

**FORMOSA TAFFETA CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2016 AND 2015**

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.



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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 March 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods 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. These statements reflect total assets (including investments accounted for using equity method) of NT\$20,795,400 thousand and NT\$14,310,139 thousand, constituting 24% and 19% of the consolidated total assets, and total liabilities of NT\$5,281,149 thousand and NT\$4,572,120 thousand, constituting 22% and 20% of the consolidated total liabilities as of March 31, 2016 and 2015, respectively, and comprehensive income (including share of profit (loss) of associates accounted for using equity method and share of profit (loss) and other comprehensive income of associates) amounted to NT\$160,035 thousand and NT\$27,656 thousand, constituting 3% and 6% of the total comprehensive income for the three-month periods ended March 31, 2016 and 2015, respectively.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined

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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.

PricewaterhouseCoopers, Taiwan

PricewaterhouseCoopers, Taiwan

March 6, 2016

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 March 31, 2016 and 2015 are reviewed, not audited)

Assets	Notes	March 31, 2016		December 31, 2015		March 31, 2015		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 5,695,181	7	\$ 5,640,597	7	\$ 4,451,062	6
1110	Financial assets at fair value through profit or loss - current	6(2)	656,480	1	655,811	1	654,750	1
1125	Available-for-sale financial assets - current	6(3)	1,990,630	2	1,824,656	2	1,807,832	2
1150	Notes receivable, net	6(4)	91,521	-	72,028	-	105,383	-
1160	Notes receivable - related parties	7	1,489	-	5,236	-	3,335	-
1170	Accounts receivable, net	6(5)	4,115,451	5	3,764,065	5	4,439,398	6
1180	Accounts receivable - related parties	7	1,407,623	2	1,277,332	2	1,463,431	2
1200	Other receivables	7	375,230	-	360,728	-	299,347	-
130X	Inventories, net	6(6) and 8	7,847,523	9	7,827,720	10	7,695,228	10
1410	Prepayments		614,265	1	991,013	1	756,490	1
1470	Other current assets		338,997	-	508,021	1	492,812	1
11XX	Total current assets		<u>23,134,390</u>	<u>27</u>	<u>22,927,207</u>	<u>29</u>	<u>22,169,068</u>	<u>29</u>
Non-current assets								
1523	Available-for-sale financial assets - non-current	6(3)	35,004,217	41	29,476,126	37	26,218,866	35
1543	Financial assets carried at cost - non-current	6(7)	5,656,972	7	5,786,109	7	5,442,727	7
1550	Investments accounted for under equity method	6(8)	3,142,502	4	3,158,212	4	2,871,697	4
1600	Property, plant and equipment, net	6(9) and 8	17,060,717	20	17,311,841	22	17,594,555	23
1840	Deferred income tax assets	6(27)	447,248	-	450,573	-	461,711	1
1900	Other non-current assets	6(10)	886,636	1	944,987	1	897,137	1
15XX	Total non-current assets		<u>62,198,292</u>	<u>73</u>	<u>57,127,848</u>	<u>71</u>	<u>53,486,693</u>	<u>71</u>
1XXX	Total assets		<u>\$ 85,332,682</u>	<u>100</u>	<u>\$ 80,055,055</u>	<u>100</u>	<u>\$ 75,655,761</u>	<u>100</u>
Liabilities and Equity								
Current liabilities								
2100	Short-term borrowings	6(11) and 8	\$ 3,551,797	4	\$ 3,507,956	5	\$ 3,359,450	5
2110	Short-term notes and bills payable	6(12)	1,699,545	2	1,699,525	2	2,299,672	3
2120	Financial liabilities at fair value through profit or loss - current	6(13)	629	-	818	-	-	-
2150	Notes payable		232,559	-	200,128	-	233,463	-
2160	Notes payable - related parties	7	83,764	-	140,382	-	173,761	-
2170	Accounts payable		1,532,798	2	1,602,029	2	1,411,625	2
2180	Accounts payable - related parties	7	882,696	1	981,723	1	1,031,270	1
2200	Other payables	6(14)	1,279,057	2	1,813,430	2	1,220,022	2
2230	Current income tax liabilities	6(27)	550,914	1	381,633	1	211,022	-
2300	Other current liabilities	6(15)	307,642	-	281,377	-	611,838	1
21XX	Total current liabilities		<u>10,121,401</u>	<u>12</u>	<u>10,609,001</u>	<u>13</u>	<u>10,552,123</u>	<u>14</u>
Non-current liabilities								
2540	Long-term borrowings	6(15)	10,458,508	12	10,362,409	13	9,278,920	12
2570	Deferred income tax liabilities	6(27)	161,460	-	120,972	-	99,187	-
2600	Other non-current liabilities	6(16)	2,973,670	4	2,893,943	4	3,037,376	4
25XX	Total non-current liabilities		<u>13,593,638</u>	<u>16</u>	<u>13,377,324</u>	<u>17</u>	<u>12,415,483</u>	<u>16</u>
2XXX	Total liabilities		<u>23,715,039</u>	<u>28</u>	<u>23,986,325</u>	<u>30</u>	<u>22,967,606</u>	<u>30</u>

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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2016 and 2015 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2016		December 31, 2015		March 31, 2015	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Equity attributable to owners of parent							
Share capital 6(17)							
3110	Share capital - common stock	\$ 16,846,646	20	\$ 16,846,646	21	\$ 16,846,646	22
Capital surplus 6(18)							
3200	Capital surplus	20,791	-	20,791	-	38,348	-
Retained earnings 6(19)							
3310	Legal reserve	6,508,610	8	6,508,610	8	6,156,773	8
3320	Special reserve	1,381,824	2	1,381,824	2	644,262	1
3350	Unappropriated retained earnings	4,463,531	5	3,819,939	5	5,154,035	7
Other equity interest 6(20)							
3400	Other equity interest	28,931,732	33	24,143,610	30	20,554,175	27
3500	Treasury stocks	(22,285)	-	(22,285)	-	(22,723)	-
Equity attributable to owners of the parent							
31XX		58,130,849	68	52,699,135	66	49,371,516	65
36XX	Non-controlling interest	3,486,794	4	3,369,595	4	3,316,639	5
3XXX	Total equity	61,617,643	72	56,068,730	70	52,688,155	70
Significant contingent liabilities 9 and unrecognized contract commitments							
Significant events after the balance sheet							
3X2X	Total liabilities and equity	\$ 85,332,682	100	\$ 80,055,055	100	\$ 75,655,761	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated May 6, 2016.

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

Items	Notes	For the three-month period ended March 31				
		2016		2015		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(21) and 7	\$ 10,429,595	100	\$ 11,029,926	100
5000	Operating costs	6(6)(24)(25) and 7	(8,743,301)	(84)	(9,534,764)	(87)
5900	Net operating margin		<u>1,686,294</u>	<u>16</u>	<u>1,495,162</u>	<u>13</u>
	Operating expenses	6(24)(25) and 7				
6100	Selling expenses		(417,705)	(4)	(438,804)	(4)
6200	General and administrative expenses		(272,818)	(3)	(232,601)	(2)
6300	Research and development expenses		(13,020)	-	(12,568)	-
6000	Total operating expenses		<u>(703,543)</u>	<u>(7)</u>	<u>(683,973)</u>	<u>(6)</u>
6900	Operating profit		<u>982,751</u>	<u>9</u>	<u>811,189</u>	<u>7</u>
	Non-operating income and expenses					
7010	Other income	6(22) and 7	49,531	1	126,336	1
7020	Other gains and losses	6(23)	(62,712)	(1)	(111,975)	(1)
7050	Finance costs	6(26)	(47,111)	-	(46,914)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	<u>27,664</u>	<u>-</u>	<u>2,044</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>(32,628)</u>	<u>-</u>	<u>(30,509)</u>	<u>-</u>
7900	Profit before income tax		950,123	9	780,680	7
7950	Income tax expense	6(27)	(219,969)	(2)	(164,726)	(2)
8200	Profit for the year		<u>\$ 730,154</u>	<u>7</u>	<u>\$ 615,954</u>	<u>5</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)
(Unaudited)

