-	159,106
	<u>159,106</u>	<u>(75,285)</u>	<u>83,821</u>
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 defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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 earning is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset 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 Utilisation 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 1.00%	Decrease 1.00%
<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 arrived at 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.

- (f) For the aforementioned pension plan, the Company recognized pension costs of \$21,925 and \$27,341 for the years ended December 31, 2020 and 2019, respectively.
- (g) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 are \$60,530.
- (h) As of December 31, 2020, the weighted average duration of that retirement plan is 6.8 years.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (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 contributes 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 pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were \$78,825 and \$78,348, respectively.

(14) Share capital

A. As of December 31, 2020, the Company’s authorized and issued capital was \$16,846,646, consisting of 1,684,665,000 shares of common stocks, with a par value of \$10 per share.

B. For the years ended December 31, 2020 and 2019, changes in treasury stocks are as follows (in thousands of shares):

<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>2020</u>			
		<u>Beginning Shares</u>	<u>Additions</u>	<u>Disposal (Note)</u>	<u>Ending Shares</u>
Long-term equity investment transferred to treasury stock for parent company’s shares held by subsidiaries	Formosa Development Co., Ltd.	<u>2,193</u>	<u>-</u>	<u>-</u>	<u>2,193</u>
<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>2019</u>			
		<u>Beginning Shares</u>	<u>Additions</u>	<u>Disposal (Note)</u>	<u>Ending Shares</u>
Long-term equity investment transferred to treasury stock for parent company’s shares held by subsidiaries	Formosa Development Co., Ltd.	<u>2,243</u>	<u>-</u>	<u>( 50)</u>	<u>2,193</u>

Note: For the year ended December 31, 2019, the subsidiary company disposed its investment in the Company of 50,000 shares and generated capital surplus of \$1,194.

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

(15) 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.

(16) 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 recognized under the equity method,
- iii. Net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section; and
- iv. Other special reserves set out by legal provisions.

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

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

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

D. The appropriations of 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		2018	
	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	
	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(23).

(17) Other equity items

	Unrealized gains (losses) on valuation	Currency translation
January 1, 2020	\$ 26,065,808	(\$ 1,055,651)
Revaluation		
— Parent company	( 2,934,649)	-
— Subsidiaries and associates	2,389,672	-
Revaluation transferred to retained earnings		
— Parent company	84,122	-
— Subsidiaries and associates	( 3,299)	-
Difference of currency translation		
— Parent company	-	( 235,984)
— Subsidiaries and associates	-	45,194
December 31, 2020	<u>\$ 25,601,654</u>	<u>(\$ 1,246,441)</u>

	Unrealized gains (losses) on valuation	Currency translation
January 1, 2019	\$ 32,036,824	(\$ 744,846)
Revaluation		
— Parent company	( 4,224,653)	-
— Associates	( 1,745,174)	-
Revaluation transferred to retained earnings		
— Associates	( 1,189)	-
Difference of currency translation		
— Parent company	-	( 246,306)
— Associates	-	( 64,499)
December 31, 2019	<u>\$ 26,065,808</u>	<u>(\$ 1,055,651)</u>

(18) Operating revenue

	Years ended December 31,	
	2020	2019
Sales revenue	\$ 21,399,149	\$ 27,251,868
Service revenue	125,742	216,926
	<u>\$ 21,524,891</u>	<u>\$ 27,468,794</u>

(19) Interest income

	2020	2019
Interest income from bank deposits	<u>\$ 4,646</u>	<u>\$ 5,526</u>

(20) Other income

	Years ended December 31,	
	2020	2019
Dividend income	\$ 1,156,765	\$ 1,963,309
Other income	264,724	258,351
	<u>\$ 1,421,489</u>	<u>\$ 2,221,660</u>

(21) Other gains and losses

	Years ended December 31,	
	2020	2019
Forward foreign exchange contracts		
Net (loss) gain on financial assets at fair value through profit or loss	(\$ 37)	\$ 119
Net (loss) gain on financial liabilities at fair value through profit or loss	( 57)	694
Foreign exchange losses	( 55,492)	( 27,575)
(Loss) gain on disposal of investments	( 734)	2,016,760
Gain on disposal of property, plant and equipment	36,209	37,173
Bank charges	( 29,326)	( 37,628)
Other losses	( 47,458)	( 45,708)
	<u>(\$ 96,895)</u>	<u>\$ 1,943,835</u>

