

**FORMOSA TAFFETA CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2017 AND 2016**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have reviewed the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Notes 4(3) and 6(8), the financial statements of certain insignificant subsidiaries, investments accounted for using equity method and the information disclosed in Note 13 were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using equity method) of NT\$19,957,818 thousand and NT\$20,751,807 thousand, constituting 21% and 25% of the consolidated total assets, and total liabilities of NT\$4,944,386 thousand and NT\$5,236,571 thousand, constituting 20% and 21% of the consolidated total liabilities as of June 30, 2017 and 2016, respectively, and comprehensive income (including share of profit of associates accounted for using equity method and share of profit and other comprehensive income of associates) amounted to NT\$197,804 thousand, NT\$169,308 thousand, NT\$149,539 thousand and NT\$329,343 thousand, constituting 8%, (12%), 81% and 8% of the total comprehensive income for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, respectively.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, investments accounted for using equity method and the information disclosed in Note 13 been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Chou, Chien-Hung

Juanlu, Man-Yu

for and on behalf of PricewaterhouseCoopers, Taiwan

August 4, 2017

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

Assets	Notes	June 30, 2017		December 31, 2016		June 30, 2016		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 5,931,680	6	\$ 5,653,854	6	\$ 6,267,826	7
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		629,437	1	627,621	1	626,926	1
1125	Available-for-sale financial	6(3)						
	assets - current		3,078,030	3	2,345,355	3	1,955,678	2
1150	Notes receivable, net	6(4)	76,558	-	191,094	-	78,558	-
1160	Notes receivable - related	7						
	parties		3,560	-	11,643	-	7,934	-
1170	Accounts receivable, net	6(5)	4,523,623	5	3,563,224	4	3,974,294	5
1180	Accounts receivable - related	7						
	parties		1,369,173	2	1,193,169	1	1,298,682	1
1200	Other receivables	7	2,550,650	3	454,087	-	508,688	1
130X	Inventory	6(6) and 8	7,717,517	8	7,856,427	9	7,397,376	9
1410	Prepayments		1,006,103	1	848,609	1	811,725	1
1470	Other current assets	6(10)	336,926	-	465,903	-	500,964	1
11XX	Total current assets		<u>27,223,257</u>	<u>29</u>	<u>23,210,986</u>	<u>25</u>	<u>23,428,651</u>	<u>28</u>
Non-current assets								
1523	Available-for-sale financial	6(3) and 7						
	assets - non-current		40,022,425	43	42,381,294	46	33,161,125	40
1543	Financial assets carried at cost	6(7)						
	- non-current		5,135,130	5	5,438,697	6	5,439,857	6
1550	Investments accounted for	6(8)						
	under equity method		3,326,108	4	3,428,263	4	3,106,614	4
1600	Property, plant and equipment	6(9) and 8	16,344,476	18	16,644,213	18	16,961,264	20
1840	Deferred income tax assets		201,697	-	262,802	-	445,130	1
1900	Other non-current assets	6(11)	692,830	1	663,841	1	844,847	1
15XX	Total non-current assets		<u>65,722,666</u>	<u>71</u>	<u>68,819,110</u>	<u>75</u>	<u>59,958,837</u>	<u>72</u>
1XXX	Total assets		<u>\$ 92,945,923</u>	<u>100</u>	<u>\$ 92,030,096</u>	<u>100</u>	<u>\$ 83,387,488</u>	<u>100</u>

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2017		December 31, 2016		June 30, 2016		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(12) and 8	\$ 3,015,934	3	\$ 2,989,383	3	\$ 3,587,671	4
2110	Short-term notes and bills payable	6(13)	1,899,784	2	999,827	1	1,299,732	2
2120	Financial liabilities at fair value through profit or loss - current	6(14)	894	-	1,381	-	531	-
2150	Notes payable		181,748	-	196,870	-	207,319	-
2160	Notes payable - related parties	7	140,514	-	129,706	-	79,307	-
2170	Accounts payable		2,053,717	2	1,761,510	2	1,568,192	2
2180	Accounts payable - related parties	7	825,741	1	1,127,766	1	932,283	1
2200	Other payables	6(15) and 7	4,387,752	5	1,564,711	2	3,774,668	5
2230	Current income tax liabilities	6(28)	230,935	1	188,151	-	377,203	-
2300	Other current liabilities	6(16)	211,800	-	334,222	1	420,790	1
21XX	Total current liabilities		<u>12,948,819</u>	<u>14</u>	<u>9,293,527</u>	<u>10</u>	<u>12,247,696</u>	<u>15</u>
Non-current liabilities								
2540	Long-term borrowings	6(16)	11,530,574	12	11,432,277	13	10,243,177	12
2570	Deferred income tax liabilities		165,200	-	163,632	-	140,672	-
2600	Other non-current liabilities		661,327	1	860,760	1	2,912,215	4
25XX	Total non-current liabilities		<u>12,357,101</u>	<u>13</u>	<u>12,456,669</u>	<u>14</u>	<u>13,296,064</u>	<u>16</u>
2XXX	Total liabilities		<u>25,305,920</u>	<u>27</u>	<u>21,750,196</u>	<u>24</u>	<u>25,543,760</u>	<u>31</u>
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(18)	16,846,646	18	16,846,646	18	16,846,646	20
Capital surplus								
3200	Capital surplus	6(19)	269,349	-	266,458	-	20,791	-
Retained earnings								
3310	Legal reserve	6(20)	7,139,607	8	6,791,478	7	6,791,478	8
3320	Special reserve		2,214,578	2	1,708,542	2	1,708,542	2
3350	Unappropriated retained earnings		4,545,115	5	4,830,100	5	2,267,119	3
Other equity interest								
3400	Other equity interest	6(21)	33,197,251	36	36,326,427	40	26,974,880	32
3500	Treasury stocks	6(18)	(19,935)	-	(21,501)	-	(22,285)	-
31XX	Equity attributable to owners of the parent		<u>64,192,611</u>	<u>69</u>	<u>66,748,150</u>	<u>72</u>	<u>54,587,171</u>	<u>65</u>
36XX	Non-controlling interest		<u>3,447,392</u>	<u>4</u>	<u>3,531,750</u>	<u>4</u>	<u>3,256,557</u>	<u>4</u>
3XXX	Total equity		<u>67,640,003</u>	<u>73</u>	<u>70,279,900</u>	<u>76</u>	<u>57,843,728</u>	<u>69</u>
Significant contingent liabilities and unrecognized contract commitments								
Significant events after the balance sheet								
3X2X	Total liabilities and equity		<u>\$ 92,945,923</u>	<u>100</u>	<u>\$ 92,030,096</u>	<u>100</u>	<u>\$ 83,387,488</u>	<u>100</u>

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

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

Items	Notes	Three months ended June 30				Six months ended June 30				
		2017		2016		2017		2016		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(22) and 7	\$ 10,845,893	100	\$ 10,363,144	100	\$ 21,100,166	100	\$ 20,792,739	100
5000	Operating costs	6(6)(25)(26) and 7	(9,588,783)	(89)	(8,813,310)	(85)	(18,419,235)	(88)	(17,556,611)	(84)
5900	Net operating margin		<u>1,257,110</u>	<u>11</u>	<u>1,549,834</u>	<u>15</u>	<u>2,680,931</u>	<u>12</u>	<u>3,236,128</u>	<u>16</u>
	Operating expenses	6(25)(26) and 7								
6100	Selling expenses		(453,284)	(4)	(449,202)	(4)	(859,774)	(4)	(866,907)	(4)
6200	General and administrative expenses		(202,013)	(2)	(270,442)	(3)	(435,444)	(2)	(543,260)	(3)
6300	Research and development expenses		(14,845)	-	(14,281)	-	(29,013)	-	(27,301)	-
6000	Total operating expenses		<u>(670,142)</u>	<u>(6)</u>	<u>(733,925)</u>	<u>(7)</u>	<u>(1,324,231)</u>	<u>(6)</u>	<u>(1,437,468)</u>	<u>(7)</u>
6900	Operating profit		<u>586,968</u>	<u>5</u>	<u>815,909</u>	<u>8</u>	<u>1,356,700</u>	<u>6</u>	<u>1,798,660</u>	<u>9</u>
	Non-operating income and expenses									
7010	Other income	6(23) and 7	2,359,830	22	79,776	1	2,420,588	12	129,307	1
7020	Other gains and losses	6(24)	34,755	-	(261,580)	(3)	(134,368)	(1)	(324,292)	(2)
7050	Finance costs	6(27)	(47,075)	-	(45,084)	-	(93,668)	-	(92,195)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	<u>29,562</u>	<u>-</u>	<u>106,508</u>	<u>1</u>	<u>49,372</u>	<u>-</u>	<u>134,172</u>	<u>1</u>
7000	Total non-operating income and expenses		<u>2,377,072</u>	<u>22</u>	<u>(120,380)</u>	<u>(1)</u>	<u>2,241,924</u>	<u>11</u>	<u>(153,008)</u>	<u>(1)</u>
7900	Profit before income tax		<u>2,964,040</u>	<u>27</u>	<u>695,529</u>	<u>7</u>	<u>3,598,624</u>	<u>17</u>	<u>1,645,652</u>	<u>8</u>
7950	Income tax expense	6(28)	(198,652)	(2)	(186,816)	(2)	(323,882)	(1)	(406,785)	(2)
8200	Profit for the period		<u>\$ 2,765,388</u>	<u>25</u>	<u>\$ 508,713</u>	<u>5</u>	<u>\$ 3,274,742</u>	<u>16</u>	<u>\$ 1,238,867</u>	<u>6</u>

(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)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2017		2016		2017		2016	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income	6(21)								
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		\$ 90,334	1	(\$ 71,063)	(1)	(\$ 629,566)	(3)	(\$ 324,699)	(2)
8362 Unrealized gain (loss) on valuation of available-for-sale financial assets	6(3)	(244,339)	(2)	(1,879,069)	(18)	(2,310,455)	(11)	3,236,251	16
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		9,683	-	(8,296)	-	(149,475)	(1)	(51,221)	-
8300 Total other comprehensive (loss) income for the period		(\$ 144,322)	(1)	(\$ 1,958,428)	(19)	(\$ 3,089,496)	(15)	\$ 2,860,331	14
8500 Total comprehensive (loss) income for the period		\$ 2,621,066	24	(\$ 1,449,715)	(14)	\$ 185,246	1	\$ 4,099,198	20
Profit attributable to:									
8610 Owners of the parent		\$ 2,666,275	24	\$ 434,772	4	\$ 3,096,177	15	\$ 1,078,364	5
8620 Non-controlling interest		99,113	1	73,941	1	178,565	1	160,503	1
		\$ 2,765,388	25	\$ 508,713	5	\$ 3,274,742	16	\$ 1,238,867	6
Comprehensive (loss) income attributable to:									
8710 Owners of the parent		\$ 2,477,148	23	(\$ 1,522,080)	(15)	(\$ 32,999)	-	\$ 3,909,634	19
8720 Non-controlling interest		143,918	1	72,365	1	218,245	1	189,564	1
		\$ 2,621,066	24	(\$ 1,449,715)	(14)	\$ 185,246	1	\$ 4,099,198	20
	6(29)								
				Before	After	Before	After	Before	After
				Tax	Tax	Tax	Tax	Tax	Tax
Basic and diluted earnings per share (in dollars)									
9710 Profit for the period from continuing operations		\$ 1.76	\$ 1.65	\$ 0.41	\$ 0.30	\$ 2.14	\$ 1.95	\$ 0.98	\$ 0.74
9720 Non-controlling interest		(0.12)	(0.07)	(0.10)	(0.04)	(0.22)	(0.11)	(0.22)	(0.10)
9750 Profit attributable to common shareholders of the parent		\$ 1.64	\$ 1.58	\$ 0.31	\$ 0.26	\$ 1.92	\$ 1.84	\$ 0.76	\$ 0.64
Assuming shares held by subsidiaries are not deemed as treasury stock:									
Profit for the period from continuing operations		\$ 1.76	\$ 1.65	\$ 0.41	\$ 0.30	\$ 2.14	\$ 1.95	\$ 0.98	\$ 0.74
Non-controlling interest		(0.12)	(0.07)	(0.10)	(0.04)	(0.22)	(0.11)	(0.22)	(0.10)
Profit attributable to common shareholders of the parent		\$ 1.64	\$ 1.58	\$ 0.31	\$ 0.26	\$ 1.92	\$ 1.84	\$ 0.76	\$ 0.64