Items	Notes	For the three-month period ended March 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
Other comprehensive income	6(20)				
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statement translation differences of foreign operations		(\$ 253,636)	(3)	(\$ 105,111)	(1)
8362 Unrealized gain (loss) on valuation of available-for-sale financial assets		5,115,320	49	9,568	-
8370 Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method		(42,925)	-	(39,783)	-
8300 Total other comprehensive income (loss) for the period		<u>\$ 4,818,759</u>	<u>46</u>	<u>(\$ 154,462)</u>	<u>(1)</u>
8500 Total comprehensive income (loss) for the period		<u>\$ 5,548,913</u>	<u>53</u>	<u>(\$ 461,492)</u>	<u>4</u>
Profit attributable to:					
8610 Owners of the parent		\$ 643,592	6	\$ 517,351	4
8620 Non-controlling interest		86,562	1	98,603	1
		<u>\$ 730,154</u>	<u>7</u>	<u>\$ 615,954</u>	<u>5</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 5,431,714	52	\$ 354,007	3
8720 Non-controlling interest		117,199	1	107,485	1
		<u>\$ 5,548,913</u>	<u>53</u>	<u>\$ 461,492</u>	<u>4</u>
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Basic and diluted earnings per share (in dollars)	6(28)				
9710 Profit for period from continuing operations		\$ 0.56	\$ 0.43	\$ 0.46	\$ 0.37
Non-controlling interest		(0.11)	(0.05)	(0.11)	(0.06)
9750 Profit attributable to common shareholders of the parent		<u>\$ 0.45</u>	<u>\$ 0.38</u>	<u>\$ 0.35</u>	<u>\$ 0.31</u>
Assuming shares held by subsidiaries are not deemed as treasury stock:					
Profit for period from continuing operations		\$ 0.56	\$ 0.43	\$ 0.46	\$ 0.37
Non-controlling interest		(0.11)	(0.05)	(0.11)	(0.06)
Profit attributable to common shareholders of the parent		<u>\$ 0.45</u>	<u>\$ 0.38</u>	<u>\$ 0.35</u>	<u>\$ 0.31</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated May 6, 2016.

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

Notes	Equity attributable to owners of the parent													Non-controlling interest	Total equity
	Share capital - common stock	Capital Reserves			Change in net equity of associates and joint ventures accounted for under equity method	Retained Earnings			Other Equity Interest			Total			
		Treasury stock transactions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Donated assets received		Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks				
For the three-month period ended March 31, 2015															
	\$ 16,846,646	\$ 11,077	\$ 545	\$ 2,032	\$ 24,694	\$ 6,156,773	\$ 644,262	\$ 4,636,684	\$385,721	\$ 20,331,798	(\$ 22,723)	\$ 49,017,509	\$ 3,209,154	\$ 52,226,663	
	-	-	-	-	-	-	-	517,351	-	-	-	517,351	98,603	615,954	
6(20)	-	-	-	-	-	-	-	-	(145,994)	(17,350)	-	(163,344)	8,882	(154,462)	
	<u>\$ 16,846,646</u>	<u>\$ 11,077</u>	<u>\$ 545</u>	<u>\$ 2,032</u>	<u>\$ 24,694</u>	<u>\$ 6,156,773</u>	<u>\$ 644,262</u>	<u>\$5,154,035</u>	<u>\$239,727</u>	<u>\$ 20,314,448</u>	<u>(\$ 22,723)</u>	<u>\$ 49,371,516</u>	<u>\$ 3,316,639</u>	<u>\$ 52,688,155</u>	
For the three-month period ended March 31, 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	
	-	-	-	-	-	-	-	643,592	-	-	-	643,592	86,562	730,154	
6(20)	-	-	-	-	-	-	-	-	(297,623)	5,085,745	-	4,788,122	30,637	4,818,759	
	<u>\$ 16,846,646</u>	<u>\$ 12,135</u>	<u>\$ 545</u>	<u>\$ 2,032</u>	<u>\$ 6,079</u>	<u>\$ 6,508,610</u>	<u>\$1,381,824</u>	<u>\$4,463,531</u>	<u>\$348,553</u>	<u>\$ 28,583,179</u>	<u>(\$ 22,285)</u>	<u>\$ 58,130,849</u>	<u>\$ 3,486,794</u>	<u>\$ 61,617,643</u>	

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 16, 2016.

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

	Notes	For the three-month periods ended March 31	
		2016	2015
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets		(\$ 582,462)	(\$ 4,402)
Acquisition of property, plant and equipment	6(29)	(506,443)	(657,695)
Proceeds from disposal of property, plant and equipment		16,960	10,423
Decrease in other non-current assets		45,553	154,069
Net cash used in investing activities		(1,026,392)	(497,605)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		43,841	597,764
Increase (decrease) in short-term notes and bills payable		20	(49,852)
Payment of long-term borrowings		(3,000,000)	-
Increase in long-term borrowings		3,100,846	152,349
Net cash provided by financing activities		144,707	700,261
Effect of foreign exchange rate		23,805	(22,361)
Increase in cash and cash equivalents		54,584	654,194
Cash and cash equivalents at beginning of period	6(1)	5,640,597	3,796,868
Cash and cash equivalents at end of period	6(1)	\$ 5,695,181	\$ 4,451,062

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated May 6, 2016.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016 AND 2015

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

(Unaudited)

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 March 31, 2016, the Company and its subsidiaries (collectively referred herein as the "Group") had 10,223 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 May 6, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of new issuances of or amendments to IFRSs as endorsed by the Financial Supervisory Commission ("FSC") but not yet adopted by the Group
None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group
None.

(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 2013 version of IFRS as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
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
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
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
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
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 Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

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, 2015. 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 three-month period ended March 31, 2016 should be read together with the consolidated financial statements as of and for the year ended December 31, 2015.

(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 recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

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, 2015.

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B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2016	December 31, 2015	March 31, 2015	
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.	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 residential 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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2016	December 31, 2015	March 31, 2015	
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keprotect, 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	100.00	100.00	100.00	Note 1
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	100.00	100.00	100.00	Note 1
Formosa Taffeta (Hong Kong) Co., Ltd.	Changshu Fushun Enterprise Management Co.,Ltd	Assets management	-	-	100.00	Notes 1 and 3

Note 1: The financial statements of the entity as of and for the three-month periods ended March 31, 2016 and 2015 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.

Note 3: Changshu Fushun Enterprise Management Co., Ltd. merged with Changshu Yu Yuan Development. Co., Ltd. and was dissolved. Details are provided in Note 6(8)E.

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 March 31, 2016, December 31, 2015, March 31, 2015, the non-controlling interest amounted to \$3,486,794, \$3,369,595, and \$3,316,639, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		March 31, 2016		December 31, 2015	
		Amount	Ownership (%)	Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 3,482,317	34.32	\$ 3,366,457	34.32

Name of subsidiary	Principal place of business	Non-controlling interest	
		March 31, 2015	
		Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 3,298,391	34.32

Summarized financial information on the subsidiaries:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.		
	March 31, 2016	December 31, 2015	March 31, 2015
Current assets	\$ 7,723,609	\$ 7,648,938	6,606,471
Non-current assets	3,564,097	3,267,306	4,059,461
Current liabilities	(1,076,249)	(1,041,340)	(998,864)
Non-current liabilities	(64,847)	(65,880)	(56,371)
Total net assets	\$ 10,146,610	\$ 9,809,024	\$ 9,610,697

Statements of comprehensive income

	Formosa Advanced Technologies Co., Ltd.	
	Three-month period ended March 31, 2016	Three-month period ended March 31, 2015
Revenue	\$ 2,167,035	\$ 2,307,500
Profit before income tax	297,744	343,296
Income tax expense	(50,736)	(61,268)
Profit for the period	247,008	282,028
Other comprehensive income, net of tax	90,578	26,799
Total comprehensive income for the period	\$ 337,586	\$ 308,827
Comprehensive income attributable to non-controlling interest	\$ 115,860	\$ 105,989

Statements of cash flows

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>Three-month period ended March 31, 2016</u>	<u>Three-month period ended March 31, 2015</u>
Net cash provided by operating activities	\$ 703,935	\$ 877,298
Net cash used in investing activities	(608,052)	(217,081)
Increase in cash and cash equivalents	95,883	660,217
Cash and cash equivalents, beginning of period	<u>3,520,954</u>	<u>1,879,627</u>
Cash and cash equivalents, end of period	<u>\$ 3,616,837</u>	<u>\$ 2,539,844</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 recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised 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 recognised 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 unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates government bonds (at the balance sheet date) instead.
- ii. Actuarial gains and losses arising on defined benefit plans are recognised in profit or loss using the 'corridor' method in the period in which they arise.
- iii. Past service costs are recognised 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. And, the related information is disclosed accordingly.

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

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates.

(5) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 recognised, 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 recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised 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 recognised amounts and there is an

intention to settle on a net basis or realise 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 recognised for the carryforward 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 utilised.

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, 2015 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Cash on hand and petty cash (revolving funds)	\$ 62,601	\$ 64,461	\$ 48,296
Checking accounts and demand deposits	2,075,329	1,859,812	2,122,098
Time deposits	538,232	253,658	256,438
Cash equivalents	<u>3,019,019</u>	<u>3,462,666</u>	<u>2,024,230</u>
	<u>\$ 5,695,181</u>	<u>\$ 5,640,597</u>	<u>\$ 4,451,062</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The interest rate range of time deposit on March 31, 2016, December 31, 2015 and March 31, 2015 were 0.25%~2.29% , 0.25%~2.53% and 0.25%~1.35% , respectively.