(22) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 2,502,552	\$ 2,750,500
Depreciation charges	801,082	807,966
	<u>\$ 3,303,634</u>	<u>\$ 3,558,466</u>

(23) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 2,086,968	\$ 2,341,897
Labour and health insurance fees	230,908	237,497
Pension costs	100,750	105,690
Other personnel expenses	83,926	65,416
	<u>\$ 2,502,552</u>	<u>\$ 2,750,500</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 \$11,220, respectively; while directors' and supervisors' remuneration was accrued at \$2,197 and \$5,610, respectively. The aforementioned amount was 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 resolved by the Board of Directors totalled to \$4,394 and \$2,197, respectively, and the employees' compensation will be distributed in the form of cash.

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. For the year ended December 31, 2019, employees' compensation was \$11,220 and distributed in cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 67,333	\$ 81,173
Other financial expense	8,258	8,156
Less: Capitalization of qualifying assets	( 2,008)	( 2,387)
Finance costs	<u>\$ 73,583</u>	<u>\$ 86,942</u>

(25) Income tax

A. Income tax expense

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 61,031	\$ 134,306
Tax on undistributed surplus earnings	1,740	198,107
Alternative Minimum Tax	-	46,026
Adjustments in respect of prior period	( 25,451)	( 1,084)
Total current tax	37,320	377,355
Deferred tax:		
Origination and reversal of temporary differences	57,355	27,303
Total deferred tax	57,355	27,303
Tax expense	<u>\$ 94,675</u>	<u>\$ 404,658</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)	\$ 438,045	\$ 1,118,677
Tax effect of permanent differences	( 324,773)	( 618,154)
Tax effect of temporary differences	( 52,241)	( 33,522)
Effect from Alternative Minimum Tax	-	46,026
Prior year income tax over	( 25,451)	( 1,084)
Net change in assessment of deferred income tax assets and liabilities	57,355	27,303
Cessation of capital gain tax for securities	-	( 332,695)
Tax on undistributed surplus earnings	1,740	198,107
Tax expense	<u>\$ 94,675</u>	<u>\$ 404,658</u>

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

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

	Year ended December 31, 2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	\$ 125,993	(\$ 26,427)	\$ -	\$ 99,566
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	2,503
Unrealized foreign exchange loss	4,926	( 4,926)	-	-
Unrealized gain on disposal of equipment	5,394	( 3,652)	-	1,742
	<u>138,816</u>	<u>( 35,005)</u>	<u>-</u>	<u>103,811</u>
Deferred tax liabilities:				
-Temporary differences				
Accrued pension liabilities	-	( 2,721)	-	( 2,721)
Investment income accounted for under equity method	( 377,609)	( 19,629)	-	( 397,238)
	<u>( 377,609)</u>	<u>( 22,350)</u>	<u>-</u>	<u>( 399,959)</u>
	<u>(\$ 238,793)</u>	<u>(\$ 57,355)</u>	<u>\$ -</u>	<u>(\$ 296,148)</u>
	Year ended December 31, 2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	\$ 64,093	\$ 61,900	\$ -	\$ 125,993
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	2,503
Unrealized foreign exchange loss	370	4,556	-	4,926
Unrealized gain on disposal of equipment	12,057	( 6,663)	-	5,394
	<u>79,023</u>	<u>59,793</u>	<u>-</u>	<u>138,816</u>
Deferred tax liabilities:				
-Temporary differences				
Accrued pension liabilities	( 6,219)	6,219	-	-
Investment income accounted for under equity method	( 284,294)	( 93,315)	-	( 377,609)
	<u>( 290,513)</u>	<u>( 87,096)</u>	<u>-</u>	<u>( 377,609)</u>
	<u>(\$ 211,490)</u>	<u>(\$ 27,303)</u>	<u>\$ -</u>	<u>(\$ 238,793)</u>

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(26) Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share is profit or loss attributable to the common stockholders of the Company divided by weighted average amount of outstanding common stocks for the year.