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)
(RWVIEWED, NOT AUDITED)

Notes	Equity attributable to owners of the parent													Non-controlling interest	Total equity
	Capital Reserves					Retained Earnings				Other Equity Interest					
	Share capital - common stock	Treasury stock transactions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Donated assets received	Change in net equity of associates and joint ventures accounted for under equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total			
<u>Six months ended June 30, 2016</u>															
Balance at January 1, 2016	\$ 16,846,646	\$12,135	\$ 545	\$2,032	\$ 6,079	\$ 6,508,610	\$1,381,824	\$ 3,819,939	\$646,176	\$23,497,434	(\$22,285)	\$ 52,699,135	\$ 3,369,595	\$ 56,068,730	
Appropriations of 2015 earnings:															
Legal reserve	-	-	-	-	-	282,868	-	(282,868)	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	326,718	(326,718)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	(2,021,598)	-	-	-	(2,021,598)	-	(2,021,598)	
Profit for the period	-	-	-	-	-	-	-	1,078,364	-	-	-	1,078,364	160,503	1,238,867	
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(375,996)	3,207,266	-	2,831,270	29,061	2,860,331	
Cash dividends paid by consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(302,602)	(302,602)	
Balance at June 30, 2016	<u>\$ 16,846,646</u>	<u>\$12,135</u>	<u>\$ 545</u>	<u>\$2,032</u>	<u>\$ 6,079</u>	<u>\$ 6,791,478</u>	<u>\$1,708,542</u>	<u>\$ 2,267,119</u>	<u>\$270,180</u>	<u>\$26,704,700</u>	<u>(\$22,285)</u>	<u>\$ 54,587,171</u>	<u>\$ 3,256,557</u>	<u>\$ 57,843,728</u>	
<u>Six months ended June 30, 2017</u>															
Balance at January 1, 2017	\$ 16,846,646	\$13,569	\$ 545	\$2,032	\$250,312	\$ 6,791,478	\$1,708,542	\$ 4,830,100	\$13,387	\$36,313,040	(\$21,501)	\$ 66,748,150	\$ 3,531,750	\$ 70,279,900	
Appropriations of 2016 earnings:															
Legal reserve	-	-	-	-	-	348,129	-	(348,129)	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	506,036	(506,036)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	(2,526,997)	-	-	-	(2,526,997)	-	(2,526,997)	
Profit for the period	-	-	-	-	-	-	-	3,096,177	-	-	-	3,096,177	178,565	3,274,742	
Disposal of treasury stock	-	2,891	-	-	-	-	-	-	-	-	1,566	4,457	-	4,457	
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(778,039)	(2,351,137)	-	(3,129,176)	39,680	(3,089,496)	
Cash dividends paid by consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(302,603)	(302,603)	
Balance at June 30, 2017	<u>\$ 16,846,646</u>	<u>\$16,460</u>	<u>\$ 545</u>	<u>\$2,032</u>	<u>\$250,312</u>	<u>\$ 7,139,607</u>	<u>\$2,214,578</u>	<u>\$ 4,545,115</u>	<u>(\$764,652)</u>	<u>\$33,961,903</u>	<u>(\$19,935)</u>	<u>\$ 64,192,611</u>	<u>\$ 3,447,392</u>	<u>\$ 67,640,003</u>	

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

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

	Notes	Six months ended June 30	
		2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,598,624	\$ 1,645,652
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense transferred to other income	6(5)	(228)	-
Depreciation	6(9)(25)	1,136,466	1,376,329
Interest expense	6(27)	93,668	92,195
Impairment loss	6(24)	-	207,066
Interest income	6(23)	(12,785)	(11,513)
Dividend income	6(23)	(2,244,253)	(3,645)
Gain on valuation of financial assets	6(2)(24)	(1,816)	(1,486)
Gain on valuation of financial liabilities	6(14)(24)	(487)	(287)
Share of profit of associates and joint ventures accounted for under equity method	6(8)	(49,372)	(134,172)
Gain on disposal and scrap of property, plant and equipment	6(24)	(9,163)	(2,165)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		-	30,371
Notes receivable, net		114,536	(6,530)
Notes receivable - related parties		8,083	(2,698)
Accounts receivable, net		(960,171)	(208,891)
Accounts receivable - related parties		(176,004)	(21,350)
Other receivables		144,072	(14,645)
Inventory		138,910	430,344
Prepayments		(157,494)	179,288
Other current assets		128,977	7,057
Changes in operating liabilities			
Notes payable		(15,122)	7,191
Notes payable - related parties		10,808	(61,075)
Accounts payable		292,207	(33,837)
Accounts payable - related parties		(302,025)	(49,440)
Other payables		(3,450)	(379,856)
Other current liabilities		8,254	139,413
Other non-current liabilities		(199,433)	18,272
Cash inflow generated from operations		1,542,802	3,201,588
Interest received		11,795	11,513
Cash dividends received		4,608	3,645
Interest paid		(101,368)	(98,436)
Income tax paid		(218,757)	(384,908)
Net cash flows from operating activities		<u>1,239,080</u>	<u>2,733,402</u>

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

	<u>Notes</u>	<u>Six months ended June 30</u>	
		<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets		(\$ 684,333)	(\$ 582,462)
Acquisition of property, plant and equipment	6(30)	(1,081,251)	(1,238,354)
Proceeds from capital reduction of financial assets carried at cost		-	10,704
Proceeds from disposal of property, plant and equipment		31,032	7,909
(Increase) decrease in other non-current assets		(28,989)	100,140
Net cash flows used in investing activities		(1,763,541)	(1,702,063)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		26,551	79,715
Increase (decrease) in short-term notes and bills payable		899,957	(399,793)
Payment of long-term borrowings		(4,886,474)	(4,544,495)
Increase in long-term borrowings		4,883,467	4,430,258
Net cash flows from (used in) financing activities		923,501	(434,315)
Effect of foreign exchange rate		(121,214)	30,205
Net increase in cash and cash equivalents		277,826	627,229
Cash and cash equivalents at beginning of period	6(1)	5,653,854	5,640,597
Cash and cash equivalents at end of period	6(1)	<u>\$ 5,931,680</u>	<u>\$ 6,267,826</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2017 AND 2016

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

(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

(3) As of June 30, 2017, the Company and its subsidiaries (collectively referred herein as the “Group”) had 10,237 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 August 4, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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 as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, "Revenue from contracts with customers"

IFRS 15, "Revenue from contracts with customers" replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, Clarifications to 'Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of goods or services) or an agent (responsible for arranging the goods or services to be provided); and determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(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>
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for compliance statement, basis of preparation, basis of consolidation and accounting policies on employee benefits and income tax, the Group's significant accounting policies are the same with those specified in Note 4 of the consolidated financial statements for the year ended December 31, 2016. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the FSC.
- B. The consolidated financial statements as of and for the six months ended June 30, 2017 should be read together with the consolidated financial statements as of and for the year ended December 31, 2016.

(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) Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of the consolidated financial statements is the same with the consolidated financial statements as of and for the year ended December 31, 2016.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	65.68	65.68	65.68	
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	100.00	100.00	100.00	Note 1
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residences and buildings, and development of new community and specialised zones	100.00	100.00	100.00	Note 1
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	100.00	100.00	100.00	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100.00	100.00	100.00	Note 1
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keptec, Dynatec, Spirit and Reflex	43.00	43.00	43.00	Notes 1 and 2
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100.00	100.00	100.00	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Dong Nai Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	100.00	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding company	100.00	100.00	100.00	Note 1
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	100.00	100.00	100.00	Note 1
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100.00	-	-	Note 1

Note 1: The financial statements of the entity as of and for the six months ended June 30, 2017 and 2016 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

Note 2: Even though the Company did not directly or indirectly own more than 50% voting rights of Schoeller F.T.C. (Hong Kong) Co., Ltd., the Company owns more than half of the seats in the Board of Directors of Schoeller F.T.C. (Hong Kong) Co., Ltd. and has substantive control over the company. Thus, Schoeller F.T.C. (Hong Kong) Co., Ltd. is included in the consolidated financial statements.

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

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

E. Significant restrictions: None.

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

As of June 30, 2017, December 31, 2016 and June 30, 2016, the non-controlling interest amounted to \$3,447,392, \$3,531,750 and \$3,256,557, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		June 30, 2017		December 31, 2016	
		Amount	Ownership (%)	Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 3,439,940	34.32	\$ 3,524,894	34.32

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>	
		<u>June 30, 2016</u>	
		<u>Amount</u>	<u>Ownership (%)</u>
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 3,247,655	34.32

Summarized financial information on the subsidiaries:

Balance sheets

	<u>Formosa Advanced Technologies Co., Ltd.</u>		
	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current assets	\$ 8,625,358	\$ 8,098,306	\$ 8,008,789
Non-current assets	3,302,383	3,259,061	3,368,790
Current liabilities	(1,829,723)	(1,009,496)	(1,850,659)
Non-current liabilities	(74,882)	(77,201)	(64,057)
Total net assets	<u>\$ 10,023,136</u>	<u>\$ 10,270,670</u>	<u>\$ 9,462,863</u>

Statements of comprehensive income

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>
Revenue	\$ 2,020,707	\$ 2,119,019
Profit before income tax	341,461	283,044
Income tax expense	(52,498)	(77,716)
Profit for the period	288,963	205,328
Other comprehensive income (loss), net of tax	130,618	(4,631)
Total comprehensive income for the period	<u>\$ 419,581</u>	<u>\$ 200,697</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 144,001</u>	<u>\$ 68,879</u>

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>Six months ended June 30, 2017</u>	<u>Six months ended June 30, 2016</u>
Revenue	\$ 4,110,012	\$ 4,286,054
Profit before income tax	618,623	580,788
Income tax expense	(100,250)	(128,452)
Profit for the period	518,373	452,336
Other comprehensive income, net of tax	118,537	85,947
Total comprehensive income for the period	<u>\$ 636,910</u>	<u>\$ 538,283</u>
Comprehensive income attributable to non- controlling interest	<u>\$ 218,588</u>	<u>\$ 184,739</u>

Statements of cash flows

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>Six months ended June 30, 2017</u>	<u>Six months ended June 30, 2016</u>
Net cash provided by operating activities	\$ 1,132,772	\$ 1,368,900
Net cash used in investing activities	(1,051,859)	(889,521)
Increase in cash and cash equivalents	80,913	479,379
Cash and cash equivalents, beginning of period	3,954,890	3,520,954
Cash and cash equivalents, end of period	<u>\$ 4,035,803</u>	<u>\$ 4,000,333</u>

(4) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with

adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.

- ii. Actuarial gains and losses arising on defined benefit plans are recognized in profit or loss using the 'corridor' method in the period in which they arise.
- iii. Past service costs are recognized immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. The related information is disclosed accordingly.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, 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.