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

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

Items	March 31, 2016	December 31, 2015	March 31, 2015
Current items:			
Financial assets held for trading			
Beneficiary certificates	\$ 649,854	\$ 649,854	649,854
Forward foreign exchange contracts	-	12	1,688
	649,854	649,866	651,542
Valuation adjustment of financial assets held for trading	6,626	5,945	3,208
	<u>\$ 656,480</u>	<u>\$ 655,811</u>	<u>\$ 654,750</u>

A. The Group recognised net gain of \$669 and \$2,369 on financial assets held for trading for the three-month periods ended March 31, 2016 and 2015, respectively.

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

Derivative Instruments	March 31, 2016		December 31, 2015	
	Contract Amount (Notional Principal) (In dollars)	Contract Period	Contract Amount (Notional Principal) (In dollars)	Contract Period
Current items:				
Forward foreign exchange contracts				
Chang Hwa Bank	USD -	-	USD 2,000,000	2015.12~2016.2

	March 31, 2015	
	Contract Amount (Notional Principal) (In dollars)	Contract Period
Current items:		
Forward foreign exchange contracts		
Chang Hwa Bank	USD 7,000,000	2015.2~2015.5
Taipei Fubon Bank	JPY 259,690,000	2015.1~2015.6

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>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Current items:			
Listed (TSE and OTC) stocks	\$ 1,536,854	\$ 1,512,741	\$ 1,421,339
Valuation adjustment of available -for-sale financial assets	<u>453,776</u>	<u>311,915</u>	<u>386,493</u>
	<u>\$ 1,990,630</u>	<u>\$ 1,824,656</u>	<u>\$ 1,807,832</u>
Non-current items:			
Listed (TSE and OTC) stocks	\$ 9,418,267	\$ 8,859,918	\$ 8,859,919
Valuation adjustment of available -for-sale financial assets	<u>28,199,035</u>	<u>23,229,293</u>	<u>19,972,032</u>
	<u>37,617,302</u>	<u>32,089,211</u>	<u>28,831,951</u>
Accumulated impairment - available -for-sale financial assets	<u>(2,613,085)</u>	<u>(2,613,085)</u>	<u>(2,613,085)</u>
	<u>\$ 35,004,217</u>	<u>\$ 29,476,126</u>	<u>\$ 26,218,866</u>

A. The Group recognised \$5,085,745 and (\$17,350) in other comprehensive income for fair value change for the three months ended March 31, 2016 and 2015, respectively.

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

C. The Group has no available-for-sale financial assets pledged to others for the three months ended March 31, 2016 and 2015.

(4) Notes receivable, net

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Notes receivable	\$ 91,521	\$ 72,028	\$ 107,349
Less: allowance for bad debts	<u>-</u>	<u>-</u>	<u>(1,966)</u>
	<u>\$ 91,521</u>	<u>\$ 72,028</u>	<u>\$ 105,383</u>

(5) Accounts receivable, net

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Accounts receivable	\$ 4,213,956	\$ 3,863,238	\$ 4,558,858
Less: allowance for bad debts	<u>(98,505)</u>	<u>(99,173)</u>	<u>(119,460)</u>
	<u>\$ 4,115,451</u>	<u>\$ 3,764,065</u>	<u>\$ 4,439,398</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>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Group 1	\$ 3,245,940	\$ 2,789,167	\$ 3,754,038
Group 2	243,323	318,743	253,116
Group 3	<u>309,766</u>	<u>370,053</u>	<u>310,426</u>
	<u>\$ 3,799,029</u>	<u>\$ 3,477,963</u>	<u>\$ 4,317,580</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>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Up to 30 days	\$ 273,331	\$ 291,503	\$ 163,000
31 to 90 days	112,811	58,054	50,613
91 to 180 days	8,403	16,494	7,105
Over 180 days	6,939	5,781	5,752
	<u>\$ 401,484</u>	<u>\$ 371,832</u>	<u>\$ 226,470</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 March 31, 2016, December 31, 2015 and March 31, 2015, the Group's accounts receivable that were impaired amounted to \$13,443, \$13,443 and \$14,808, respectively.

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

	<u>Three-month period ended March 31, 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	-	(668)	(668)
At March 31	<u>\$ 13,443</u>	<u>\$ 85,062</u>	<u>\$ 98,505</u>
	<u>Three-month period ended March 31, 2015</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 14,808	\$ 105,324	\$ 120,132
Reversal of provision for impairment	-	(126)	(126)
Effect of exchange rate	-	(546)	(546)
At March 31	<u>\$ 14,808</u>	<u>\$ 104,652</u>	<u>\$ 119,460</u>

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

(6) Inventories

	March 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,454,448	(\$ 91,778)	\$ 1,362,670
Supplies	223,067	(2,993)	220,074
Work in process	2,173,922	(19,406)	2,154,516
Finished goods	3,564,209	(329,627)	3,234,582
Merchandise inventory	208,976	-	208,976
Materials in transit	423,534	-	423,534
Outsourced processed materials	189,885	-	189,885
Construction in progress	20,377	-	20,377
Land for construction	32,909	-	32,909
	<u>\$ 8,291,327</u>	<u>(\$ 443,804)</u>	<u>\$ 7,847,523</u>
	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,358,667	(\$ 92,182)	\$ 1,266,485
Supplies	210,545	(3,100)	207,445
Work in process	2,228,054	(18,678)	2,209,376
Finished goods	3,758,946	(362,013)	3,396,933
Merchandise inventory	135,844	-	135,844
Materials in transit	392,966	-	392,966
Outsourced processed materials	166,192	-	166,192
Construction in progress	32,909	-	32,909
Land for construction	19,570	-	19,570
	<u>\$ 8,303,693</u>	<u>(\$ 475,973)</u>	<u>\$ 7,827,720</u>
	March 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,475,440	(\$ 87,444)	\$ 1,387,996
Supplies	238,396	(3,274)	235,122
Work in process	2,329,956	(8,767)	2,321,189
Finished goods	3,221,411	(318,497)	2,902,914
Merchandise inventory	224,480	-	224,480
Materials in transit	379,058	-	379,058
Outsourced processed materials	181,325	-	181,325
Construction in progress	16,746	-	16,746
Land for construction	46,398	-	46,398
	<u>\$ 8,113,210</u>	<u>(\$ 417,982)</u>	<u>\$ 7,695,228</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 three-month periods ended March 31, 2016 and 2015 were as follows:

	<u>Three-month period ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Cost of inventories sold	\$ 8,757,124	\$ 9,512,206
Inventory valuation (gain) loss (Note 1)	(32,169)	47,936
Others (Note 2)	18,346	(25,378)
	<u>\$ 8,743,301</u>	<u>\$ 9,534,764</u>

Note 1: Gain on inventory for the three-month period ended March 31, 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

<u>Items</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Unlisted stocks	<u>\$ 5,656,972</u>	<u>\$ 5,786,109</u>	<u>\$ 5,442,727</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 March 31, 2016, December 31, 2015 and March 31, 2015, no financial assets measured at cost held by the Group were pledged to others.

(8) Investments accounted for using equity method

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Formosa Industries Co., Ltd.	\$ 2,195,491	\$ 2,182,277	\$ 2,047,683
Quang Viet Enterprise Co., Ltd.	923,494	951,527	824,014
Changshu Yu Yuan Development Co., Ltd.	23,517	24,408	-
	<u>\$ 3,142,502</u>	<u>\$ 3,158,212</u>	<u>\$ 2,871,697</u>

A. Group's principal 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>March 31, 2016</u>	<u>December 31, 2015</u>		
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	20.16%	20.16%	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>March 31, 2015</u>			
Formosa Industries Co., Ltd.	Vietnam		10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan		20.16%	Associate	Equity method

B. The financial information of the Group's principal associates is summarized below:

Balance sheets

	<u>Formosa Industries Co., Ltd.</u>		
	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Current assets	\$ 13,766,979	\$ 7,604,525	\$ 13,620,785
Non-current assets	23,901,536	23,625,804	18,409,020
Current liabilities	(7,329,714)	(1,945,152)	(8,609,631)
Non-current liabilities	(9,322,464)	(8,404,130)	(3,844,697)
Total net assets	<u>\$ 21,016,337</u>	<u>\$ 20,881,047</u>	<u>\$ 19,575,477</u>
Share in associate's net assets	\$ 2,105,356	\$ 2,088,105	\$ 1,957,548
Difference	<u>90,135</u>	<u>94,172</u>	<u>90,135</u>
Carrying amount of the associate	<u>\$ 2,195,491</u>	<u>\$ 2,182,277</u>	<u>\$ 2,047,683</u>

Quang Viet Enterprise Co., Ltd.