Year ended December 31, 2020					
	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
	<u>Before tax</u>	<u>After tax</u>	<u>(in thousands)</u>	<u>Before tax</u>	<u>After tax</u>
Net income	<u>\$ 2,190,223</u>	<u>\$ 2,095,548</u>	<u>1,682,471</u>	<u>\$ 1.30</u>	<u>\$ 1.25</u>
Year ended December 31, 2019					
	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
	<u>Before tax</u>	<u>After tax</u>	<u>(in thousands)</u>	<u>Before tax</u>	<u>After tax</u>
Net income	<u>\$ 5,593,387</u>	<u>\$ 5,188,729</u>	<u>1,682,448</u>	<u>\$ 3.33</u>	<u>\$ 3.08</u>

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

Year ended December 31, 2020					
	Amount		Outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
	<u>Before tax</u>	<u>After tax</u>	<u>(in thousands)</u>	<u>Before tax</u>	<u>After tax</u>
Net income	<u>\$ 2,190,223</u>	<u>\$ 2,095,548</u>	<u>1,684,665</u>	<u>\$ 1.30</u>	<u>\$ 1.24</u>
Year ended December 31, 2019					
	Amount		Outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
	<u>Before tax</u>	<u>After tax</u>	<u>(in thousands)</u>	<u>Before tax</u>	<u>After tax</u>
Net income	<u>\$ 5,593,387</u>	<u>\$ 5,188,729</u>	<u>1,684,665</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.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 492,309	\$ 434,724
Add: Opening balance of payable on equipment	3,262	1,766
Less: Ending balance of payable on equipment	( 85,562)	( 3,262)
Cash paid during the year	<u>\$ 410,009</u>	<u>\$ 433,228</u>

(28) Changes in liabilities from financing activities

	2020			
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 12,324	\$ -	\$ 6,400,000	\$ 6,412,324
Changes in cash flow from short-term borrowings	( 7,541)	-	-	( 7,541)
Increase in short-term notes and bills payable	-	499,979	-	499,979
Increase in long-term borrowings	-	-	11,700,000	11,700,000
Payment of long-term borrowings	-	-	( 9,200,000)	( 9,200,000)
At December 31	<u>\$ 4,783</u>	<u>\$ 499,979</u>	<u>\$ 8,900,000</u>	<u>\$ 9,404,762</u>

	2019		
	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ -	\$ 7,900,000	\$ 7,900,000
Changes in cash flow from short-term borrowings	12,324	-	12,324
Increase in long-term borrowings	-	9,200,000	9,200,000
Payment of long-term borrowings	-	( 10,700,000)	( 10,700,000)
At December 31	<u>\$ 12,324</u>	<u>\$ 6,400,000</u>	<u>\$ 6,412,324</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.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Formosa Chemicals & Fibre Corp.	Parent Company
Formosa Taffeta Dong Nai Co., Ltd.	Subsidiary
Formosa Taffeta Vietnam Co., Ltd.	Subsidiary
Formosa Taffeta (Zhong Shan) Co., Ltd.	Subsidiary
Formosa Taffeta (Hong Kong) Co., Ltd.	Subsidiary
Formosa Taffeta (Changshu) Co., Ltd.	Subsidiary
Quang Viet Enterprise Corp.	Associate
Formosa Advanced Technologies Co., Ltd. (Note 1)	Associate
Formosa Industries Corp.	Associate
Nan Ya Photonics Inc.	Associate
Schoeller Textil AG	Associate
Schoerller Asia Co.,Ltd. (Note 2)	Other Related Party
Formosa Heavy Industries Corp.	Other Related Party
Formosa Biomedical Technology Corp.	Other Related Party
Formosa Petrochemical Corp.	Other Related Party
Formosa Asahi Spandex Corp.	Other Related Party
Formosa Technologies Corp.	Other Related Party
Formosa Plastics Corp.	Other Related Party
Chang Gung Biotechnology Corp.	Other Related Party
Nan Ya Plastics Corp.	Other Related Party
Nanya Technology Corp.	Other Related Party
Yugen Yueh Co., Ltd.	Other Related Party
Yumaowu Enterprise Co., Ltd.	Other Related Party
Yu Yuang Textile Co., Ltd.	Other Related Party
Yu Maowu Complex Co., Ltd.	Other Related Party
Great King Garment Co., Ltd.	Other Related Party
Kong You Industrial Co., Ltd.	Other Related Party
Bellmart Industrial Co., Ltd.	Other Related Party
TOA Resin Corp.	Other Related Party
NKFG Corp.	Other Related Party
Schoeller Holding AG	Other Related Party
FG INC.	Other Related Party
Formosa HA TINH (CAYMAN) LIMITED	Other Related Party