(5) 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 10% 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 realised 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 realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements as of and for the year ended December 31, 2016 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash on hand and petty cash (revolving funds)	\$ 75,660	\$ 104,010	\$ 66,191
Checking accounts and demand deposits	1,829,634	1,612,801	2,049,594
Time deposits	492,201	212,585	663,032
Commercial paper	3,534,185	3,724,458	3,489,009
	<u>\$ 5,931,680</u>	<u>\$ 5,653,854</u>	<u>\$ 6,267,826</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 rate range of time deposit on June 30, 2017, December 31, 2016 and June 30, 2016 are 0.45%~6.63%, 0.20%~7.20% and 0.25%~2.28%, respectively.

C. The Group has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current items:			
Financial assets held for trading			
Beneficiary certificates	\$ 619,504	\$ 619,504	\$ 619,504
Forward foreign exchange contracts	<u>775</u>	<u>66</u>	<u>268</u>
	620,279	619,570	619,772
Valuation adjustment of financial assets held for trading	<u>9,158</u>	<u>8,051</u>	<u>7,154</u>
	<u>\$ 629,437</u>	<u>\$ 627,621</u>	<u>\$ 626,926</u>

A. The Group recognized net gain of \$671, \$817, \$1,816 and \$1,486 on financial assets held for trading for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

<u>Derivative Instruments</u>	<u>June 30, 2017</u>		<u>December 31, 2016</u>	
	<u>Contract Amount</u> (Notional Principal)	<u>Contract Period</u>	<u>Contract Amount</u> (Notional Principal)	<u>Contract Period</u>
Current items:				
Forward foreign exchange contracts				
Taipei Fubon Bank	<u>JPY 226,470</u>	2017.4~2017.9	-	-
Chang Hwa Bank	-	-	<u>USD 1,000</u>	2016.12~2017.2

<u>Derivative Instruments</u>	<u>June 30, 2016</u>	
	<u>Contract Amount</u> (Notional Principal)	<u>Contract Period</u>
Current items:		
Forward foreign exchange contracts		
Chang Hwa Bank	<u>USD 2,000</u>	2016.6~2016.7

C. 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.

(3) Available-for-sale financial assets

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current items:			
Listed (TSE and OTC) stocks	\$ 2,032,768	\$ 1,348,435	\$ 1,436,854
Unlisted (TSE and OTC) stocks	100,000	100,000	100,000
Valuation adjustment of available -for-sale financial assets	<u>945,262</u>	<u>896,920</u>	<u>418,824</u>
	<u>\$ 3,078,030</u>	<u>\$ 2,345,355</u>	<u>\$ 1,955,678</u>
Non-current items:			
Listed (TSE and OTC) stocks	\$ 9,418,266	\$ 9,418,266	\$ 9,418,267
Valuation adjustment of available -for-sale financial assets	<u>33,217,244</u>	<u>35,576,113</u>	<u>26,355,943</u>
	42,635,510	44,994,379	35,774,210
Accumulated impairment - available -for-sale financial assets	<u>(2,613,085)</u>	<u>(2,613,085)</u>	<u>(2,613,085)</u>
	<u>\$ 40,022,425</u>	<u>\$ 42,381,294</u>	<u>\$ 33,161,125</u>

A. The Group recognized (\$244,411), (\$1,878,479), (\$2,310,527) and \$3,207,266 in other comprehensive (loss) income for fair value change for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, respectively.

B. On January 8, 2016, the Group participated in the capital increase of Nan Ya Technology Corporation for cash of \$558,348.

C. The Group has no available-for-sale financial assets pledged to others as of June 30, 2017, December 31, 2016 and June 30, 2016.

(4) Notes receivable, net

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes receivable	<u>\$ 76,558</u>	<u>\$ 191,094</u>	<u>\$ 78,558</u>

(5) Accounts receivable, net

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Accounts receivable	\$ 4,615,365	\$ 3,656,576	\$ 4,072,129
Less: allowance for bad debts	<u>(91,742)</u>	<u>(93,352)</u>	<u>(97,835)</u>
	<u>\$ 4,523,623</u>	<u>\$ 3,563,224</u>	<u>\$ 3,974,294</u>

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Group 1	\$ 3,889,120	\$ 2,896,693	\$ 2,941,289
Group 2	274,913	304,924	309,315
Group 3	<u>154,319</u>	<u>133,863</u>	<u>410,877</u>
	<u>\$ 4,318,352</u>	<u>\$ 3,335,480</u>	<u>\$ 3,661,481</u>

Note:

Group 1: Transnational customers, brand customers or credit customers that have applied for collateralised mortgage.

Group 2: Non-transnational customers, non-brand customers or credit customers that have not applied for collateralised mortgage with 2 or more years of transaction history with the Group.

Group 3: Non-transnational customers, non-brand customers or credit customers that have not applied for collateralised mortgage with less than 2 years of transaction history with the Group.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Up to 30 days	\$ 183,302	\$ 210,341	\$ 303,184
31 to 90 days	89,083	67,013	82,328
91 to 180 days	3,980	25,483	6,292
Over 180 days	7,205	4,816	5,401
	<u>\$ 283,570</u>	<u>\$ 307,653</u>	<u>\$ 397,205</u>

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired - allowance for bad debts is as follows:

(a) As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group's accounts receivable that were impaired amounted to \$13,443.

(b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	<u>Six months ended June 30, 2017</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 13,443	\$ 79,909	\$ 93,352
Transferred to other income	-	(228)	(228)
Effect of exchange rate	-	(1,382)	(1,382)
At June 30	<u>\$ 13,443</u>	<u>\$ 78,299</u>	<u>\$ 91,742</u>

	<u>Six months ended June 30, 2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 13,443	\$ 85,730	\$ 99,173
Effect of exchange rate	-	(1,338)	(1,338)
At June 30	<u>\$ 13,443</u>	<u>\$ 84,392</u>	<u>\$ 97,835</u>

D. The Group does not hold any collateral as security for accounts receivable.

(6) Inventories

	June 30, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,652,505	(\$ 86,310)	\$ 1,566,195
Supplies	218,719	(7,165)	211,554
Work in process	2,331,481	(7,133)	2,324,348
Finished goods	3,137,330	(335,521)	2,801,809
Merchandise inventory	195,094	-	195,094
Materials in transit	370,939	-	370,939
Outsourced processed materials	203,098	(148)	202,950
Construction in progress	22,404	-	22,404
Land for construction	22,224	-	22,224
	<u>\$ 8,153,794</u>	<u>(\$ 436,277)</u>	<u>\$ 7,717,517</u>
	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,491,973	(\$ 79,463)	\$ 1,412,510
Supplies	190,989	(3,659)	187,330
Work in process	2,275,693	(17,170)	2,258,523
Finished goods	3,443,150	(403,629)	3,039,521
Merchandise inventory	245,550	-	245,550
Materials in transit	488,993	-	488,993
Outsourced processed materials	175,759	-	175,759
Construction in progress	20,866	-	20,866
Land for construction	27,375	-	27,375
	<u>\$ 8,360,348</u>	<u>(\$ 503,921)</u>	<u>\$ 7,856,427</u>
	June 30, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,426,521	(\$ 82,496)	\$ 1,344,025
Supplies	256,557	(4,679)	251,878
Work in process	2,050,401	(19,088)	2,031,313
Finished goods	3,217,320	(342,253)	2,875,067
Merchandise inventory	193,272	-	193,272
Materials in transit	482,458	-	482,458
Outsourced processed materials	165,099	-	165,099
Construction in progress	21,355	-	21,355
Land for construction	32,909	-	32,909
	<u>\$ 7,845,892</u>	<u>(\$ 448,516)</u>	<u>\$ 7,397,376</u>

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

The cost of inventories recognized as expense for the period:

	Three months ended June 30,	
	2017	2016
Cost of goods sold	\$ 9,606,263	\$ 8,811,441
Inventory valuation loss	25,839	4,712
Others (Note 2)	(43,319)	(2,843)
	<u>\$ 9,588,783</u>	<u>\$ 8,813,310</u>

	Six months ended June 30,	
	2017	2016
Cost of goods sold	\$ 18,498,245	\$ 17,568,565
Inventory valuation gain (Note 1)	(67,645)	(27,457)
Others (Note 2)	(11,365)	15,503
	<u>\$ 18,419,235</u>	<u>\$ 17,556,611</u>

Note 1: Gain on inventory for the six months ended June 30, 2017 and 2016 arose from inventories which were previously provided with allowance but were subsequently sold.

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

(7) Financial assets measured at cost – non-current

Items	June 30, 2017	December 31, 2016	June 30, 2016
Unlisted stocks	<u>\$ 5,135,130</u>	<u>\$ 5,438,697</u>	<u>\$ 5,439,857</u>

A. Based on the Group's intention, its investment in stocks should be classified as 'available-for-sale financial assets'. However, as stocks are not traded in active market, and no sufficient industry information of companies similar to the investees or no related financial information on the investees can be obtained, the fair value of the investment in stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets measured at cost'.

B. As of June 30, 2017, December 31, 2016 and June 30, 2016, no financial assets measured at cost held by the Group were pledged to others.

(8) Investments accounted for using equity method

	June 30, 2017	December 31, 2016	June 30, 2016
Formosa Industries Co., Ltd.	\$ 2,127,069	\$ 2,193,337	\$ 2,259,446
Quang Viet Enterprise Co., Ltd.	1,139,580	1,175,070	818,952
Changshu Yu Yuan Development Co., Ltd.	59,459	59,856	28,216
	<u>\$ 3,326,108</u>	<u>\$ 3,428,263</u>	<u>\$ 3,106,614</u>

A. Associates

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

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>June 30, 2017</u>	<u>December 31, 2016</u>		
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	17.92%	17.92%	Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%	40.78%	Associate	Equity method

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>June 30, 2016</u>			
Formosa Industries Co., Ltd.	Vietnam	10.00%		Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	20.16%		Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%		Associate	Equity method

B. The summarised financial information of the associates that are material to the Group is shown below:

Balance sheets

	<u>Formosa Industries Co., Ltd.</u>		
	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current assets	\$ 19,668,444	\$ 9,902,327	\$ 14,671,701
Non-current assets	21,513,389	22,770,600	23,796,730
Current liabilities	(14,427,314)	(2,446,476)	(7,517,320)
Non-current liabilities	(8,211,517)	(9,197,191)	(9,293,607)
Total net assets	<u>\$ 18,543,002</u>	<u>\$ 21,029,260</u>	<u>\$ 21,657,504</u>
Share in associate's net assets	\$ 1,854,300	\$ 2,102,926	\$ 2,165,750
Dividends receivable	182,633	-	-
Difference	<u>90,136</u>	<u>90,411</u>	<u>93,696</u>
Carrying amount of the associate	<u>\$ 2,127,069</u>	<u>\$ 2,193,337</u>	<u>\$ 2,259,446</u>
	<u>Quang Viet Enterprise Co., Ltd.</u>		
	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current assets	\$ 7,667,408	\$ 5,689,853	\$ 6,523,819
Non-current assets	2,606,162	2,408,046	2,274,546
Current liabilities	(4,258,416)	(1,333,668)	(4,535,490)
Non-current liabilities	(30,802)	(191,472)	(181,466)
Total net assets	<u>\$ 5,984,352</u>	<u>\$ 6,572,759</u>	<u>\$ 4,081,409</u>
Share in associate's net assets	\$ 1,072,396	\$ 1,177,838	\$ 822,812
Dividends receivable	115,291	-	-
Difference	<u>(48,107)</u>	<u>(2,768)</u>	<u>(3,860)</u>
Carrying amount of the associate	<u>\$ 1,139,580</u>	<u>\$ 1,175,070</u>	<u>\$ 818,952</u>
	<u>Changshu Yu Yuan Development Co., Ltd.</u>		
	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current assets	\$ 236,906	\$ 318,510	\$ 612,958
Non-current assets	374	649	8,346
Current liabilities	(91,476)	(172,380)	(552,114)
Total net assets	<u>\$ 145,804</u>	<u>\$ 146,779</u>	<u>\$ 69,190</u>
Share in associate's net assets			
(Carrying amount of the associate)	<u>\$ 59,459</u>	<u>\$ 59,856</u>	<u>\$ 28,216</u>