	March 31, 2016	December 31, 2015	March 31, 2015
Current assets	\$ 3,695,137	\$ 3,015,922	\$ 3,891,381
Non-current assets	3,727,455	3,890,540	3,115,564
Current liabilities	(2,595,464)	(1,979,919)	(2,673,811)
Non-current liabilities	(238,004)	(223,173)	(245,761)
Total net assets	<u>\$ 4,589,124</u>	<u>\$ 4,703,370</u>	<u>\$ 4,087,373</u>

Share in associate's net assets (Carrying amount of the associate)	<u>\$ 923,494</u>	<u>\$ 951,527</u>	<u>\$ 824,014</u>
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Changshu Yu Yuan Development Co., Ltd.

	March 31, 2016	December 31, 2015
Current assets	\$ 384,541	\$ 367,888
Non-current assets	9,215	7,875
Current liabilities	(336,090)	(315,910)
Total net assets	<u>\$ 57,666</u>	<u>\$ 59,853</u>

Share in associate's net assets (Carrying amount of the associate)	<u>\$ 23,516</u>	<u>\$ 24,408</u>
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Statements of comprehensive income

Formosa Industries Co., Ltd.

	Three-month period ended March 31, 2016	Three-month period ended March 31, 2015
Revenue	<u>\$ 5,507,749</u>	<u>\$ 5,672,953</u>
Profit for the period from continuing operations (Total comprehensive income)	<u>\$ 489,869</u>	<u>\$ 161,470</u>

	<u>Quang Viet Enterprise Co., Ltd.</u>	
	<u>Three-month period ended March 31, 2016</u>	<u>Three-month period ended March 31, 2015</u>
Revenue	\$ 537,263	\$ 449,200
Loss for the period from continuing operations (Total comprehensive loss)	(\$ 85,283)	(\$ 69,957)

	<u>Changshu Yu Yuan Development Co., Ltd.</u>	
	<u>Three-month period ended March 31, 2016</u>	
Revenue	\$ -	
Profit for the period from continuing operations		
Other comprehensive loss		
Total comprehensive loss	(\$ 1,083)	

- B. The investment income of \$27,664 and \$2,044 for the three-month periods ended March 31, 2016 and 2015, respectively, were accounted for under the equity method based on the audited financial statements of the investee companies.
- C. The Company is the director of Formosa Industries Co., Ltd. and has significant impact to its operations, thus, Formosa Industries Co., Ltd. is accounted for under the equity method.
- D. The Company transferred stock of FORMOSA HA TINH (CAYMAN) LIMITED totaling 171,008,736 shares to the subsidiary-Formosa Taffeta (Cayman) Limited for reorganization.
- E. In order to effectively utilise Formosa Taffeta (Changshu) Co., Ltd.'s residential land of 9,206 square metres, the Group adjusted the investment structure in March 2015 by reducing capital of Formosa Taffeta (Changshu) Co., Ltd. and splitting the above land for establishing Changshu Fushun Enterprise Management Co., Ltd., whose 100% share ownership is held by Formosa Taffeta (Hong Kong) Co., Ltd. The above capital reduction, land division and establishment of a new company were completed in the first quarter of 2015. Furthermore, Changshu Fushun Enterprise Management Co., Ltd. merged with Changshu Yu Yuan Development Co., Ltd. in July 2015, with Changshu Yu Yuan Development Co., Ltd. as the surviving company. Formosa Taffeta (Hong Kong) Co., Ltd. holds 40.78% share of Changshu Yu Yuan Development Co., Ltd.

(9) Property, plant and equipment

<u>January 1, 2016</u>	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment and other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Cost	\$ 2,542,709	\$ 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>

Three-month period ended March 31, 2016

Opening net book amount	\$ 2,371,453	\$ 5,178,153	\$ 7,247,725	\$ 881,420	\$ 1,633,090	\$ 17,311,841
Additions	-	-	-	-	542,685	542,685
Disposals	-	(168)	(1,416)	(834)	-	(2,418)
Transfers (Note)	704	10,789	767,897	24,523	(791,116)	12,797
Depreciation charge	(82)	(86,518)	(552,296)	(58,882)	-	(697,778)
Net exchange differences	(50)	(40,100)	(43,104)	(7,340)	(15,816)	(106,410)
Closing net book amount	<u>\$ 2,372,025</u>	<u>\$ 5,062,156</u>	<u>\$ 7,418,806</u>	<u>\$ 838,887</u>	<u>\$ 1,368,843</u>	<u>\$ 17,060,717</u>

March 31, 2016

Cost	\$ 2,543,086	\$ 10,418,436	\$ 41,776,547	\$ 9,290,799	\$ 1,368,843	\$ 65,397,711
Accumulated depreciation	(15,323)	(5,356,280)	(34,357,470)	(8,451,912)	-	(48,180,985)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	<u>\$ 2,372,025</u>	<u>\$ 5,062,156</u>	<u>\$ 7,418,806</u>	<u>\$ 838,887</u>	<u>\$ 1,368,843</u>	<u>\$ 17,060,717</u>

Note: Transferred from 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, 2015</u>						
Cost	\$ 2,552,585	\$ 10,448,063	\$ 42,049,912	\$ 9,508,253	\$ 926,644	\$ 65,485,457
Accumulated depreciation	(15,448)	(4,980,080)	(34,035,448)	(8,450,604)	-	(47,481,580)
Accumulated impairment	(155,738)	-	(1,991)	-	-	(157,729)
	<u>\$ 2,381,399</u>	<u>\$ 5,467,983</u>	<u>\$ 8,012,473</u>	<u>\$ 1,057,649</u>	<u>\$ 926,644</u>	<u>\$ 17,846,148</u>

Three-month period ended March 31, 2015

Opening net book amount	\$ 2,381,399	\$ 5,467,983	\$ 8,012,473	\$ 1,057,649	\$ 926,644	\$ 17,846,148
Additions	-	428	588	3,386	619,462	623,864
Disposals	- (6)	(33,974)	(131)	-	(34,111)	
Transfers (Note)	-	24,796	706,530	20,302 (757,574)	(5,946)	
Depreciation charge	(83)	(85,731)	(598,409)	(66,874)	-	(751,097)
Net exchange differences	(42)	(32,810)	(37,164)	(9,959)	(4,328)	(84,303)
Closing net book amount	<u>\$ 2,381,274</u>	<u>\$ 5,374,660</u>	<u>\$ 8,050,044</u>	<u>\$ 1,004,373</u>	<u>\$ 784,204</u>	<u>\$ 17,594,555</u>

March 31, 2015

Cost	\$ 2,552,342	\$ 10,421,319	\$ 42,464,035	\$ 9,492,836	\$ 784,204	\$ 65,714,736
Accumulated depreciation	(15,330)	(5,046,659)	(34,412,000)	(8,488,463)	-	(47,962,452)
Accumulated impairment	(155,738)	-	(1,991)	-	-	(157,729)
	<u>\$ 2,381,274</u>	<u>\$ 5,374,660</u>	<u>\$ 8,050,044</u>	<u>\$ 1,004,373</u>	<u>\$ 784,204</u>	<u>\$ 17,594,555</u>

Note: Transferred to maintenance charge.

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-month period ended March 31, 2016	Three-month period ended March 31, 2015
Amount capitalised	\$ 1,792	\$ 1,663
Interest rate	1.105%~2.00%	1.20%~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	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 March 31, 2016 and 2015, the land mortgaged to the Company was \$808,300 and \$608,400, respectively.

(10) Long-term prepaid rent (shown as 'Other non-current assets')

	March 31, 2016	December 31, 2015	March 31, 2015
Land use right - Formosa Taffeta Co., Ltd.	\$ 709	\$ 801	\$ 1,079
Land use right - Formosa Taffeta (Zhong Shan) Co., Ltd.	35,440	36,458	37,622
Land use right - Formosa Taffeta (Dong Nai) Co., Ltd.	146,167	149,204	149,614
Land use right - Formosa Taffeta (Changshu) Co., Ltd.	130,517	133,831	136,818
Land use right - Changshu Fushun Enterprise Management Co., Ltd.	-	-	32,719
	<u>\$ 312,833</u>	<u>\$ 320,294</u>	<u>\$ 357,852</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 recognised rental expense for the three-month periods ended

March 31, 2016 and 2015 amounting to \$92 for both periods.