Note 1: The Company 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 Company disposed all its equity investment in 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	\$ 1,083	\$ 904
— Subsidiaries	202,941	422,241
— Associates	276,873	380,074
— Other related parties	397,259	472,009
	<u>\$ 878,156</u>	<u>\$ 1,275,228</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	\$ 1,005,720	\$ 1,631,215
— Subsidiaries	242,169	614,955
— Other related parties		
Formosa Petrochemical Corp.	8,144,370	10,726,911
Others	826,617	1,192,844
	<u>\$ 10,218,876</u>	<u>\$ 14,165,925</u>

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

C. Notes and accounts receivable

	December 31, 2020	December 31, 2019
Receivables from related parties:		
— Ultimate parent	\$ 31	\$ 82
— Subsidiaries	25,164	58,083
— Associates	39,012	71,861
— Other related parties	56,735	72,273
	<u>\$ 120,942</u>	<u>\$ 202,299</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>
Payables from related parties:		
— Ultimate parent	\$ 281,055	\$ 454,614
— Subsidiaries	40,893	95,681
— Other related parties		
Formosa Petrochemical Corp.	401,483	440,852
Others	58,582	127,829
	<u>\$ 782,013</u>	<u>\$ 1,118,976</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, investment property and other receivables

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

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

##### (b) Disposal of property, plant and equipment:

The Company sold fixed assets to related parties at cost plus any necessary expense. Gain or loss is recorded as gain or loss on disposal of property, plant and equipment. Details are as follows:

	<u>Years ended December 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Disposal</u>	<u>Gain</u>	<u>Disposal</u>	<u>Gain</u>
	<u>proceeds</u>	<u>on disposal</u>	<u>proceeds</u>	<u>on disposal</u>
Sale of property, plant and equipment:				
— Subsidiaries	<u>\$ 1,500</u>	<u>\$ 340</u>	<u>\$ 10,579</u>	<u>\$ 9,126</u>

The unrealized gain on disposal of property, plant and equipment from the transactions above amounted to \$9,126 for the year ended December 31, 2019.

##### (c) Rental income (shown as other income)

The Company 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.

Investment property leased to Formosa Advanced Technologies Co., Ltd. are as follows:

	Land	Building and structures	Total
<u>At January 1, 2020</u>			
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>
<u>Year ended December 31, 2020</u>			
Opening net book amount	\$ 7,892	\$ 536,032	\$ 543,924
Depreciation charge	-	( 29,411)	( 29,411)
Closing net book amount	<u>\$ 7,892</u>	<u>\$ 506,621</u>	<u>\$ 514,513</u>
<u>At December 31, 2020</u>			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	( 399,501)	( 399,501)
	<u>\$ 7,892</u>	<u>\$ 506,621</u>	<u>\$ 514,513</u>
	Land	Building and structures	Total
<u>At January 1, 2019</u>			
Cost	\$ 6,833	\$ 764,479	\$ 771,312
Accumulated depreciation	-	( 297,654)	( 297,654)
	<u>\$ 6,833</u>	<u>\$ 466,825</u>	<u>\$ 473,658</u>
<u>Year ended December 31, 2019</u>			
Opening net book amount	\$ 6,833	\$ 466,825	\$ 473,658
Transfer (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>
<u>At December 31, 2019</u>			
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>

Note: Represents transfer from property, plant and equipment.

The fair value of the investment property held by the Company was based on the selling price of similar property in neighbouring areas. As of December 31, 2020 and 2019, the fair value was \$580,338 and \$595,151, respectively.

(d) Other income

Other income pertains to the Company'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, amounting to \$13,749 and \$19,408, respectively.