Statements of comprehensive income

	<u>Formosa Industries Co., Ltd.</u>	
	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>
Revenue	\$ 5,775,136	\$ 6,330,995
Profit for the period from continuing operations (Total comprehensive income)	<u>\$ 36,096</u>	<u>\$ 696,986</u>

	<u>Formosa Industries Co., Ltd.</u>	
	<u>Six months ended June 30, 2017</u>	<u>Six months ended June 30, 2016</u>
Revenue	\$ 12,272,174	\$ 11,838,744
Profit for the period from continuing operations (Total comprehensive income)	<u>\$ 501,738</u>	<u>\$ 1,186,855</u>

	<u>Quang Viet Enterprise Co., Ltd.</u>	
	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>
Revenue	\$ 1,924,160	\$ 2,249,801
Profit for the period from continuing operations	\$ 128,289	\$ 167,304
Other comprehensive income (loss), net of tax	<u>74,705</u>	<u>(23,804)</u>
Total comprehensive income	<u>\$ 202,994</u>	<u>\$ 143,500</u>

	<u>Quang Viet Enterprise Co., Ltd.</u>	
	<u>Six months ended June 30, 2017</u>	<u>Six months ended June 30, 2016</u>
Revenue	\$ 2,711,009	\$ 2,931,525
(Loss) profit for the period from continuing operations	(\$ 52,509)	\$ 79,705
Other comprehensive loss, net of tax	<u>(102,261)</u>	<u>(46,538)</u>
Total comprehensive (loss) income	<u>(\$ 154,770)</u>	<u>\$ 33,167</u>

	<u>Changshu Yu Yuan Development Co., Ltd.</u>	
	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>
Revenue	\$ 2,279	\$ 79,534
Loss for the period from continuing operations (Total comprehensive loss)	<u>(\$ 3,850)</u>	<u>(\$ 13,448)</u>

	<u>Changshu Yu Yuan Development Co., Ltd.</u>	
	<u>Six months ended</u>	<u>Six months ended</u>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenue	\$ 34,430	\$ 79,534
Profit (loss) for the period from continuing operations		
(Total comprehensive income (loss))	<u>\$ 5,248</u>	<u>(\$ 12,365)</u>

B. The investment income of \$29,562, \$106,508, \$49,372 and \$134,172 for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, respectively, were accounted for under the equity method based on the unreviewed financial statements of the investee companies.

C. The Company is the director of Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. and has significant impact to its operations, thus, Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. are accounted for under the equity method.

D. Quang Viet Enterprise Co., Ltd. issued new shares but the Group did not acquire new shares proportionately in October, 2016. Accordingly, this resulted in a change in the Group's ownership percentage of the investee but did not lose significant influence. As a result of movement of net value of shares, capital surplus increased by \$244,233.

E. The Group's material associate, Quang Viet Enterprise Co., Ltd., has quoted market prices since October, 2016. As of June 30, 2017 and December 31 2016, the fair value was \$3,282,080 and \$2,677,731, respectively.

(9) Property, plant and equipment

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>January 1, 2017</u>						
Cost	\$ 2,545,968	\$ 10,676,232	\$ 41,715,725	\$ 9,183,608	\$ 1,475,773	\$ 65,597,306
Accumulated depreciation	(14,554)	(5,528,770)	(34,857,645)	(8,396,115)	-	(48,797,084)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	<u>\$ 2,375,676</u>	<u>\$ 5,147,462</u>	<u>\$ 6,857,809</u>	<u>\$ 787,493</u>	<u>\$ 1,475,773</u>	<u>\$ 16,644,213</u>
<u>Six months ended June 30, 2017</u>						
Opening net book amount	\$ 2,375,676	\$ 5,147,462	\$ 6,857,809	\$ 787,493	\$ 1,475,773	\$ 16,644,213
Additions	-	-	-	-	1,092,159	1,092,159
Disposals	-	-	(19,266)	(2,603)	-	(21,869)
Transfers (Note)	108	503,768	876,784	49,154	(1,365,071)	64,743
Depreciation charge	(144)	(190,999)	(841,538)	(103,785)	-	(1,136,466)
Net exchange differences	(75)	(100,362)	(122,112)	(12,343)	(63,412)	(298,304)
Closing net book amount	<u>\$ 2,375,565</u>	<u>\$ 5,359,869</u>	<u>\$ 6,751,677</u>	<u>\$ 717,916</u>	<u>\$ 1,139,449</u>	<u>\$ 16,344,476</u>
<u>June 30, 2017</u>						
Cost	\$ 2,545,530	\$ 11,025,072	\$ 41,660,472	\$ 9,104,722	\$ 1,139,449	\$ 65,475,245
Accumulated depreciation	(14,227)	(5,665,203)	(34,908,524)	(8,386,806)	-	(48,974,760)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	<u>\$ 2,375,565</u>	<u>\$ 5,359,869</u>	<u>\$ 6,751,677</u>	<u>\$ 717,916</u>	<u>\$ 1,139,449</u>	<u>\$ 16,344,476</u>

Note: Transferred from non-current assets held for sale and discontinued operations and prepayment for equipment.

	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment and other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>January 1, 2016</u>						
Cost	\$ 2,542,709	\$ 10,474,572	\$ 41,309,167	\$ 9,317,556	\$ 1,633,090	\$ 65,277,094
Accumulated depreciation	(15,518)	(5,296,419)	(34,061,171)	(8,436,136)	-	(47,809,244)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	<u>\$ 2,371,453</u>	<u>\$ 5,178,153</u>	<u>\$ 7,247,725</u>	<u>\$ 881,420</u>	<u>\$ 1,633,090</u>	<u>\$ 17,311,841</u>

Six months ended June 30, 2016

Opening net book amount	\$ 2,371,453	\$ 5,178,153	\$ 7,247,725	\$ 881,420	\$ 1,633,090	\$ 17,311,841
Additions	-	-	-	-	1,261,489	1,261,489
Disposals	- (439)	(3,337)	(1,969)	-	(5,745)	
Transfers (Note)	465	179,510	984,427	77,951	(1,312,906)	(70,553)
Depreciation charge	(162)	(171,998)	(1,085,913)	(118,256)	-	(1,376,329)
Net exchange differences	(115)	(77,390)	(54,027)	(9,786)	(18,121)	(159,439)
Closing net book amount	<u>\$ 2,371,641</u>	<u>\$ 5,107,836</u>	<u>\$ 7,088,875</u>	<u>\$ 829,360</u>	<u>\$ 1,563,552</u>	<u>\$ 16,961,264</u>

June 30, 2016

Cost	\$ 2,542,412	\$ 10,519,467	\$ 41,534,837	\$ 9,245,346	\$ 1,563,552	\$ 65,405,614
Accumulated depreciation	(15,033)	(5,411,631)	(34,445,691)	(8,415,986)	-	(48,288,341)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	<u>\$ 2,371,641</u>	<u>\$ 5,107,836</u>	<u>\$ 7,088,875</u>	<u>\$ 829,360</u>	<u>\$ 1,563,552</u>	<u>\$ 16,961,264</u>

Note: Transferred to non-current assets held for sale and discontinued operations.

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

	Three months ended June 30, 2017	Three months ended June 30, 2016
Amount capitalised	\$ 6,236	\$ 838
	Six months ended June 30, 2017	Six months ended June 30, 2016
Amount capitalised	\$ 8,118	\$ 2,630
Interest rate	0.98%~3.03%	1.07%~2.00%

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 ~ 15 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 June 30, 2017, December 31, 2016 and June 30, 2016, the land mortgaged to the Company was \$808,300.

(10) Non-current assets held for sale and discontinued operations (shown as 'Other current assets')

	December 31, 2016	June 30, 2016
Property, plant and equipment	\$ 64,509	\$ 79,161

The assets related to machinery have been reclassified as disposal group held for sale following the approval of the company during the year ended December 31, 2016 to sell its machinery. Part of the assets were sold, and the unsold assets were reclassified to property, plant and equipment.

(11) Long-term prepaid rent (shown as ‘Other non-current assets’)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Land use right - Formosa Taffeta Co., Ltd.	\$ 349	\$ 439	\$ 616
Land use right - Formosa Taffeta (Zhong Shan) Co., Ltd.	30,377	32,080	34,213
Land use right - Formosa Taffeta Dong Nai Co., Ltd.	130,097	139,616	145,461
Land use right - Formosa Taffeta (Changshu) Co., Ltd.	<u>113,770</u>	<u>119,319</u>	<u>126,409</u>
	<u>\$ 274,593</u>	<u>\$ 291,454</u>	<u>\$ 306,699</u>

- A. Land use right of Formosa Taffeta Co., Ltd. pertains to the payment for the right to establish a petrol station and title transfer of land leasing right and is amortised over the land lease period under the contract. The Group recognized rental expense for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, amounting to \$40, \$93, \$90 and \$185, respectively.
- B. Formosa Taffeta (Zhong Shan) Co., Ltd. has leased land of Xijiangbian Dingxi Village, Shenwan Town, Zhengshan, Guangdong amounting to 508 acres from Shenwan Town People’s Government of Zhongshan City in Guangdong Province, Mainland China and paid land use right of HK 12,599 thousand. The effective period is 50 years from the date of issuance of certificate of land use right, and the lease period is from November 20, 1991 to November 20, 2041. The Group recognized rental expense for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, amounting to RMB 67 thousand, RMB 67 thousand, RMB 133 thousand and RMB 133 thousand, respectively.
- C. Formosa Taffeta Dong Nai Co., Ltd. has paid land use right of VND75,655,550 thousand and VND48,134,338 thousand for the leased land of 273,661.1 square meters and 65,086 square meters in Nhon Trach 3 Industrial Zone in Nhon Trach District, Dong Nai Province, Vietnam from Formosa Industries Corporation in September 2004 and December 2013, respectively. The lease period started from September 1, 2004 and December 1, 2012, respectively, and the effective periods both end on April 1, 2051. The Group recognized rental expense of VND 684,733 thousand, VND 417,987 thousand, VND 1,369,466 thousand and VND 835,973 thousand for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, respectively.
- D. Formosa Taffeta (Changshu) Co., Ltd. has leased 3 parcels of land amounting to 277,172 square meters in Economy Development Zone from Changshu City Land and Resources Bureau in Jiangsu Province, Mainland China. The effective period of land use right started from the date of issuance of certificate of land use right and the lease period ends in December 2056 to December 2076. Furthermore, partial land was not used until November 18, 2011, so the government has taken back the land. Proceeds of land amounted to RMB 12,738 thousand in

February 2012 and impairment loss in 2011 was RMB 4,726 thousand. Otherwise, Economy Development Zone refunded a part of money and reissue land use right for resumption of 794 square meters land in December, 2012. In March 2015, Formosa Taffeta (Changshu) Co., Ltd. divided some part of housing land and established a new company, Changshu Fushun Enterprise Management Co., Ltd. (details are provided in Note 6(11)E). As of June 30, 2017, the area of the Company's 2 leased parcels of land was 166,509 square meters, and the effective period of land use right ends in December 2056. The Group recognized rental expense for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, amounting to RMB 160 thousand, RMB 160 thousand, RMB 320 thousand and RMB 320 thousand, respectively.