- 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 HKD 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 recognised rental expense for the three-month periods ended March 31, 2016 and 2015 of RMB 66 thousand.
- C. Formosa Taffeta (Dong Nai) Co., Ltd. has paid land use right of VND 75,655,550 thousand and VND 48,134,338 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 are both 140 years from the date of issuance of certificate of land use right. The Group recognised rental expense of VND 417,986 thousand for the three-month periods ended March 31, 2016 and 2015.
- 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 the consideration and reissued land use right for resumption of 794 square meters land. 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(10)E). As of March 31, 2016, 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 recognised rental expense for the three-month periods ended March 31, 2016 and 2015 amounting to RMB 160 thousand and RMB 182 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 metres 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 eliminated in July 2015. Details are provided in Note 6(8)E.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 3,228,327	1.50% ~ 2.40%	Property, plant and equipment and Inventories
Credit borrowings	300,000	0.90%	-
Purchase loans	<u>23,470</u>	0.36% ~ 1.53%	-
	<u>\$ 3,551,797</u>		

<u>Type of borrowings</u>	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 3,201,165	1.39% ~ 2.24%	Property, plant and equipment and Inventories
Credit borrowings	300,000	0.93%	-
Purchase loans	<u>6,791</u>	1.20% ~ 1.45%	-
	<u>\$ 3,507,956</u>		

<u>Type of borrowings</u>	<u>March 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 2,854,333	1.70% ~ 2.30%	Property, plant and equipment and Inventories
Credit borrowings	500,000	0.98%	-
Purchase loans	<u>5,117</u>	0.92% ~ 0.99%	-
	<u>\$ 3,359,450</u>		

(12) Short-term notes and bills payable

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Commercial paper payable	\$ 1,700,000	\$ 1,700,000	\$ 2,300,000
Less: Commercial paper payable discount	(<u>455</u>)	(<u>475</u>)	(<u>328</u>)
	<u>\$ 1,699,545</u>	<u>\$ 1,699,525</u>	<u>\$ 2,299,672</u>
Interest rate	<u>0.80%~0.90%</u>	<u>0.84%~0.87%</u>	<u>1.01%</u>

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

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

<u>Items</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Current items:			
Financial liabilities held for trading			
Forward foreign exchange contracts	<u>\$ 629</u>	<u>\$ 818</u>	<u>\$ -</u>

A. The Group recognised net gain of \$190 and \$3,726 on financial liabilities held for trading for the three-month periods ended March 31, 2016 and 2015, respectively.

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

Derivative Financial Liabilities	March 31, 2016		December 31, 2015	
	Contract Amount (Notional Principal)	Contract Period	Contract Amount (Notional Principal)	Contract Period
Current items:				
Forward foreign exchange contracts				
Chang Hwa Bank	-	- USD	5,000	2015.11~2016.02
Taipei Fubon Bank	JPY 40,000	2016.02~2016.04	USD 270,180	2015.12~2016.03

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.

(14) Other payables

	March 31, 2016	December 31, 2015	March 31, 2015
Dividends payable	\$ 14,604	\$ 14,642	\$ 11,734
Salaries and year-end bonus payable	452,332	781,152	455,931
Accrued utilities expenses	115,012	117,157	134,433
Commission payable	90,747	81,578	102,727
Others	606,362	818,901	515,197
	<u>\$ 1,279,057</u>	<u>\$ 1,813,430</u>	<u>\$ 1,220,022</u>

(15) Long-term borrowings

	March 31, 2016	December 31, 2015	March 31, 2015
Bank borrowings			
Secured borrowings	\$ 576,330	\$ 483,364	\$ 492,974
Credit borrowings	10,000,000	10,000,000	8,900,000
	10,576,330	10,483,364	9,392,974
Less: current portion (Shown as other current liabilities)	(117,822)	(120,955)	(114,054)
	<u>\$ 10,458,508</u>	<u>\$ 10,362,409</u>	<u>\$ 9,278,920</u>
Interest rate	<u>1.06%~1.34%</u>	<u>1.12%~1.34%</u>	<u>1.23%~1.35%</u>

The above long-term loans include a loan for \$2,000,000, which requires the Company to maintain a current ratio of not lower than 100% within the contract period (2013/6/21~2016/6/21). The Company amended the contract in July 2015, which amended the contract period to 2015/7/15 ~2017/7/15 in the amount of \$900,000. The ratio calculation shall be based on the Company's financial statements.

If the Company fails to meet the required ratios, it should improve no later than September of the following year. The Company should provide the audited financial statements to the banks no later than April of the following year.

(16) Pensions

A.(a)The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 12% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned employees pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b)For the aforementioned pension plan, the Group recognised pension costs of \$20,932 and \$20,199 for the three-month periods ended March 31, 2016 and 2015, respectively.

(c)Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 are \$83,680.

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-month periods ended March 31, 2016 and 2015 were \$34,958 and \$40,679, respectively.

(17) Share capital

A.As of March 31, 2016, 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 three-month periods ended March 31, 2016 and 2015, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Three-month period ended March 31, 2016			
		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.	2,563	-	-	2,563

Three-month period ended March 31, 2015

<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>Beginning shares</u>	<u>Additions</u>	<u>Disposal (Note)</u>	<u>Ending shares</u>
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,613	-	-	2,613

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

D. As of March 31, 2016 and 2015, the market price per share was \$31.45 and \$32.95, respectively.

(18) 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.

(19) Retained earnings

A. According to the R.O.C. Securities Exchange Law No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. If the valuation or contra-account in stockholders' equity belongs to prior periods, the same amount from prior period earnings should be considered special reserve and cannot be distributed. The special reserve includes: i) reserve for special purposes, ii) investment income recognised under the equity method, iii) net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section; and iv) other special reserves set out by legal provisions.

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

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

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. The appropriations of 2015 and 2014 earnings had been resolved at the stockholders' meeting on March 16, 2016 and June 26, 2015, respectively. Details are summarized below:

	2015 earnings		2014 earnings	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 282,868		\$ 351,837	
Special reserve	326,718		737,562	
Cash dividends	2,021,598	\$ 1.20	2,358,530	\$ 1.40
	\$ 2,631,184		\$ 3,447,929	

The estimated appropriations of 2015 and 2014 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 March 31, 2016 and 2015, unpaid stock dividends amounted to \$14,604 and \$11,391, respectively.
- F. For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(25).

(BLANK)

(20) Other equity items

	<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	5,084,233	-	-
— Subsidiaries	1,512	-	-
— Associates	-	-	31,086
Difference of long-term equity investment from cumulative translation differences of foreign operations			
— Parent company	-	(253,187)	-
— Associates	-	(44,436)	-
— Non-controlling interest	-	-	(449)
Net income of non-controlling interest	-	-	86,562
March 31, 2016	<u>\$ 28,583,179</u>	<u>\$ 348,553</u>	<u>\$ 3,486,794</u>

	<u>Available-for-sale investments</u>	<u>Currency translation</u>	<u>Non-controlling interest</u>
January 1, 2015	\$ 20,331,798	\$ 385,721	\$ 3,209,154
Change in unrealised gain or loss on available-for- sale financial assets			
— Parent company	(18,765)	-	-
— Subsidiaries	1,415	-	-
— Associates	-	-	9,197
Difference of long-term equity investment from cumulative translation differences of foreign operations			
— Parent company	-	(104,796)	-
— Associates	-	(41,198)	-
— Non-controlling interest	-	-	(315)
Net income of non-controlling interest	-	-	98,603
March 31, 2015	<u>\$ 20,314,448</u>	<u>\$ 239,727</u>	<u>\$ 3,316,639</u>

(21) Operating revenue

	<u>Three-month periods ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Sales revenue	\$ 10,336,813	\$ 10,931,695
Service revenue	92,782	98,231
	<u>\$ 10,429,595</u>	<u>\$ 11,029,926</u>

(22) Other income

	<u>Three-month periods ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Interest income from bank deposits	\$ 5,084	\$ 4,960
Dividend income	-	2,906
Other income	44,447	118,470
	<u>\$ 49,531</u>	<u>\$ 126,336</u>

(23) Other gains and losses

	Three-month periods ended March 31,	
	2016	2015
Forward foreign exchange contracts		
Net gain on financial assets at fair value through profit or loss	\$ 669	\$ 2,369
Net gain on financial liabilities at fair value through profit or loss	190	3,726
Net currency exchange loss	(49,297)	(57,925)
Gain (loss) on disposal of property, plant and equipment	14,541	(23,688)
Bank charges	(7,273)	(6,436)
Other losses	(21,542)	(30,021)
	<u>(\$ 62,712)</u>	<u>(\$ 111,975)</u>

(24) Expenses by nature

	Three-month periods ended March 31,	
	2016	2015
Employee benefit expense	\$ 1,232,250	\$ 1,256,927
Depreciation charges on property, plant and equipment	697,778	751,097
	<u>\$ 1,930,028</u>	<u>\$ 2,008,024</u>

(25) Employee benefit expense

	Three-month periods ended March 31,	
	2016	2015
Wages and salaries	\$ 1,037,512	\$ 1,062,137
Labor and health insurance fees	106,581	102,721
Pension costs	55,890	60,878
Other personnel expenses	32,267	31,191
	<u>\$ 1,232,250</u>	<u>\$ 1,256,927</u>

A. According to the R.O.C. Company Law and the Company's Articles of Incorporation, the annual net income should be used initially to cover any accumulated deficit; 10% of the annual net income should be set aside as legal reserve and special reserve. The remaining balance shall be distributed to shareholders according to their shareholding percentage. After deducting the above items, the remaining earnings, if any, shall be appropriated up to 1% as directors' and supervisors' compensation, and 0.1% to 1% as employees' bonus, which shall be recognized as current expense. However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by

cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders during their meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The board of directors of the Company has approved the amended Articles of Incorporation of the Company on December 24, 2015. According to the amended articles, 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% and 0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.

