

**FORMOSA TAFFETA CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2022 AND 2021**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and subsidiaries (the "Group") as at March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(7), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets (including investments accounted for using the equity method) of NT\$17,974,890 thousand and NT\$17,502,417 thousand, both constituting 22% of the consolidated total assets, and total liabilities of NT\$5,231,683 thousand and NT\$5,115,663 thousand, constituting 27% and 28% of the consolidated total liabilities as at March 31, 2022 and 2021, respectively, and total comprehensive income (including share of profit and other comprehensive income

of associates) of NT\$124,668 thousand and NT\$153,471 thousand, constituting 35% and 32% of the consolidated total comprehensive income for the three months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Juanlu, Man-Yu

Wu, Han-Chi

For and on Behalf of PricewaterhouseCoopers, Taiwan

May 6, 2022

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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

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

(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

			March 31, 2022		December 31, 2021		March 31, 2021				
Assets			Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%		
Current assets											
1100	Cash and cash equivalents	6(1)	\$	3,414,349	4	\$	3,471,141	4	\$	2,510,999	3
1120	Current financial assets at fair value through other comprehensive income	6(3)		1,472,608	2		1,489,451	2		1,449,102	2
1136	Current financial assets at amortized cost	6(4)		64,773	-		62,909	-		-	-
1150	Notes receivable, net	6(5)		40,162	-		57,955	-		64,291	-
1160	Notes receivable - related parties	7		6,554	-		8,505	-		2,900	-
1170	Accounts receivable, net	6(5)		3,762,192	5		3,563,413	5		3,778,469	5
1180	Accounts receivable - related parties	7		412,621	1		206,124	-		326,114	-
1200	Other receivables	7		287,183	-		212,832	-		301,239	-
130X	Inventory	6(6)		8,384,127	10		7,915,845	10		7,099,319	9
1410	Prepayments			670,263	1		567,287	1		453,682	1
1470	Other current assets			177,222	-		138,426	-		172,822	-
11XX	Total current assets			18,692,054	23		17,693,888	22		16,158,937	20
Non-current assets											
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		40,021,705	49		40,512,078	50		39,953,180	50
1550	Investments accounted for using the equity method	6(7)		9,807,527	12		9,555,195	12		9,788,766	12
1600	Property, plant and equipment	6(8) and 8		11,587,338	14		11,541,908	14		12,164,291	15
1755	Right-of-use assets	6(9)		1,115,546	1		1,026,668	1		1,031,284	2
1760	Investment property, net	6(10)		571,032	1		575,852	1		600,567	1
1840	Deferred income tax assets			67,773	-		71,876	-		90,840	-
1900	Other non-current assets			359,442	-		364,723	-		144,429	-
15XX	Total non-current assets			63,530,363	77		63,648,300	78		63,773,357	80
1XXX	Total assets		\$	82,222,417	100	\$	81,342,188	100	\$	79,932,294	100

(Continued)