- E. In order to effectively utilise Formosa Taffeta (Changshu) Co., Ltd.'s partial residential land, the Company has reduced capital and split land of 9,206 square meters in development zone to Changshu Fushun Enterprise Management Co., Ltd. The acquisition cost is RMB 6,400 thousand and the effective period starts from the approval of certificate of land use right and ends in December 2076. However, Changshu Fushun Enterprise Management Co., Ltd. merged with Changshu Yu Yuan Development Co., Ltd. and was deconsolidated in July 2015.

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>June 30, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 3,006,986	1.40%~2.50%	Property, plant and equipment and inventories
Purchase loans	8,948	0.34%~2.09%	-
	<u>\$ 3,015,934</u>		
<u>Type of borrowings</u>	<u>December 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 2,969,221	1.40%~2.33%	Property, plant and equipment and inventories
Credit borrowings	20,162	0.32%~1.95%	-
	<u>\$ 2,989,383</u>		
<u>Type of borrowings</u>	<u>June 30, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 3,282,526	1.43%	Property, plant and equipment and inventories
Credit borrowings	300,000	0.90%	-
Purchase loans	5,145	0.36%~1.53%	-
	<u>\$ 3,587,671</u>		

(13) Short-term notes and bills payable

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Commercial paper payable	\$ 1,900,000	\$ 1,000,000	\$ 1,300,000
Less: Commercial paper payable discount	(216)	(173)	(268)
	<u>\$ 1,899,784</u>	<u>\$ 999,827</u>	<u>\$ 1,299,732</u>
Interest rate	<u>0.61%</u>	<u>0.86%</u>	<u>0.80%~0.90%</u>

The abovementioned commercial paper payable is issued by International Bills Finance Corp. etc.

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

<u>Items</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
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Current items:

Financial liabilities held for trading

Forward foreign exchange contracts	<u>\$ 894</u>	<u>\$ 1,381</u>	<u>\$ 531</u>
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A. The Group recognized net (loss) gain of (\$661), \$97, \$487 and \$287 on financial liabilities held for trading for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

<u>Derivative Financial Liabilities</u>	<u>June 30, 2017</u>			<u>December 31, 2016</u>		
	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>		<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>	
Current items:						
Forward foreign exchange contracts						
Chang Hwa Bank	JPY 3,000	2017.5~2017.8		USD 5,000	2016.11~2017.2	
Taipei Fubon Bank	USD 1,741	2017.3~2017.8		-	-	
Taipei Fubon Bank	JPY 40,460	2017.3~2017.9		-	-	

<u>Derivative Financial Liabilities</u>	<u>June 30, 2016</u>		
	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>	

Current items:

Forward foreign

exchange contracts

Taipei Fubon Bank	JPY 103,020	2016.6~2016.7	
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C. 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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Dividends payable	\$ 2,840,166	\$ 9,948	\$ 2,339,032
Salaries and year-end bonus payable	594,756	816,104	637,341
Accrued utilities expenses	151,322	130,732	112,704
Commission payable	69,692	62,312	75,204
Others	<u>731,816</u>	<u>545,615</u>	<u>610,387</u>
	<u>\$ 4,387,752</u>	<u>\$ 1,564,711</u>	<u>\$ 3,774,668</u>

(16) Long-term borrowings

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Credit borrowings	\$ 11,601,218	\$ 11,633,597	\$ 10,505,413
Less: current portion (Shown as other current liabilities)	<u>(70,644)</u>	<u>(201,320)</u>	<u>(262,236)</u>
	<u>\$ 11,530,574</u>	<u>\$ 11,432,277</u>	<u>\$ 10,243,177</u>
Interest rate	<u>0.99%~3.08%</u>	<u>0.99%~3.08%</u>	<u>1.06%~1.22%</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 and its domestic subsidiaries will make contribution for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$10,458, \$20,940, \$20,916 and \$41,872 for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2018 are \$112,816.

- 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 three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, were \$36,045, \$34,492, \$71,693 and \$69,450, respectively.

(18) Share capital

- A. As of June 30, 2017, 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 six months ended June 30, 2017 and 2016, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Six months ended June 30, 2017			
		Beginning shares	Additions	Disposal (Note)	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,473	-	(180)	2,293

Note: The capital surplus amounting to \$2,891 resulted from the subsidiary, Formosa Development Co., Ltd.'s disposal of 180,000 shares of the parent company during the six months ended June 30, 2017.

Reason for reacquisition	Investee company	Six months ended June 30, 2016			
		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.	2,563	-	-	2,563

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.

(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 as special reserve and cannot be distributed. The special reserve includes: i) reserve for special purposes, ii) investment income recognized under the equity method, iii) net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject

to the provisions in this section; and iv) other special reserves set out by legal provisions.

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

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

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

D. The appropriations of 2016 and 2015 earnings had been resolved at the stockholders' meeting on June 23, 2017 and June 24, 2016, respectively. Details are summarized below:

	<u>2016 earnings</u>		<u>2015 earnings</u>	
	Amount	Dividends	Amount	Dividends
	<u>(in thousands)</u>	<u>per share</u>	<u>(in thousands)</u>	<u>per share</u>
		<u>(in dollars)</u>		<u>(in dollars)</u>
Legal reserve	\$ 348,129		\$ 282,868	
Special reserve	506,036		326,718	
Cash dividends	<u>2,526,997</u>	\$ 1.50	<u>2,021,598</u>	\$ 1.20
	<u>\$ 3,381,162</u>		<u>\$ 2,631,184</u>	

The estimated appropriations of 2016 and 2015 earnings proposed by the Board of Directors were the same as the actual appropriations approved by the shareholders. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange Corporation.

E. As of June 30, 2017, December 31, 2016 and June 30, 2016, unpaid stock dividends amounted to \$9,506, \$9,948 and \$9,972, respectively.

F. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(26).

(21) Other equity items

	<u>Available-for-sale investments</u>	<u>Currency translation</u>	<u>Non-controlling interest</u>
January 1, 2017	\$ 36,313,040	\$ 13,387	\$ 3,531,750
Change in unrealised gain or loss on available-for- sale financial assets			
— Parent company	(2,351,137)	-	-
— Non-controlling interest	-	-	40,682
Difference of long-term equity investment from cumulative translation differences of foreign operations			
— Parent company	-	(628,564)	-
— Associates	-	(149,475)	-
— Non-controlling interest	-	-	(1,002)
Net income of non-controlling interest	-	-	178,565
Cash dividends paid by consolidated subsidiaries	-	-	(302,603)
June 30, 2017	<u>\$ 33,961,903</u>	<u>(\$ 764,652)</u>	<u>\$ 3,447,392</u>
	<u>Available-for-sale investments</u>	<u>Currency translation</u>	<u>Non-controlling interest</u>
January 1, 2016	\$ 23,497,434	\$ 646,176	\$ 3,369,595
Change in unrealised gain or loss on available-for- sale financial assets			
— Parent company	3,147,612	-	-
— Associates	59,654	-	-
— Non-controlling interest	-	-	29,497
Difference of long-term equity investment from cumulative translation differences of foreign operations			
— Parent company	-	(278,306)	-
— Associates	-	(97,690)	-
— Non-controlling interest	-	-	(436)
Net income of non-controlling interest	-	-	160,503
Cash dividends paid by consolidated subsidiaries	-	-	(302,602)
June 30, 2016	<u>\$ 26,704,700</u>	<u>\$ 270,180</u>	<u>\$ 3,256,557</u>

(22) Operating revenue

	Three months ended June 30,	
	2017	2016
Sales revenue	\$ 10,771,396	\$ 10,304,685
Service revenue	74,497	58,459
	<u>\$ 10,845,893</u>	<u>\$ 10,363,144</u>

	Six months ended June 30,	
	2017	2016
Sales revenue	\$ 20,931,538	\$ 20,641,498
Service revenue	168,628	151,241
	<u>\$ 21,100,166</u>	<u>\$ 20,792,739</u>

(23) Other income

	Three months ended June 30,	
	2017	2016
Interest income from bank deposits	\$ 5,554	\$ 6,429
Dividend income	2,244,253	3,645
Other income	110,023	69,702
	<u>\$ 2,359,830</u>	<u>\$ 79,776</u>

	Six months ended June 30,	
	2017	2016
Interest income from bank deposits	\$ 12,785	\$ 11,513
Dividend income	2,244,253	3,645
Other income	163,550	114,149
	<u>\$ 2,420,588</u>	<u>\$ 129,307</u>

(24) Other gains and losses

	Three months ended June 30,	
	2017	2016
Forward foreign exchange contracts		
Net gain on financial assets at fair value through profit or loss	\$ 671	\$ 817
Net (loss) gain on financial liabilities at fair value through profit or loss	(661)	97
Net currency exchange gain (loss)	42,534	(3,004)
Gain (loss) on disposal of property, plant and equipment	2,722	(12,376)
Bank charges	(8,038)	(8,753)
Impairment loss	-	(207,066)
Other losses	(2,473)	(31,295)
	<u>\$ 34,755</u>	<u>(\$ 261,580)</u>

	Six months ended June 30,	
	2017	2016
Forward foreign exchange contracts		
Net gain on financial assets at fair value through profit or loss	\$ 1,816	\$ 1,486
Net gain on financial liabilities at fair value through profit or loss	487	287
Net currency exchange loss	(113,335)	(52,301)
Gain on disposal of property, plant and equipment	9,163	2,165
Bank charges	(16,773)	(16,026)
Impairment loss	-	(207,066)
Other losses	(15,726)	(52,837)
	<u>(\$ 134,368)</u>	<u>(\$ 324,292)</u>

(25) Expenses by nature

	Three months ended June 30,	
	2017	2016
Employee benefit expense	\$ 1,183,632	\$ 1,263,797
Depreciation charges on property, plant and equipment	551,385	678,551
	<u>\$ 1,735,017</u>	<u>\$ 1,942,348</u>

	Six months ended June 30,	
	2017	2016
Employee benefit expense	\$ 2,497,506	\$ 2,511,122
Depreciation charges on property, plant and equipment	1,136,466	1,376,329
	<u>\$ 3,633,972</u>	<u>\$ 3,887,451</u>

(26) Employee benefit expense

	Three months ended June 30,	
	2017	2016
Wages and salaries	\$ 1,004,533	\$ 1,073,070
Labor and health insurance fees	98,637	99,892
Pension costs	46,504	55,462
Other personnel expenses	33,958	35,373
	<u>\$ 1,183,632</u>	<u>\$ 1,263,797</u>

	Six months ended June 30,	
	2017	2016
Wages and salaries	\$ 2,121,007	\$ 2,125,171
Labor and health insurance fees	211,655	206,473
Pension costs	92,610	111,352
Other personnel expenses	72,234	68,126
	<u>\$ 2,497,506</u>	<u>\$ 2,511,122</u>

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

B. For the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, employees' compensation was accrued at \$4,056, \$1,194, \$5,000 and \$2,557, respectively; while directors' and supervisors' remuneration was accrued at \$2,028, \$597, \$2,500 and \$1,278, 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 six months ended June 30, 2017.

The employees' bonus and directors' and supervisors' remuneration for 2016 approved by shareholders were the same as the amounts shown in the 2016 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both \$7,559 in the form of 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.