- B. For the three-month periods ended March 31, 2016 and 2015, employees' remuneration was accrued at \$1,363 and \$1,061, respectively; while directors' and supervisors' remuneration was accrued at \$681 and \$531, respectively. The aforementioned amounts were recognized in salary expenses. The employees' bonus and directors' and supervisors' remuneration for 2015 approved by shareholders were the same as the amounts shown in the 2015 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the board of directors were both \$6,096 in the form of cash. Information on the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Finance costs

	Three-month periods ended March 31,	
	2016	2015
Interest expense:		
Bank borrowings	\$ 48,903	\$ 48,577
Less: capitalisation of qualifying assets	(1,792)	(1,663)
Finance costs	<u>\$ 47,111</u>	<u>\$ 46,914</u>

(27) Income tax

A. Income tax expense

	Three-month periods ended March 31,	
	2016	2015
Current tax:		
Current tax on profits for the year	\$ 174,429	\$ 106,159
Prepayment of taxes	350	306
Impact of change in tax rate	1,377	314
Total current tax	176,156	106,779
Deferred tax:		
Origination and reversal of temporary differences	43,813	57,947
Income tax expense	<u>\$ 219,969</u>	<u>\$ 164,726</u>

B. The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd. and Formosa Development Co., Ltd. through 2013 have been assessed and approved by the Tax Authority.

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. are based on 25% of income generated within and beyond Mainland China.

D. The income tax rate of the Company's subsidiary, 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 the Company's subsidiary, 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>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Earnings generated in and after 1998	<u>\$ 4,463,531</u>	<u>\$ 3,819,939</u>	<u>\$ 5,154,035</u>

H. Shareholder's creditable tax:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Creditable account balance	\$ 96,895	\$ 95,159	\$ 222,230
	<u>For the years ended December 31,</u>		
	<u>2015 (Expected)</u>	<u>2014 (Actual)</u>	
Creditable tax ratio	<u>6.12%</u>	<u>7.40%</u>	

(28) 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 year.

	<u>Three-month period ended March 31, 2016</u>				
	<u>Amount</u>		<u>Weighted-average</u>	<u>Earnings per share</u>	
	<u>Before tax</u>	<u>After tax</u>	<u>outstanding</u>	<u>(in dollars)</u>	
			<u>(in thousands)</u>	<u>Before tax</u>	<u>After tax</u>
Net income	\$ 950,123	\$ 730,154	<u>1,684,665</u>	\$ 0.56	\$ 0.43
Profit attributable to the non-controlling interest	(190,513)	(86,562)		(0.11)	(0.05)
Profit attributable to the parent	<u>\$ 759,610</u>	<u>\$ 643,592</u>		<u>\$ 0.45</u>	<u>\$ 0.38</u>
	<u>Three-month period ended March 31, 2015</u>				
	<u>Amount</u>		<u>Weighted-average</u>	<u>Earnings per share</u>	
	<u>Before tax</u>	<u>After tax</u>	<u>outstanding</u>	<u>(in dollars)</u>	
			<u>(in thousands)</u>	<u>Before tax</u>	<u>After tax</u>
Net income	\$ 780,680	\$ 615,954	<u>1,682,051</u>	\$ 0.46	\$ 0.37
Profit attributable to the non-controlling interest	(189,581)	(98,603)		(0.11)	(0.06)
Profit attributable to the parent	<u>\$ 591,099</u>	<u>\$ 517,351</u>		<u>\$ 0.35</u>	<u>\$ 0.31</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-month period ended March 31, 2016				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 950,123	\$ 730,154	<u>1,684,665</u>	\$ 0.56	\$ 0.43
Profit attributable to the non-controlling interest	(190,513)	(86,562)		(0.11)	(0.05)
Profit attributable to the parent	<u>\$ 759,610</u>	<u>\$ 643,592</u>		<u>\$ 0.45</u>	<u>\$ 0.38</u>

	Three-month period ended March 31, 2015				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 780,680	\$ 615,954	<u>1,684,665</u>	\$ 0.46	\$ 0.37
Profit attributable to the non-controlling interest	(189,581)	(98,603)		(0.11)	(0.06)
Profit attributable to the parent	<u>\$ 591,099</u>	<u>\$ 517,351</u>		<u>\$ 0.35</u>	<u>\$ 0.31</u>

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the three-month periods ended March 31, 2016 and 2015.

(29) Non-cash transaction

Investing activities with partial cash payments:

	Three-month periods ended March 31,	
	2016	2015
Purchase of property, plant and equipment	\$ 542,685	\$ 623,864
Add: opening balance of payable on equipment	41,230	89,748
Less: ending balance of payable on equipment	(77,472)	(55,917)
Cash paid during the period	<u>\$ 506,443</u>	<u>\$ 657,695</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Significant related party transactions and balances

A. Operating revenue

	<u>Three-month periods ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Sales of goods:		
— Ultimate parent	\$ 23,993	\$ 31,949
— Associates	<u>1,905,161</u>	<u>1,956,578</u>
	<u>\$ 1,929,154</u>	<u>\$ 1,988,527</u>

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

B. Purchases of goods

	<u>Three-month periods ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Purchases of goods:		
— Ultimate parent	\$ 509,893	\$ 709,043
— Associates	<u>2,709,531</u>	<u>3,207,031</u>
	<u>\$ 3,219,424</u>	<u>\$ 3,916,074</u>

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

C. Receivables from related parties

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Notes and accounts receivable:			
— Ultimate parent	\$ 6,068	\$ 3,024	\$ 10,272
— Associates	<u>1,403,044</u>	<u>1,279,544</u>	<u>1,456,494</u>
	<u>\$ 1,409,112</u>	<u>\$ 1,282,568</u>	<u>\$ 1,466,766</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>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Notes and accounts payable:			
– Ultimate parent	\$ 402,106	\$ 462,104	\$ 440,824
– Associates	<u>564,354</u>	<u>660,001</u>	<u>764,207</u>
	<u>\$ 966,460</u>	<u>\$ 1,122,105</u>	<u>\$ 1,205,031</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>Period ended March 31, 2016</u> <u>Consideration</u>
Associates	Non-current available-for-sale financial assets	15,297,204	Nanya Technology Corporation	<u>\$ 558,348</u>

F. Others

Formosa Taffeta (Dong Nai) Co., Ltd. was consigned by the related party, Formosa Industry, to provide management services to Nhon Trach 3 Industrial Zone. In accordance with the service consignment contract signed by Formosa Taffeta (Dong Nai) Co., Ltd. and Nhon Trach 3 Industrial Zone each year, Formosa Taffeta (Dong Nai) Co., Ltd. is engaged in managing land that is available for rent, meter reading and payment collection of water, electricity, steam and other public liquid sold to lessees in investment district, repairing and performing service on various public facilities of power plant. In accordance with the contract, Formosa Taffeta (Dong Nai) Co., Ltd.'s collectible service expense is as follows:

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

For the three-month periods ended March 31, 2016 and 2015, Formosa Taffeta (Dong Nai) Co., Ltd. has recognised lease service in investment district of \$7,716 and \$6,963, respectively, for rendering the abovementioned consigned services. As of March 31, 2016, December 31, 2015 and March 31, 2015, the uncollected amount of \$2,863, \$2,973 and \$2,532, respectively, was recognised under 'other receivables'. For the above land leasing, as of March 31, 2016, December 31, 2015 and March 31, 2015, the amount of management expense and utility expense which Formosa Taffeta (Dong Nai) Co., Ltd. is due to collect from the related party, Formosa Industry, was \$83,998, \$248,971 and \$0.