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

(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2022		December 31, 2021		March 31, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(11) and 8	\$ 3,534,713	4	\$ 3,167,227	4	\$ 3,598,657	5
2110	Short-term notes and bills payable	6(12)	399,937	1	299,941	-	-	-
2150	Notes payable		210,705	-	221,284	-	158,707	-
2160	Notes payable - related parties	7	124,321	-	341,981	1	77,179	-
2170	Accounts payable		1,291,777	2	1,093,116	1	1,185,851	1
2180	Accounts payable - related parties	7	887,710	1	967,146	1	930,187	1
2200	Other payables	6(14) and 7	1,040,198	1	1,039,634	1	981,207	1
2230	Current income tax liabilities		239,020	-	197,485	-	140,380	-
2280	Current lease liabilities	6(9)	134,156	-	82,334	-	142,798	-
2399	Other current liabilities		533,239	1	494,900	1	463,157	1
21XX	Total current liabilities		<u>8,395,776</u>	<u>10</u>	<u>7,905,048</u>	<u>9</u>	<u>7,678,123</u>	<u>9</u>
	Non-current liabilities							
2540	Long-term borrowings	6(15)	9,700,000	12	9,700,000	12	8,900,000	11
2570	Deferred income tax liabilities	6(28)	360,522	-	349,420	-	401,230	1
2580	Non-current lease liabilities	6(9)	760,078	1	728,999	1	663,690	1
2600	Other non-current liabilities	6(16)	404,347	1	414,862	1	320,165	-
25XX	Total non-current liabilities		<u>11,224,947</u>	<u>14</u>	<u>11,193,281</u>	<u>14</u>	<u>10,285,085</u>	<u>13</u>
2XXX	Total liabilities		<u>19,620,723</u>	<u>24</u>	<u>19,098,329</u>	<u>23</u>	<u>17,963,208</u>	<u>22</u>
	Equity attributable to owners of parent							
	Share capital	6(17)						
3110	Common stock		16,846,646	20	16,846,646	21	16,846,646	21
	Capital surplus	6(18)						
3200	Capital surplus		1,304,027	1	1,301,769	2	1,297,065	2
	Retained earnings	6(19)						
3310	Legal reserve		8,772,558	11	8,772,558	11	8,560,207	11
3320	Special reserve		2,214,578	3	2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		8,906,492	11	8,349,494	10	8,802,839	11
	Other equity interest	6(20)						
3400	Other equity interest		24,576,457	30	24,777,878	30	24,266,815	30
3500	Treasury stocks	6(17)	(19,064)	-	(19,064)	-	(19,064)	-
31XX	Equity attributable to owners of the parent		<u>62,601,694</u>	<u>76</u>	<u>62,243,859</u>	<u>77</u>	<u>61,969,086</u>	<u>78</u>
3XXX	Total equity		<u>62,601,694</u>	<u>76</u>	<u>62,243,859</u>	<u>77</u>	<u>61,969,086</u>	<u>78</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant event after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 82,222,417</u>	<u>100</u>	<u>\$ 81,342,188</u>	<u>100</u>	<u>\$ 79,932,294</u>	<u>100</u>

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

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

Items		Notes	Three months ended March 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 8,913,782	100	\$ 8,159,917	100
5000	Operating costs	6(6)(25)(26) and 7	(7,888,485)	(89)	(7,069,036)	(87)
5900	Net operating margin		1,025,297	11	1,090,881	13
	Operating expenses	6(25)(26) and 7				
6100	Selling expenses		(448,743)	(5)	(430,292)	(5)
6200	General and administrative expenses		(209,793)	(2)	(219,023)	(3)
6000	Total operating expenses		(658,536)	(7)	(649,315)	(8)
6900	Operating profit		366,761	4	441,566	5
	Non-operating income and expenses					
7100	Interest income	6(22)	4,026	-	2,007	-
7010	Other income	6(23)	55,730	1	79,377	1
7020	Other gains and losses	6(24)	65,988	1	(46,947)	(1)
7050	Finance costs	6(27)	(35,576)	(1)	(34,628)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method	6(7)	198,892	2	198,914	3
7000	Total non-operating income and expenses		289,060	3	198,723	3
7900	Profit before income tax		655,821	7	640,289	8
7950	Income tax expense	6(28)	(98,616)	(1)	(66,377)	(1)
8200	Profit for the period		\$ 557,205	6	\$ 573,912	7

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

Items	Notes	Three months ended March 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
Other comprehensive income	6(20)				
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Unrealized loss on valuation of financial assets at fair value through other comprehensive income		(\$ 507,216)	(6)	(\$ 41,070)	-
8320 Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method		(46,198)	-	39,577	-
8310 Other comprehensive loss that will not be reclassified to profit or loss		(553,414)	(6)	(1,493)	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		257,223	3	(3,995)	-
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method		94,563	1	(82,910)	(1)
8360 Other comprehensive income (loss) that will be reclassified to profit or loss		351,786	4	(86,905)	(1)
8300 Total other comprehensive loss for the period		(\$ 201,628)	(2)	(\$ 88,398)	(1)
8500 Total comprehensive income for the period		\$ 355,577	4	\$ 485,514	6
Profit attributable to:					
8610 Owners of the parent		\$ 557,205	6	\$ 573,912	7
8620 Non-controlling interest		-	-	-	-
		\$ 557,205	6	\$ 573,912	7
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 355,577	4	\$ 485,514	6
8720 Non-controlling interest		-	-	-	-
		\$ 355,577	4	\$ 485,514	6
Basic and diluted earnings per share (in dollars)		Before Tax	After Tax	Before Tax	After Tax
Profit attributable to common shareholders of the parent	6(29)	\$ 0.38	\$ 0.33	\$ 0.38	\$ 0.34
Assuming shares held by subsidiaries are not deemed as treasury stock:					
Profit attributable to common shareholders of the parent		\$ 0.38	\$ 0.33	\$ 0.38	\$ 0.34