(e) Other receivables

	Items	December 31, 2020	December 31, 2019
Ultimate parent	Payments made by the Company on behalf of related party	\$ 737	\$ -
Subsidiaries			
-Formosa Taffeta Dong Nai Co., Ltd.	Purchase of raw materials and supplies and disposal of equipment, payments made by the Company on behalf of related party	24,336	23,885
-Formosa Taffeta Vietnam Co., Ltd.		94,783	97,481
-Others		1,718	154
Associates			
-Others	Rent, utility expense, steam and waste disposal costs, transportation expense and service agency fee	5,867	4,984
Other related party			
-Formosa HA TINH (CAYMAN) LIMITED	Payments of guarantee commission	15,581	14,172
-Others	Payments made by the Company on behalf of related party	231	1,725
		<u>\$ 143,253</u>	<u>\$ 142,401</u>

(f) Acquisition of financial assets:

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

(g) Disposal of financial assets:

The Company had no disposal transactions in 2020.

			2019	
	Account	No. of shares (in thousands)	Object	Proceeds      Gain/(loss)
Other related party	Investments accounted for under the equity method		Formosa Advanced Technologies Co., Ltd.	Note
		70,756		<u>\$ 2,514,064</u> <u>\$ 2,016,760</u>

Note : On December 13, 2019, the Company disposed its 16% equity in FORMOSA ADVANCED TECHNOLOGIES CO., LTD. After the disposal, the Company's shareholding ratio was reduced to 30.68% and lost control over it. Accordingly, FORMOSA ADVANCED TECHNOLOGIES CO., LTD. became an associate accounted for using equity method.

(h) Other payables

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 2,583	\$ 12,391
Associates	597	1,127
Other related party	294	565
	<u>\$ 3,474</u>	<u>\$ 14,083</u>

F. Commission expenses and commissions payable

(a) The Company paid commissions for sales rendered to Formosa Taffeta (Hong Kong) Co., Ltd. equivalent to 2.5%. Details are as follows (shown as sales and marketing expenses):

		Years ended December 31,	
		2020	2019
Subsidiaries	\$	<u>1,283</u>	<u>1,205</u>

(b) The balances of commission payable (shown as other payables) consisted of the following:

	December 31, 2020	December 31, 2019
Subsidiaries	<u>\$ 379</u>	<u>\$ 321</u>

G. Endorsements and guarantees provided to related parties:

	December 31, 2020	December 31, 2019
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 939,840	\$ 989,340
Formosa Taffeta Vietnam Co., Ltd.	1,509,440	1,588,940
Formosa Taffeta (Changshu) Co., Ltd.	1,566,400	1,648,900
Formosa Taffeta Dong Nai Co., Ltd.	4,044,160	4,257,160
Formosa HA TINH (CAYMAN) Ltd.	6,376,541	6,954,584
	<u>\$ 14,436,381</u>	<u>\$ 15,438,924</u>

(4) Key management compensation

	Years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	<u>\$ 48,442</u>	<u>\$ 25,951</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED 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) Contingencies-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 EVENT AFTER THE BALANCE SHEET DATE

- A. The Company 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 Company's operations and financial performance. As of March 12, 2021, the case is still under investigation by the Environmental Protection Bureau of Yunlin County.
- B. Refer to Note 6(16) F for the distribution of 2020 earnings which was proposed by the Board of Directors on March 12, 2021.

12. OTHERS

- (1) The Company'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 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 Company's financial position and assets impairment and the Company will continue to monitor the impact of future pandemic control conditions and consumer market demand.

(2) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company 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 and non-current borrowings and short-term 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.

At December 31, 2020, the Company's strategy was unchanged from December 31, 2019. The gearing ratios at December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Total borrowings	\$ 9,404,762	\$ 6,412,324
Less: Cash and cash equivalents	(1,901,429)	(2,361,271)
Net debt	7,503,333	4,051,053
Total equity	61,483,588	64,265,275
Total capital	\$ 68,986,921	\$ 68,316,328
Gearing ratio	11%	6%

### (3) Financial instruments

#### A. Financial instruments by category

	December 31, 2020	December 31, 2019
<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	38,119,348
Financial assets at amortized cost	4,172,275	4,692,942
	<u>\$ 45,614,935</u>	<u>\$ 42,812,647</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ 137	\$ 80
Financial liabilities at amortized cost	11,687,154	9,104,246
	<u>\$ 11,687,291</u>	<u>\$ 9,104,326</u>