(3) Key management compensation

	Three-month periods ended March 31,	
	2016	2015
Salaries and other short-term employee benefits	\$ 23,287	\$ 21,594

8. PLEGDED ASSETS

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

Item	Book Value			Purpose
	March 31, 2016	December 31, 2015	March 31, 2015	
Property, plant and equipment	\$ 139,887	\$ 140,062	\$ 140,587	Security for short-term borrowings
Inventories (Held-to-maturity land)	26,798	26,798	40,287	Security for short-term borrowings
	<u>\$ 166,685</u>	<u>\$ 166,860</u>	<u>\$ 180,874</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED 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 compensate if lost. As of March 31, 2016, the items in custody are as follows:

		March 31, 2016							
		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)	(per stick)
A. Work in process									
	LED	29,929,660	NTD 0.05~0.85	-	-	-	-	-	-
	FBGA	36,544,322	USD 0.7~7.6	-	-	-	-	-	-
	TSOP	7,740,619	USD 0.9~0.95	-	-	-	-	-	-
	LED assembly	3,949,405	NTD 0.46	-	-	-	-	-	-
	Module	2,245,768	USD 9.1~27.8	-	-	34,938	USD 9.1~27.8	-	-
	MICRO-SD	533,726	USD 1.13~9.519	-	-	-	-	-	-
	Other	26,529	USD 1.65~7.2	2,088	USD 1,500	-	-	-	-
		<u>80,970,029</u>		<u>2,088</u>		<u>34,938</u>		<u>-</u>	
B. Finished goods									
	LED	9,034,605	NTD 0.05~0.85	-	-	-	-	-	-
	FBGA	109,804,487	USD 0.7~7.6	-	-	-	-	-	-
	TSOP	10,188,781	USD 0.9~0.95	-	-	-	-	-	-
	LED assembly	4,421,099	NTD 0.46	-	-	-	-	1,351	NTD 85.5
	Module	-	-	-	-	24,288	USD 9.1~27.8	-	-
	MICRO-SD	14,830	USD 1.13~9.519	-	-	-	-	-	-
	Other	5,550	USD 1.65~7.2	812	USD 1,500	-	-	-	-
		<u>133,469,352</u>		<u>812</u>		<u>24,288</u>		<u>1,351</u>	

(2) As of March 31, 2016, 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	\$ 1,715
JPY	282,568
EUR	606
CHF	42

(3) Endorsements and guarantees

As of March 31, 2016, 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>March 31, 2016</u>
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 2,252,950
FORMOSA TAFFETA VIETNAM CO., LTD.	1,609,250
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2,574,800
FORMOSA TAFFETA (DONG NAI) CO., LTD.	4,335,320
FORMOSA HA TINH (CAYMAN) LIMITED	4,333,549

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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, 2015 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, 2015 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, 2015 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, 2015 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:

	March 31, 2016		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 116,997	32.28	\$ 3,776,663
USD:RMB	11,945	6.46	385,824
<u>Non-monetary items</u>			
VND:NTD	4,358,268,646	0.0014	6,101,576
HKD:NTD	255,195	4.15	1,059,059
RMB:NTD	539,268	5.00	2,696,340
USD:NTD	165,366	32.28	5,338,014
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5,078	32.28	163,918
USD:RMB	45,040	6.46	290,958
	December 31, 2015		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 96,569	33.07	\$ 3,193,537
USD:RMB	6,848	6.49	226,463
<u>Non-monetary items</u>			
VND:NTD	4,236,760,190	0.0015	6,355,140
HKD:NTD	246,109	4.25	1,045,963
RMB:NTD	527,631	5.09	2,685,642
USD:NTD	167,516	33.07	5,539,754
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,332	33.07	110,189
USD:RMB	45,071	6.49	1,490,498

March 31, 2015			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 127,142	31.40	\$ 3,992,259
USD:RMB	13,139	6.14	412,565
<u>Non-monetary items</u>			
VND:NTD	4,049,150,311	0.0015	6,073,725
HKD:NTD	265,994	4.04	1,074,616
RMB:NTD	530,336	5.11	2,710,017
USD:NTD	8,457	31.40	265,550
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	4,801	31.40	150,751
USD:RMB	51,918	6.14	1,630,225

The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2016 and 2015, amounted to \$49,297 and \$57,925, respectively.

(Blank)

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

Three-month period ended March 31, 2016			
Sensitivity analysis			
Degree of variation		Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 37,767	\$ -
USD:RMB	1%	3,858	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	61,016
HKD:NTD	1%	-	10,591
RMB:NTD	1%	-	26,963
USD:NTD	1%	-	53,380
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	1,639	-
USD:RMB	1%	2,910	-
Three-month period ended March 31, 2015			
Sensitivity analysis			
Degree of variation		Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 39,923	\$ -
USD:RMB	1%	4,126	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	60,737
HKD:NTD	1%	-	10,746
RMB:NTD	1%	-	27,100
USD:NTD	1%	-	2,656
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	1,508	-
USD:RMB	1%	16,302	-

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 three-month periods ended March 31, 2016 and 2015 would have increased/decreased by \$5,449 and \$5,433, 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 \$369,948 and \$280,267, 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 three-month periods ended March 31, 2016 and 2015, the Group's borrowings at variable rate were denominated in the NTD and USD.
- ii. At March 31, 2016 and 2015, if interest rates on NTD-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2016 and 2015 would have been \$83,000 and \$73,870 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.
- iii. At March 31, 2016 and 2015, if interest rates on USD-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2016 and 2015 would have been \$3,439 and \$2,842 lower/higher, respectively, mainly as a result of higher/lower 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 Company'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 Company's policy requires that wholesale sales of products are made to clients with an appropriate credit review procedures. Therefore, 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 asset 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.

<u>March 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	\$ 3,569,748	\$ -	\$ -
Short-term bills payable	1,700,000	-	-
Notes payable (including related parties)	316,323	-	-
Accounts payable (including related parties)	2,415,494	-	-
Other payables	1,279,057	-	-
Long-term borrowings (including current portion)	117,822	4,558,911	5,899,597
Financial guarantee contracts	3,750,590	-	-
<u>December 31, 2015</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 3,578,543	\$ -	\$ -
Short-term bills payable	1,700,000	-	-
Notes payable (including related parties)	340,510	-	-
Accounts payable (including related parties)	2,583,752	-	-
Other payables	1,813,430	-	-
Long-term borrowings (including current portion)	240,864	7,683,355	2,762,769
Financial guarantee contracts	3,611,465	-	-
<u>March 31, 2015</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 3,412,191	\$ -	\$ -
Short-term bills payable	2,300,000	-	-
Notes payable (including related parties)	407,224	-	-
Accounts payable (including related parties)	2,442,895	-	-
Other payables	1,220,022	-	-
Long-term borrowings (including current portion)	229,240	9,071,506	264,866
Financial guarantee contracts	3,283,047	-	-

(d) As of March 31, 2016, December 31, 2015 and March 31, 2015, the derivative financial liabilities all mature within 1 year. 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 March 31, 2016, December 31, 2015 and March 31, 2015:

<u>March 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				
Beneficiary certificates	\$ 656,480	\$ -	\$ -	\$ 656,480
Available-for-sale financial assets				
Equity securities	<u>36,629,547</u>	<u>365,300</u>	<u>-</u>	<u>36,994,847</u>
	<u>\$ 37,286,027</u>	<u>\$ 365,300</u>	<u>\$ -</u>	<u>\$ 37,651,327</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 629</u>	<u>\$ -</u>	<u>\$ 629</u>

<u>December 31, 2015</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	\$ -	\$ 12	\$ -	\$ 12
Beneficiary certificates	655,799	-	-	655,799
Available-for-sale financial assets				
Equity securities	30,951,482	349,300	-	31,300,782
	<u>\$ 31,607,281</u>	<u>\$ 349,312</u>	<u>\$ -</u>	<u>\$ 31,956,593</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 818	\$ -	\$ 818
<u>March 31, 2015</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	\$ -	\$ 1,688	\$ -	\$ 1,688
Beneficiary certificates	653,062	-	-	653,062
Available-for-sale financial assets				
Equity securities	27,598,798	427,900	-	28,026,698
	<u>\$ 28,251,860</u>	<u>\$ 429,588</u>	<u>\$ -</u>	<u>\$ 28,681,448</u>

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 three-month periods ended March 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. For the three-month periods ended March 31, 2016 and 2015, 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 three-month period ended March 31, 2016 are stated as follows. Furthermore, the inter-company transactions were eliminated when preparing financial statements of investees which were audited by other independent accountants. 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(13) and 12(2).