(27) Finance costs

	Three months ended June 30,	
	2017	2016
Interest expense:		
Bank borrowings	\$ 53,311	\$ 45,922
Less: capitalisation of qualifying assets	(6,236)	(838)
Finance costs	<u>\$ 47,075</u>	<u>\$ 45,084</u>

	Six months ended June 30,	
	2017	2016
Interest expense:		
Bank borrowings	\$ 101,786	\$ 94,825
Less: capitalisation of qualifying assets	(8,118)	(2,630)
Finance costs	<u>\$ 93,668</u>	<u>\$ 92,195</u>

(28) Income tax

A. Income tax expense

	Three months ended June 30,	
	2017	2016
Current tax:		
Current tax on profits for the period	\$ 118,157	\$ 112,639
Tax on undistributed surplus earnings	78,983	44,861
Prior year income tax (overstatement) underestimate	(16,942)	47,268
Prepayment of taxes	421	386
Impact of change in tax rate	(228)	332
Total current tax	180,391	205,486
Deferred tax:		
Origination and reversal of temporary differences	18,261	(18,670)
Income tax expense	<u>\$ 198,652</u>	<u>\$ 186,816</u>

	Six months ended June 30,	
	2017	2016
Current tax:		
Current tax on profits for the period	\$ 198,081	\$ 287,068
Tax on undistributed surplus earnings	78,983	44,861
Prior year income tax (overstatement) underestimate	(16,942)	47,268
Prepayment of taxes	829	736
Impact of change in tax rate	258	1,709
Total current tax	261,209	381,642
Deferred tax:		
Origination and reversal of temporary differences	62,673	25,143
Income tax expense	<u>\$ 323,882</u>	<u>\$ 406,785</u>

B. The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd. and Formosa Development Co., Ltd. through 2014, 2015 and 2015 have been assessed and approved by the Tax Authority, respectively.

C. 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.

- D. The income tax rate of Formosa Taffeta Vietnam Co., Ltd. was approved by Vietnam government to be 10% for 15 years from the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit-making year and 20% income tax exemption for the next 4 years.
- E. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 20% after 12 years. The Company was granted income tax exemption for 3 years from the first profit-making year and income tax reduction of 15% or 20% for the next 4 to 10 years.
- F. 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%.
- G. Unappropriated retained earnings:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Earnings generated in and after 1998	\$ 4,545,115	\$ 4,830,100	\$ 2,267,119

- H. Shareholders' creditable tax:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Creditable account balance	\$ 376,353	\$ 375,288	\$ 148,517

	<u>Years ended December 31,</u>	
	<u>2016 (Estimated)</u>	<u>2015 (Actual)</u>
Creditable tax ratio	<u>7.77%</u>	<u>9.83%</u>

(29) Earnings per share

- A. Basic earnings per share

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

	<u>Three months ended June 30, 2017</u>				
	<u>Amount</u>		<u>Weighted-average common shares outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>	
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>
Net income	\$ 2,964,040	\$ 2,765,388	<u>1,682,307</u>	\$ 1.76	\$ 1.65
Profit attributable to the non-controlling interest	(203,027)	(99,113)		(0.12)	(0.07)
Profit attributable to the parent	<u>\$ 2,761,013</u>	<u>\$ 2,666,275</u>		<u>\$ 1.64</u>	<u>\$ 1.58</u>

Three months ended June 30, 2016

	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	\$ 695,529		\$ 508,713	<u>1,682,102</u>
Profit attributable to the non-controlling interest	(186,562)	(73,941)		(0.10)	(0.04)
Profit attributable to the parent	<u>\$ 508,967</u>	<u>\$ 434,772</u>		<u>\$ 0.31</u>	<u>\$ 0.26</u>

Six months ended June 30, 2017

	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	\$ 3,598,624		\$ 3,274,742	<u>1,682,307</u>
Profit attributable to the non-controlling interest	(366,967)	(178,565)		(0.22)	(0.11)
Profit attributable to the parent	<u>\$ 3,231,657</u>	<u>\$ 3,096,177</u>		<u>\$ 1.92</u>	<u>\$ 1.84</u>

Six months ended June 30, 2016

	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	\$ 1,645,652		\$ 1,238,867	<u>1,682,102</u>
Profit attributable to the non-controlling interest	(371,075)	(160,503)		(0.22)	(0.10)
Profit attributable to the parent	<u>\$ 1,274,577</u>	<u>\$ 1,078,364</u>		<u>\$ 0.76</u>	<u>\$ 0.64</u>

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

Three months ended June 30, 2017					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	\$2,964,040		\$2,765,388	<u>1,684,665</u>
Profit attributable to the non-controlling interest	(203,027)	(99,113)		(0.12)	(0.07)
Profit attributable to the parent	<u>\$2,761,013</u>	<u>\$2,666,275</u>		<u>\$ 1.64</u>	<u>\$ 1.58</u>
Three months ended June 30, 2016					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	\$ 695,529		\$ 508,713	<u>1,684,665</u>
Profit attributable to the non-controlling interest	(180,562)	(73,941)		(0.10)	(0.04)
Profit attributable to the parent	<u>\$ 514,967</u>	<u>\$ 434,772</u>		<u>\$ 0.31</u>	<u>\$ 0.26</u>
Six months ended June 30, 2017					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	\$3,598,624		\$3,274,742	<u>1,684,665</u>
Profit attributable to the non-controlling interest	(366,967)	(178,565)		(0.22)	(0.11)
Profit attributable to the parent	<u>\$3,231,657</u>	<u>\$3,096,177</u>		<u>\$ 1.92</u>	<u>\$ 1.84</u>
Six months ended June 30, 2016					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	\$1,645,652		\$1,238,867	<u>1,684,665</u>
Profit attributable to the non-controlling interest	(371,075)	(160,503)		(0.22)	(0.10)
Profit attributable to the parent	<u>\$1,274,577</u>	<u>\$1,078,364</u>		<u>\$ 0.76</u>	<u>\$ 0.64</u>

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and diluted earnings per share for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Six months ended June 30,	
	2017	2016
Purchase of property, plant and equipment	\$ 1,092,159	\$ 1,261,489
Add: opening balance of payable on equipment	43,229	41,230
Less: ending balance of payable on equipment	(54,137)	(64,365)
Cash paid during the period	<u>\$ 1,081,251</u>	<u>\$ 1,238,354</u>

B. Financing activities with no cash flow effects:

	Six months ended June 30,	
	2017	2016
Cash dividends paid	<u>\$ 2,526,997</u>	<u>\$ 2,021,598</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Formosa Chemicals & Fibre Corp.	Parent company
Kuang Yueh Co. Corp.	Associates
Formosa Industries Corp.	Associates
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
Nan Ya Technology Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Nan Ya PBC Corp.	Other related party
Nan Ya Photonics Inc.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party

Names of related parties	Relationship with the Group
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
Piecemakers Technology, Inc.	Other related party
Kong You Industrial Co., Ltd.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party

(3) Significant related party transactions and balances

A. Operating revenue

	Three months ended June 30,	
	2017	2016
Sales of goods:		
— Ultimate parent (Note)	(\$ 1,271)	\$ 24,677
— Other related party		
Nan Ya Technology Corp.	1,365,440	1,384,048
Others	430,925	318,888
	<u>\$ 1,795,094</u>	<u>\$ 1,727,613</u>

Note: the amount for the three months ended June 30, 2017 represents sales allowance.

	Six months ended June 30,	
	2017	2016
Sales of goods:		
— Ultimate parent	\$ 17,309	\$ 48,670
— Other related party		
Nan Ya Technology Corp.	2,754,159	2,873,265
Others	753,495	734,832
	<u>\$ 3,524,963</u>	<u>\$ 3,656,767</u>

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

B. Purchases of goods

	Three months ended June 30,	
	2017	2016
Purchases of goods:		
— Ultimate parent	\$ 469,065	\$ 554,456
— Other related party		
Formosa Petrochemical Corp.	2,333,973	2,314,759
Others	620,119	567,949
	<u>\$ 3,423,157</u>	<u>\$ 3,437,164</u>

	Six months ended June 30,	
	2017	2016
Purchases of goods:		
– Ultimate parent	\$ 956,019	\$ 1,064,349
– Other related party		
Formosa Petrochemical Corp.	4,649,729	4,383,117
Others	1,296,479	1,209,122
	<u>\$ 6,902,227</u>	<u>\$ 6,656,588</u>

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

C. Receivables from related parties

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes and accounts receivable:			
– Ultimate parent	\$ 65	\$ 25,746	\$ 7,978
– Other related party			
Nan Ya Technology Corp.	972,597	992,417	1,002,097
Others	400,071	186,649	296,541
	<u>\$ 1,372,733</u>	<u>\$ 1,204,812</u>	<u>\$ 1,306,616</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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes and accounts payable:			
– Ultimate parent	\$ 388,786	\$ 568,316	\$ 446,240
– Other related party			
Formosa Petrochemical Corp.	385,724	437,545	393,200
Others	191,745	251,611	172,150
	<u>\$ 966,255</u>	<u>\$ 1,257,472</u>	<u>\$ 1,011,590</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. Acquisition of financial assets:

	<u>Accounts</u>	<u>No. of shares</u>	<u>Object</u>	<u>Six months ended June 30, 2016</u>
				<u>Consideration</u>
– Other related party	Non-current available-for-sale financial assets	15,297,204	Nan Ya Technology Corporation	<u>\$ 558,348</u>

F. Others

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

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

For the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, Formosa Taffeta Dong Nai Co., Ltd. has recognized lease service fee income in investment district of \$7,579, \$6,175, \$15,061 and \$15,411, respectively, for rendering the abovementioned consigned services. As of June 30, 2017, December 31, 2016 and June 30, 2016, the uncollected amount of \$2,731, \$289 and \$2,747, respectively, was recognized under 'other receivables'.

For the above land leasing, as of June 30, 2017, December 31, 2016 and June 30, 2016, the total management expenses and utility expenses which Formosa Taffeta Dong Nai Co., Ltd. is due to collect from the related party, Formosa Industry, were \$20,772, \$321,590 and \$157,669, respectively, and was recognized under 'other payables'.