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

#### B. Financial risk management policies

- The Company'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 Company focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.
- Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company'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 Company's transactions are conducted in foreign currencies, which are subject to exchange rate fluctuation. The information on foreign currency denominated assets and liabilities are as follows:

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
<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	32.51	1,270,591
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	1,155,109
RMB:NTD	467,986	4.32	2,021,700
USD:NTD	125,391	30.11	3,775,523

- ii. The total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to \$55,492 and \$27,575, 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	\$ -
<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
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

Price risk

- The Company'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. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- The Company'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, 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 \$381,193, 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 Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2020 and 2019, the Company's borrowings at variable rate were denominated in the NTD.
- ii. The Company'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 \$75,238 and \$51,299, 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 Company 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 Company manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Company's credit policy, each local entity in the Company 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 Company 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 Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

- v. The Company classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Company applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- vii. The Company 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 are as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At December 31, 2020</u>					
Expected loss rate	1%	7%	87%	100%	
Total book value	\$ 1,888,139	\$ 17,365	\$ 741	\$ 3,267	\$ 1,909,512
Loss allowance	26,564	1,204	643	3,267	31,678
	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At December 31, 2019</u>					
Expected loss rate	1%	17%	100%	100%	
Total book value	\$ 1,841,302	\$ 8,430	\$ 20	\$ 3,608	\$ 1,853,360
Loss allowance	26,579	1,471	20	3,608	31,678

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

	<u>Year ended December 31, 2020</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>
At January 1 (As at December 31)	\$ -	(\$ 31,678)
	<u>Year ended December 31, 2019</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>
At January 1 (As at December 31)	\$ -	(\$ 31,678)

(c) Liquidity risk

- i. The Company's investments in equity financial instruments which have active markets are expected to be sold easily and quickly in the market at the price close to fair value. The Company's investments in equity financial instruments without active markets are exposed to liquidity risk.

- ii. Due to well-managed operations, the Company has an excellent credit in financial institutions and the money market, and has adequate working capital to meet commitments associated with receivables and payables. Therefore, no liquidity risk is expected to arise.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities:

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Lease liability	\$ 99,484	\$ 114,192	\$ 255,360	\$ 255,271
Long-term borrowings (including current portion)	-	8,062,209	908,080	-

Non-derivative financial liabilities:

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Lease liability	\$ 128,630	\$ 105,013	\$ 227,207	\$ 327,745
Long-term borrowings (including current portion)	-	4,200,000	2,200,000	-

- (d) The Company 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 information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company'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 Company'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 Company'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</u>				
<u>measurements</u>				
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	\$ 38,188,517	\$ 344,320	\$ 2,909,741	\$ 41,442,578
Financial assets at fair value				
through profit or loss				
Forward exchange contracts	-	82	-	82
	<u>\$ 38,188,517</u>	<u>\$ 344,402</u>	<u>\$ 2,909,741</u>	<u>\$ 41,442,660</u>
Liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 137	\$ -	\$ 137

<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</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 37,356,696	\$ 346,800	\$ 415,852	\$ 38,119,348
Financial assets at fair value through profit or loss				
Forward exchange contracts	-	119	-	119
	<u>\$ 37,356,696</u>	<u>\$ 346,919</u>	<u>\$ 415,852</u>	<u>\$ 38,119,467</u>
Liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 80	\$ -	\$ 80

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

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

- |                     |                      |
|---------------------|----------------------|
|                     | <u>Listed shares</u> |
|                     | Closing price        |
| Market quoted price |                      |
- 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 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 Company 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 Company'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	\$ 415,853
Acquired during the year	6,370,145
Gains and losses recognized in other comprehensive income	
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	( 3,679,868)
Transfers out from level 3	( 196,389)
At December 31	<u>\$ 2,909,741</u>
	<u>Year ended December 31, 2019</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 318,380
Acquired during the year	69,570
Gains and losses recognized in other comprehensive income	
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	27,903
At December 31	<u>\$ 415,853</u>

F. For the year ended December 31, 2019, there was no transfer into or out from Level 3.

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

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

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

		Fair value at 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 EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
		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	\$	415,852	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value

I. The Company 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	
	Input	Change	change	Unfavourable
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	
	Input	Change	change	Unfavourable
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), (10) and 12(2).

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

None.

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Formosa Taffeta Co., Ltd.  
Chairman: Wong Wen-yuan

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