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

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

Three-month period ended March 31, 2016

	Second business group						Total
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 3,742,850	\$ 1,816,440	\$ 2,280,748	\$ 422,522	\$ 2,167,035	\$ -	\$ 10,429,595
Inter-segment revenue	469,753	4,787	-	30,948	-	(505,488)	-
Total segment revenue	<u>\$ 4,212,603</u>	<u>\$ 1,821,227</u>	<u>\$ 2,280,748</u>	<u>\$ 453,470</u>	<u>\$ 2,167,035</u>	<u>(\$ 505,488)</u>	<u>\$ 10,429,595</u>
Segment income	<u>\$ 705,578</u>	<u>\$ 148,257</u>	<u>\$ 113,767</u>	<u>\$ 40,536</u>	<u>\$ 297,744</u>	<u>(\$ 355,759)</u>	<u>\$ 950,123</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 15,038,224</u>	<u>\$ 4,752,906</u>	<u>\$ 1,341,069</u>	<u>\$ 4,445,904</u>	<u>\$ 5,396,800</u>	<u>(\$ 450,579)</u>	\$ 30,524,324
Long-term investments							3,142,502
General assets							<u>51,665,856</u>
Total assets							<u>\$ 85,332,682</u>

Three-month period ended March 31, 2015

	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	\$ 3,660,291	\$ 1,979,011	\$ 2,650,515	\$ 432,609	\$ 2,307,500	\$ -	\$ 11,029,926
Inter-segment revenue	<u>398,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(398,317)</u>	<u>-</u>
Total segment revenue							<u>\$ 11,029,926</u>
Segment income	<u>\$ 4,058,608</u>	<u>\$ 1,979,011</u>	<u>\$ 2,650,515</u>	<u>\$ 432,609</u>	<u>\$ 2,307,500</u>	<u>(\$ 398,317)</u>	<u>\$ 780,680</u>
<u>Segment assets</u>							
Identifiable assets							\$ 31,301,330
Long-term investments	<u>\$ 14,197,568</u>	<u>\$ 5,271,055</u>	<u>\$ 1,412,247</u>	<u>\$ 4,091,818</u>	<u>\$ 6,612,086</u>	<u>(\$ 283,444)</u>	2,871,697
General assets							<u>41,482,734</u>
Total assets							<u>\$ 75,655,761</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 three-month period ended March 31, 2016

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 March 31, 2016 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2016 (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	\$ 37,785,051	\$ 2,341,500	\$ 2,252,950	\$ 820,718	\$ -	3.88%	\$ 75,570,103	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	37,785,051	1,672,500	1,609,250	188,946	-	2.77%	75,570,103	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	3	37,785,051	2,676,000	2,574,800	559,053	-	4.43%	75,570,103	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (DONG NAI) CO., LTD.	2	37,785,051	4,505,715	4,335,320	2,181,873	-	7.46%	75,570,103	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	37,785,051	4,333,549	4,333,549	-	-	7.45%	75,570,103	N	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 three-month period ended March 31, 2016

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 March 31, 2016				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICAL & FIBRE CORPORATION	Parent company	Available-for-sale financial assets - current	11,219,610	\$ 899,813	0.19	\$ 899,813	
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	The Company's Chairman is the issuer's director	Available-for-sale financial assets - current	640	51	-	51	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - current	482,194	32,596	0.01	32,596	
FORMOSA TAFFETA CO., LTD.	INOTERA MEMORIES INC.	-	Available-for-sale financial assets - current	2,712,345	79,065	0.04	79,065	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	The Company's Chairman is the issuer's director	Available-for-sale financial assets - current	10,000,000	365,300	2.35	365,300	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - non-current	15,421,010	616,069	0.56	616,069	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	The Company's Chairman is the issuer's director	Available-for-sale financial assets - non-current	365,267,576	33,787,251	3.83	33,787,251	
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	The Company is the issuer's corporate director	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	568,105	3,099	1.20	3,099	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Financial assets measured at cost – non-current	5,352,107	34,517	3.17	34,517	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	The Company's Chairman and the issuer's Chairman are in second degree of kinship	Financial assets measured at cost – non-current	19,066,860	196,389	9.53	196,389	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	The Company's Chairman is the issuer's director	Financial assets measured at cost – non-current	171,008,736	5,317,206	3.85	5,317,206	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	The Company is the parent of FORMOSA DEVELOPMENT CO., LTD.	Available-for-sale financial assets - non-current	2,563,228	80,614	0.15	80,614	
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Association of R.O.C.	-	Financial assets measured at cost – non-current	-	150	0.11	150	

As of March 31, 2016								
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - current	74,388	5,936	-	5,936	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - current	312,512	21,126	-	21,126	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICAL & FIBRE CORPORATION	Parent company	Available-for-sale financial assets - current	7,316,000	586,743	0.12	586,743	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	27,586,096	403,775	-	403,775	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	20,396,748	252,705	-	252,705	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - non-current	15,041,215	600,897	0.55	600,897	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	The Company's Chairman and the issuer's Chairman are in second degree of kinship	Financial assets measured at cost – non-current	9,533,430	98,194	4.77	98,194	
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 three-month period ended March 31, 2016

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, 2016		Addition (Note 3)		Disposal (Note 3)			Balance as at March 31, 2016		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
FORMOSA TAFFETA CO., LTD.	Stock of NAN YA TECHNOLOGY CORPORATION	Financial assets measured at cost – non-current	-	-	13,950,464	\$ 637,536	1,470,546	\$ 53,675	-	\$ -	\$ -	\$ -	15,421,010	\$ 616,069
FORMOSA ADVANCED TECHNOLOGIES	Stock of NAN YA TECHNOLOGY CORPORATION	Investments accounted for under equity method	-	-	1,214,557	55,505	13,826,658	504,673	-	-	-	-	15,041,215	600,897

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

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

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

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

Note 5: Beginning balance plus addition amount is not equal to balance at March 31, 2016 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 three-month period ended March 31, 2016

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

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 CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Investee company accounted for under the equity method	Sales	(\$ 158,186)	(2.51)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 135,589	5.95	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	The Company's Chairman is the issuer's director	Purchases	2,068,358	12.62	Pay every half of month by mail transfer	-	-	Accounts payable	(365,163)	(27.02)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICAL & FIBRE CORPORATION	Ultimate parent company	Purchases	423,673	2.59	Draw promissory notes due in 2 months after inspection	-	-	Accounts payable	(301,410)	(22.30)	
									Notes payable	(81,664)	(55.09)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	The Company's Chairman is the issuer's director	Purchases	156,175	0.95	Pay every half of month by mail transfer	-	-	Accounts payable	(63,980)	(4.73)	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	The Company's Chairman is the issuer's director	Sales	(1,489,217)	(68.72)	60 days after monthly billings	-	-	Accounts receivable	1,010,186	62.58	
FORMOSA TAFFETA (DONG NAI) CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Affiliated company	Sales	(107,241)	(12.01)	60 days after monthly billings	-	-	Accounts receivable	90,634	11.41	
FORMOSA TAFFETA (DONG NAI) CO., LTD.	FORMOSA INDUSTRY CO., LTD	The counterparty is the parent company's investee accounted for under the equity method	Purchases	142,764	7.83	60 days after monthly billings	-	-	Accounts payable	(35,814)	(8.38)	

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 NTS\$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

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

For the three-month period ended March 31, 2016

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2016 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Investee company accounted for under the equity method	\$ 135,589	1.60	\$ -	-	\$ 21,258	\$ -
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	The Company's Chairman is the counterparty's director	1,010,186	5.69	\$ -	-	481,849	-

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

Information on investees

For the three-month period ended March 31, 2016

Table 6

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 March 31, 2016			Net profit (loss)	Net profit (loss)	Footnote
				Balance as March 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	of the investee for the three-month period ended March 31, 2016 (Note 2(2))	of the investee for the three-month period ended March 31, 2016 (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	\$ 221,278	\$ 477	\$ 477	
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	6,733,841	247,008	162,235	
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	1,047,442	26,369	30,086	
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	1,678,998	68,890	67,828	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producing 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	20.16	923,494 (85,283) (20,881)	

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2016			Net profit (loss) of the investee for the three-month period ended	Net profit (loss) of the investee for the three-month period ended	Footnote
				Balance as March 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	March 31, 2016 (Note 2(2))	March 31, 2016 (Note 2(3))	
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	\$ 2,958	\$ 2,958	-	43.00	\$ 10,343	\$ 3,598	\$ 1,547	
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	2,436,285	66,104	63,215	
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	2,195,491	489,869	48,987	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	5,090,180	5,090,180	171,028,736	100.00	5,317,550	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	22,535	247,008	264	

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 March 31, 2016' 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 three-month period ended March 31, 2016' 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 three-month period ended March 31, 2016' 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 three-month period ended March 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2016	Net income of investee for the three-month period ended March 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three- month period ended March 31, 2016 (Note 2)	Book value of investments in Mainland China as of March 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	(1)	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	\$ 29,736	100.00	\$ 29,736	\$ 1,722,672	\$ -	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	195	100.00	195	8,291	-	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	29,430	100.00	29,430	963,375	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	- (1,083)	40.78 (442)	23,517	-	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 three-month period ended March 31, 2016 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, 2016 and March 31, 2016 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, 2016 and March 31, 2016 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, 2016 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 March 31, 2016 was US\$41,100,000.

Note 6: The Company is 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 March 31, 2016	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	\$ 1,497,792	\$ 36,970,586
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	18,400	36,970,586
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,355,760	36,970,586

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 = 1:32.28

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 three-month period ended March 31, 2016

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing					
	Amount	%	Amount	%	Balance at March		Balance at March		Purpose	Maximum balance during the three-month period ended March 31, 2016	Balance at March 31, 2016	Interest rate	Interest during the three-month period ended March 31, 2016	Others
					31, 2016	%	31, 2016							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 4,498	0.07	\$ -	-	\$ 3,076	0.13	\$ 2,252,950		For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -	-
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	41,405	0.66	-	-	35,541	1.56	2,574,800		For short-tem loans from financial institutions	-	-	-	-	-