(4) Key management compensation

	Three months ended June 30,	
	2017	2016
Salaries and other short-term employee benefits	\$ 3,638	\$ 4,079
	Six months ended June 30,	
	2017	2016
Salaries and other short-term employee benefits	\$ 30,838	\$ 27,366

8. PLEGDED ASSETS

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

<u>Item</u>	<u>Book Value</u>			<u>Purpose</u>
	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>	
Property, plant and equipment	\$ 139,012	\$ 139,362	\$ 139,712	Security for short-term borrowings
Inventories	21,264	21,264	21,246	Security for short-term borrowings
(Held-to-maturity land)				
	<u>\$ 160,276</u>	<u>\$ 160,626</u>	<u>\$ 160,958</u>	

(Blank)

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Formosa Advanced Technologies Co., Ltd. is engaged in the processing of various integrated circuits packaging test and is responsible for custody for which the subsidiary needs to be compensated if lost. As of June 30, 2017, the items in custody are as follows:

June 30, 2017								
	Quantity	Market value	Quantity	Market value	Quantity	Market value	Quantity	Market value
	(Unit : PC)	(per PC)	(Unit : piece)	(per piece)	(Unit : bar)	(per bar)	(Unit : stick)	(stick)
A. Work in process								
LED	9,956,858	NTD 0.02~1.08	-	-	-	-	-	-
FBGA	49,045,133	USD 0.8~8	-	-	-	-	-	-
TSOP	4,414,230	USD 0.5	-	-	-	-	-	-
LED assembly	3,033,696	NTD 0.47~14.65	-	-	-	-	2,580	USD 33.66~700
Module	663,836	USD 0.5~18.768	-	-	88,724	USD 15.52~800	-	-
MICRO-SD	109,784	USD 2.916~18.768	-	-	-	-	-	-
Other	25	NTD 3.4~8.9	1,575	USD 1,500	-	-	-	-
	<u>67,223,562</u>		<u>1,575</u>		<u>88,724</u>		<u>2,580</u>	
B. Finished goods								
LED	5,587,884	NTD 0.02~1.08	-	-	-	-	-	-
FBGA	51,349,097	USD 0.8~8	-	-	-	-	-	-
TSOP	5,804,908	USD 0.5	-	-	-	-	-	-
LED assembly	7,058,597	NTD 0.47~14.65	-	-	-	-	821	USD 33.66~700
Module	-	-	-	-	73,498	USD 15.52~800	-	-
MICRO-SD	6,189	USD 2.916~18.768	-	-	-	-	-	-
Other	13,732	NTD 3.4~8.9	310	USD 1,500	-	-	-	-
	<u>69,820,407</u>		<u>310</u>		<u>73,498</u>		<u>821</u>	

(2) As of June 30, 2017, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

<u>Currency</u>	<u>Amount</u>
USD	\$ 2,264
JPY	26,616
EUR	1,764
CHF	630

(3) Endorsements and guarantees

As of June 30, 2017, in order to assist the subsidiaries is obtaining credit line, the Company has guaranteed the following amounts for subsidiaries:

<u>Name of company</u>	<u>June 30, 2017</u>
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,308,060
FORMOSA TAFFETA VIETNAM CO., LTD.	1,521,000
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,977,300
FORMOSA TAFFETA DONG NAI CO., LTD.	3,823,794
FORMOSA HA TINH (CAYMAN) LIMITED	3,955,470

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) The Group increased its investment in the investee, FORMOSA HA TINH (CAYMAN) LIMITED, through its subsidiary, Formosa Taffeta (Cayman) Limited, on the basis of its ownership in July, 2017. The investment amount is USD 19,233 thousand.

(2) The Group owns 3.85% in FORMOSA HA TINH (CAYMAN) LIMITED through its subsidiary, Formosa Taffeta (Cayman) Limited. To raise working capital of its investee, Formosa Ha Tinh Steel Corporation, pay for the construction of Ha Tinh Steel Complex and Son Duong Port, repayment of borrowings and pay for normal operation expenses, FORMOSA HA TINH (CAYMAN) LIMITED plans to apply for a USD 1.15 billion, 5-year credit line with China Bank (HK). The Group will guarantee the credit line on the basis of its ownership.

12. OTHERS

(1) Capital management

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2016 for related information.

(2) Financial instruments

A. Fair value information of financial instruments

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2016 for related information.

B. Financial risk management policies

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2016 for related information.

C. Significant financial risks and degrees of financial risks

Except for the following items, there was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2016 for related information.

(a) Market risk

a. Foreign exchange risk

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

	June 30, 2017		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 128,728	30.44	\$ 3,918,480
USD:RMB	7,881	6.78	239,898
<u>Non-monetary items</u>			
VND:NTD	4,584,350,261	0.0013	5,959,655
HKD:NTD	275,184	3.89	1,070,466
RMB:NTD	408,486	4.49	1,834,102
USD:NTD	168,161	30.44	5,118,821
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	4,082	30.44	124,256
USD:RMB	11,456	6.78	348,721

December 31, 2016			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 91,481	32.28	\$ 2,953,007
JPY:NTD	573,485	0.28	160,576
USD:RMB	6,523	6.94	210,562
<u>Non-monetary items</u>			
VND:NTD	4,423,107,975	0.0014	6,192,351
HKD:NTD	251,226	4.16	1,045,100
RMB:NTD	543,796	4.65	2,528,651
USD:NTD	160,450	32.28	5,179,326
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5,713	32.28	184,416
USD:RMB	30,386	6.94	980,860
June 30, 2016			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 106,998	32.29	\$ 3,454,965
USD:RMB	8,107	6.63	261,740
<u>Non-monetary items</u>			
VND:NTD	4,680,719,419	0.0014	6,553,007
HKD:NTD	256,030	4.16	1,065,085
RMB:NTD	541,454	4.87	2,636,881
USD:NTD	168,984	32.29	5,456,493
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	6,030	32.29	194,709
USD:RMB	43,041	6.63	1,389,557

The total exchange income (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, amounted to \$42,534, (\$3,004), (\$113,335) and (\$52,301), respectively.

Analysis of foreign currency market risk arising from significant foreign exchange variation:

Six months ended June 30, 2017			
Sensitivity analysis			
<u>Degree of variation</u>		<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 39,185	\$ -
USD:RMB	1%	2,399	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	59,597
HKD:NTD	1%	-	10,705
RMB:NTD	1%	-	18,341
USD:NTD	1%	-	51,188
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	1,243	-
USD:RMB	1%	3,487	-
Six months ended June 30, 2016			
Sensitivity analysis			
<u>Degree of variation</u>		<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 34,550	\$ -
USD:RMB	1%	2,617	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	65,530
HKD:NTD	1%	-	10,651
RMB:NTD	1%	-	26,369
USD:NTD	1%	-	54,565
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	1,947	-
USD:RMB	1%	13,896	-

b. Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair

value through profit or loss. The Group is not exposed to commodity price risk. 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 domestic listed and unlisted stocks and beneficiary certificates. 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 six months ended June 30, 2017 and 2016 would have increased/decreased by \$5,224 and \$5,203, 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 \$431,005 and \$351,168, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

c. Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk. During the six months ended June 30, 2017 and 2016, the Group's borrowings at variable rate were denominated in the NTD and USD.
- ii. At June 30, 2017 and 2016, if interest rates on NTD-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the six months ended June 30, 2017 and 2016 would have been \$92,130 and \$82,170 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.
- iii. At June 30, 2017 and 2016, if interest rates on USD-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the six months ended June 30, 2017 and 2016 would have been \$3,445 and \$2,574 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- a. The equity financial instruments have active markets and are transacted through a stock exchange market or over-the counter market, or with financial institutions which are all in good credit standing. Therefore, the credit risk is low. Besides, the Group's policy requires that transactions for financial assets carried at cost be conducted with counterparties that meet the specified credit rating requirement; thus, the possibility that credit risk will arise is remote.
- b. The Group's policy requires that wholesale sales of products are made to clients with an appropriate credit review procedures. Therefore, the possibility of credit risk is low, and the maximum loss arising from credit risk is equal to the book value of accounts receivable.
- c. Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50%

ownership. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.

- d. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- e. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

(c) Liquidity risk

- a. The Group'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 Group's investments in equity financial instruments without active markets are exposed to liquidity risk.
- b. 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.
- c. 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. The amounts of contracted cash flow disclosed below are without discount.

Non-derivative financial liabilities:

<u>June 30, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 3,086,552	\$ -	\$ -
Short-term bills payable	1,900,000	-	-
Notes payable (including related parties)	322,262	-	-
Accounts payable (including related parties)	2,879,458	-	-
Other payables	4,387,752	-	-
Long-term borrowings (including current portion)	72,820	11,364,411	294,465
Financial guarantee contracts	12,585,624	-	-

Derivative financial liabilities:

<u>June 30, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Forward foreign exchange contracts	\$ 894	\$ -	\$ -

Non-derivative financial liabilities:

<u>December 31, 2016</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 3,054,750	\$ -	\$ -
Short-term bills payable	1,000,000	-	-
Notes payable (including related parties)	326,576	-	-
Accounts payable (including related parties)	2,889,276	-	-
Other payables	1,564,711	-	-
Long-term borrowings (including current portion)	207,521	11,332,483	228,798
Financial guarantee contracts	13,697,497	-	-

Derivative financial liabilities:

<u>December 31, 2016</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Forward foreign exchange contracts	\$ 1,381	\$ -	\$ -

Non-derivative financial liabilities:

<u>June 30, 2016</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 3,623,598	\$ -	\$ -
Short-term bills payable	1,300,000	-	-
Notes payable (including related parties)	286,626	-	-
Accounts payable (including related parties)	2,500,475	-	-
Other payables	3,774,668	-	-
Long-term borrowings (including current portion)	262,236	7,030,420	3,212,757
Financial guarantee contracts	14,825,360	-	-

Derivative financial liabilities:

<u>June 30, 2016</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Forward foreign exchange contracts	\$ 531	\$ -	\$ -

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

(3) Fair value estimation

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2) A.

B. The table below analyses financial instruments measured at fair value, by valuation method. The different levels 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 most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

C. The following table presents the Group's financial assets and liabilities that are measured at fair value at June 30, 2017, December 31, 2016 and June 30, 2016:

<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 775	\$ -	\$ 775
Beneficiary certificates	628,662	-	-	628,662
Available-for-sale financial assets				
Equity securities	<u>42,573,755</u>	<u>526,700</u>	<u>-</u>	<u>43,100,455</u>
	<u>\$ 43,202,417</u>	<u>\$ 527,475</u>	<u>\$ -</u>	<u>\$ 43,729,892</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 894</u>	<u>\$ -</u>	<u>\$ 894</u>

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 66	\$ -	\$ 66
Beneficiary certificates	627,555	-	-	627,555
Available-for-sale financial assets				
Equity securities	44,229,549	497,100	-	44,726,649
	<u>\$ 44,857,104</u>	<u>\$ 497,166</u>	<u>\$ -</u>	<u>\$ 45,354,270</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 1,381	\$ -	\$ 1,381
<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 268	\$ -	\$ 268
Beneficiary certificates	626,658	-	-	626,658
Available-for-sale financial assets				
Equity securities	34,784,903	331,900	-	35,116,803
	<u>\$ 35,411,561</u>	<u>\$ 332,168</u>	<u>\$ -</u>	<u>\$ 35,743,729</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 531	\$ -	\$ 531

D. The methods and assumptions the Group used to measure fair value are as follows:

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

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

(b) 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.

- (c) 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.
- (d) 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.
- E. For the six months ended June 30, 2017 and 2016, there was no transfer between Level 1 and Level 2.
- F. For the six months ended June 30, 2017 and 2016, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

In accordance with "Rules Governing the Preparation of Financial Statements by Securities Issuers", significant transactions for the six months ended June 30, 2017 are stated as follows. Furthermore, the inter-company transactions were eliminated based on the financial statements of investees which were not reviewed by other independent accountants, except for the reviewed financial statements of Formosa Advanced Technologies Co., Ltd.. The following disclosures are for reference only.

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(14) 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.

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.

(b) Cord fabric department: Mainly produces and provides tire cords.

(c) Gasoline department: Mainly operates gasoline stations, sells gasoline and provides car washing.

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

(2) Measurement of segment information

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

(3) Information about segment profit or loss and assets

Six months ended June 30, 2017

	<u>Second business group</u>						
	<u>First business group</u>	<u>Cord fabric department</u>	<u>Gasoline department</u>	<u>Other segment</u>	<u>FATC department</u>	<u>Adjustment and write-off</u>	<u>Total</u>
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 7,280,731	\$ 3,672,170	\$ 5,249,936	\$ 787,317	\$ 4,110,012	\$ -	\$ 21,100,166
Inter-segment revenue	<u>643,756</u>	<u>242,103</u>	<u>-</u>	<u>44,743</u>	<u>-</u>	<u>(930,602)</u>	<u>-</u>
Total segment revenue	<u>\$ 7,924,487</u>	<u>\$ 3,914,273</u>	<u>\$ 5,249,936</u>	<u>\$ 832,060</u>	<u>\$ 4,110,012</u>	<u>(\$ 930,602)</u>	<u>\$ 21,100,166</u>
Segment income	<u>\$ 3,212,815</u>	<u>\$ 137,146</u>	<u>\$ 227,044</u>	<u>\$ 22,056</u>	<u>\$ 618,623</u>	<u>(\$ 619,060)</u>	<u>\$ 3,598,624</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 14,274,125</u>	<u>\$ 5,921,269</u>	<u>\$ 1,249,101</u>	<u>\$ 4,182,306</u>	<u>\$ 4,841,565</u>	<u>(\$ 433,459)</u>	\$ 30,034,907
Investments accounted for using equity method							3,326,108
General assets							<u>59,584,908</u>
Total assets							<u>\$ 92,945,923</u>

Six months ended June 30, 2016

	Second business group					Adjustment and write-off	Total
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department		
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 7,124,451	\$ 3,616,360	\$ 4,921,313	\$ 844,561	\$ 4,286,054	\$ -	\$ 20,792,739
Inter-segment revenue	856,052	36,780	-	75,545	-	(968,377)	-
Total segment							
revenue	<u>\$ 7,980,503</u>	<u>\$ 3,653,140</u>	<u>\$ 4,921,313</u>	<u>\$ 920,106</u>	<u>\$ 4,286,054</u>	<u>(\$ 968,377)</u>	<u>\$ 20,792,739</u>
Segment income	<u>\$ 1,124,695</u>	<u>\$ 269,175</u>	<u>\$ 260,452</u>	<u>\$ 16,508</u>	<u>\$ 580,788</u>	<u>(\$ 605,966)</u>	<u>\$ 1,645,652</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 14,601,760</u>	<u>\$ 4,834,419</u>	<u>\$ 1,321,980</u>	<u>\$ 4,113,788</u>	<u>\$ 5,244,942</u>	<u>(\$ 398,781)</u>	\$ 29,718,108
Investments accounted for using equity method							3,106,614
General assets							<u>50,562,766</u>
Total assets							<u>\$ 83,387,488</u>

(4) Reconciliation for segment income (loss)

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the six-month period ended June 30, 2017

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2017 (Note 4)	Outstanding endorsement/ guarantee amount at June 30, 2017 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 41,725,197	\$ 1,410,525	\$ 1,308,060	\$ 425,880	\$ -	2.04	\$ 83,450,394	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	41,725,197	1,567,250	1,521,000	137,504	-	2.37	83,450,394	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO.,	3	41,725,197	2,037,425	1,977,300	343,746	-	3.08	83,450,394	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	41,725,197	3,914,005	3,823,794	2,569,527	-	5.96	83,450,394	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	41,725,197	4,075,746	3,955,470	3,955,470	-	6.16	83,450,394	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	179,056	3,000	3,000	3,000	-	1.09	358,113	Y	N	N	

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

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

(5)Mutual guarantee of the trade as required by the construction contract.

(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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

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

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2017

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2017				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Available-for-sale financial assets - current	12,169,610	\$ 1,162,198	0.21	\$ 1,162,198	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Available-for-sale financial assets - current	32	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Available-for-sale financial assets - current	640	59	-	59	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Available-for-sale financial assets - current	482,194	36,406	0.01	36,406	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Available-for-sale financial assets - current	10,000,000	526,700	2.35	526,700	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Available-for-sale financial assets - non-current	15,421,010	845,071	0.56	845,071	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Available-for-sale financial assets - non-current	365,267,576	38,353,095	3.83	38,353,095	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Financial assets measured at cost – non-current	174,441	3,236	0.45	3,236	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Financial assets measured at cost – non-current	14,400	3,000	10.00	3,000	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Financial assets measured at cost – non-current	613,553	3,099	1.20	3,099	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Financial assets measured at cost – non-current	4,281,686	23,813	3.17	23,813	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Financial assets measured at cost – non-current	4,261,443	58,345	9.53	58,345	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Financial assets measured at cost – non-current	171,008,736	5,013,150	3.85	5,013,150	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Available-for-sale financial assets - non-current	2,293,228	70,058	0.14	70,058	
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Association of R.O.C.	-	Financial assets measured at cost – non-current	-	134	0.11	134	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Available-for-sale financial assets - current	146,388	\$ 13,570	-	\$ 13,570	

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2017				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Available-for-sale financial assets - current	312,512	23,595	-	23,595	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Available-for-sale financial assets - current	13,345,000	1,274,447	0.23	1,274,447	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Available-for-sale financial assets - current	391,000	41,055	-	41,055	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	25,512,583	374,953	-	374,953	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	20,396,748	253,709	-	253,709	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Available-for-sale financial assets - non-current	15,041,215	824,259	0.55	824,259	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Financial assets measured at cost – non-current	2,130,721	29,172	4.77	29,172	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	SYNTRONIX CORPORATION	-	Financial assets measured at cost – non-current	59,945	1,181	0.15	1,181	

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2017

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2017		Addition (Note 3)		Number of shares	Disposal (Note 3)			Balance as at June 30, 2017		
					Number of shares	Amount	Number of shares	Amount		Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Stock of FORMOSA CHEMICALS & FIBRE CORPORATION	Available-for-sale financial assets - current	-	-	7,316,000	\$ 704,531	6,029,000	\$ 551,309	-	\$ -	\$ -	\$ -	-	13,345,000	\$ 1,274,447

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

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

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

Note 4: Beginning balance plus addition amount is not equal to balance at June 30, 2017 because of valuation in exchange rate.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2017

Table 4

Expressed in thousands of NT\$
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
				Amount	Percentage of total purchases (sales)		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 277,336)	(2.13)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 129,777	4.80
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(\$ 150,389)	(1.15)	Pay 120 days after delivery	-	-	Accounts receivable	82,579	3.06
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	4,649,729	43.61	Pay every 15 days by mail transfer	-	-	Accounts payable	(385,724)	(18.45)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	828,006	7.77	Draw promissory notes due in 2 months after inspection	-	-	Accounts payable	(371,567)	(17.77)
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	409,563	3.84	Pay every 15 days by mail transfer	-	-	Accounts payable	(56,217)	(2.69)
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	150,684	1.41	Pay every 15 days by mail transfer	-	-	Accounts payable	(14,680)	(0.70)
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Sales	(2,754,159)	(67.01)	60 days after monthly billings	-	-	Accounts receivable	972,597	60.49
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	(202,717)	(22.81)	60 days after monthly billings	-	-	Accounts receivable	187,458	54.37
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	112,116	13.88	60 days after monthly billings	-	-	Accounts payable	(26,427)	(21.78)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(120,105)	(6.17)	60 days after monthly billings	-	-	Accounts receivable	36,065	4.22
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(318,926)	(16.40)	60 days after monthly billings	-	-	Accounts receivable	120,209	14.06

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions (Note 1)				Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Purchases	\$ 182,811	10.42	Pay 120 days after delivery	\$ -	-	Accounts payable	\$ -	-
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	277,275	15.80	60 days after monthly billings	-	-	Accounts payable	(46,085)	(13.25)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	114,416	6.52	60 days after monthly billings	-	-	Accounts payable	(13,504)	(3.88)

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
For the six-month period ended June 30, 2017

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2017 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	\$ 972,597	5.61	\$ -	-	\$ 476,540	\$ -
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associates	187,458	2.86	-	-	33,920	-
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associates	129,777	6.51	-	-	65,843	-
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	120,209	5.64	-	-	115,598	-

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the six-month period ended June 30, 2017

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	\$ 828,006	Draw promissory notes due in 2 months after inspection	3.92
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	371,567	Draw promissory notes due in 2 months after inspection	0.40

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

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Note 4: The amount of transactions under \$500 million are not disclosed.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the six-month period ended June 30, 2017

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2017			Net profit (loss)	Investment income	Footnote
				Balance as	Balance as	Number of shares	Ownership (%)	Book value	of the investee for the	(loss) recognized by	
				June 30, 2017	at December 31, 2016				ended June 30, 2017	the company for the	
								(Note 2(2))	(Note 2(3))		
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	1. Handling urban land consolidation 2. Development, rent and sale of industrial plants, residences and building	\$ 114,912	\$ 114,912	16,100,000	100.00	\$ 212,982	\$ 11,777	\$ 8,887	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	3,773,440	3,773,440	290,464,472	65.68	7,233,645	518,373	340,467	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (HONG KONG) CO., LTD.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	1,356,862	-	100.00	1,061,825	72,783	72,783	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	1,749,286	86,484	86,484	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	213,771	213,771	18,595,352	17.92	1,139,580	(53,310)	(1,954)	

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2017			Net profit (loss)	Investment income	Footnote
				Balance as	Balance as	Number of shares	Ownership (%)	Book value	of the investee for the	(loss) recognized by	
				June 30, 2017	at December 31, 2016				six-month period	the company for the	
								ended June 30, 2017	ended June 30, 2017		
				\$	\$			(Note 2(2))	(Note 2(3))		
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	\$ 2,958	\$ 2,958	-	43.00	\$ 9,134	\$ 2,124	\$ 913	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100.00	2,261,444	56,321	56,321	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,127,069	501,738	49,671	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	5,090,180	5,090,180	171,028,736	100.00	5,013,337	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	22,498	518,373	(389)	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	-	500,000	100.00	5,232	232	232	

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

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

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at June 30, 2017' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the six-month period ended June 30, 2017' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the six-month period ended June 30, 2017' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the six-month period ended June 30, 2017

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan to		Accumulated	Net income of investee for the six-month period ended June 30, 2017	Ownership held by the Company (direct or indirect)	Investment income	Book value of investments in Mainland China as of June 30, 2017	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2017	Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2017		amount of remittance from Taiwan to Mainland China as of June 30, 2017			(loss) recognised by the Company for the six-month period ended June 30, 2017 (Note 2)		amount of investment income remitted back to Taiwan as of June 30, 2017	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	(1)	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	\$ 49,139	100.00	\$ 49,139	\$ 1,585,314	\$ -	Note 3
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	15,273	(1)	15,273	-	-	15,273	(545)	100.00	(545)	6,513	-	Note 4
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	71,819	100.00	71,819	947,337	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	5,248	40.78	1,655	59,459	-	Note 6

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

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: The amount of "Investment income (loss) recognised by the Company for the six-month period ended June 30, 2017 were derived from financial statements which were reviewed by independent accountants.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 and June 30, 2017 are both US\$46,400,000 (remitted out US\$46,388,800 and equipment amounted to US\$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 and June 30, 2017 are both US\$570,000. □

Note 5: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 is US\$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US\$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of June 30, 2017 was US\$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,402,085	\$ 1,412,416	\$ 40,584,002
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,351	\$ 40,584,002
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,278,480	\$ 40,584,002

Note 1 :

- (1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US\$46,400,000.
- (2)The investment in XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US\$570,000.
- (3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US\$42,000,000, while the company reduced its capital and divided some part of housing land to Changshu Fushun Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.
- (4)The original currency of paid-in capital was translated at USD:TWD = 1:30.44

Note 2: The numbers in this table are expressed in New Taiwan Dollars.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the six-month period ended June 30, 2017

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Balance at		Provision of endorsements/guarantees or collaterals	Purpose	Financing			Interest during the six- month period ended June 30, 2017	Others
	Amount	%	Amount	%	June 30, 2017	%	June 30, 2017	Maximum balance during the six-month period ended June 30, 2017			Balance at June 30, 2017	Interest rate			
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 12,468	0.10	\$ -	-	\$ 4,633	0.17	\$ 1,308,060		For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -	-	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	18,162	0.14	-	-	11,819	0.44	1,977,300		For short-tem loans from financial institutions	-	-	-	-	-	