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

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

	Notes	Equity attributable to owners of the parent								
		Retained Earnings				Other Equity Interest				
		Share capital - common stock	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
<u>Three months ended March 31, 2021</u>										
Balance at January 1, 2021		\$ 16,846,646	\$ 1,297,081	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441)	\$ 25,601,654	(\$ 19,064)	\$ 61,483,588
Profit for the period		-	-	-	-	573,912	-	-	-	573,912
Other comprehensive loss		-	-	-	-	-	(86,905)	(1,493)	-	(88,398)
Total comprehensive income (loss)		-	-	-	-	573,912	(86,905)	(1,493)	-	485,514
Paid expired cash dividends transferred to capital surplus	6(18)	-	(16)	-	-	-	-	-	-	(16)
Balance at March 31, 2021		\$ 16,846,646	\$ 1,297,065	\$ 8,560,207	\$ 2,214,578	\$ 8,802,839	(\$ 1,333,346)	\$ 25,600,161	(\$ 19,064)	\$ 61,969,086
<u>Three months ended March 31, 2022</u>										
Balance at January 1, 2022		\$ 16,846,646	\$ 1,301,769	\$ 8,772,558	\$ 2,214,578	\$ 8,349,494	(\$ 1,443,502)	\$ 26,221,380	(\$ 19,064)	\$ 62,243,859
Profit for the period		-	-	-	-	557,205	-	-	-	557,205
Other comprehensive income (loss)		-	-	-	-	-	351,786	(553,414)	-	(201,628)
Total comprehensive income (loss)		-	-	-	-	557,205	351,786	(553,414)	-	355,577
Paid expired cash dividends transferred to capital surplus	6(18)	-	(9)	-	-	-	-	-	-	(9)
Change in the net interest of associates accounted for using the equity method	6(18)(20)	-	2,267	-	-	(207)	-	207	-	2,267
Balance at March 31, 2022		\$ 16,846,646	\$ 1,304,027	\$ 8,772,558	\$ 2,214,578	\$ 8,906,492	(\$ 1,091,716)	\$ 25,668,173	(\$ 19,064)	\$ 62,601,694

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

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

		Three months ended March 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 655,821	\$ 640,289
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(10)(25)	335,845	333,328
Amortization		113	-
Interest expense	6(9)(27)	35,576	34,628
Interest income	6(22)	(4,026)	(2,007)
Dividend income	6(23)	(4,608)	-
Loss on valuation of financial assets	6(2)(24)	-	82
Gain on valuation of financial liabilities	6(13)(24)	-	(137)
Share of profit of associates and joint ventures accounted for using the equity method	6(7)	(198,892)	(198,914)
Loss on disposal and scrap of property, plant and equipment	6(24)	9,404	1,116
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		17,793	(21,276)
Notes receivable - related parties		1,951	1,360
Accounts receivable , net	(	199,893)	(673,135)
Accounts receivable - related parties	(	206,497)	(164,528)
Other receivables	(	69,218)	(79,724)
Inventory	(	468,282)	(250,302)
Prepayments	(	133,341)	(87,011)
Other current assets	(	38,909)	86,714
Changes in operating liabilities			
Notes payable	(	10,579)	(44,173)
Notes payable - related parties	(	217,660)	(73,476)
Accounts payable		198,661	78,607
Accounts payable - related parties	(	79,436)	95,356
Other payables		15,826	7,754
Other current liabilities		38,339	19,558
Other non-current liabilities	(	11,098)	(10,163)
Cash outflow generated from operations	(	333,110)	(306,054)
Interest received		3,501	1,695
Interest paid	(	31,064)	(34,751)
Income tax paid	(	42,038)	(35)
Net cash flows used in operating activities	(	402,711)	(339,145)

(Continued)

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

		<u>Three months ended March 31</u>	
	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets at amortized cost		(\$ 1,864)	\$ 27,148
Acquisition of property, plant and equipment	6(30)	(165,235)	(80,598)
Proceeds from disposal of property, plant and equipment		1,473	132
(Increase) decrease in other non-current assets		(8,029)	33,907
Guarantee deposits received		<u>13,310</u>	<u>-</u>
Net cash flows used in investing activities		<u>(160,345)</u>	<u>(19,411)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		367,486	332,252
Increase (decrease) in short-term notes and bills payable		99,996	(499,979)
Payment of long-term borrowings		(2,500,000)	(3,000,000)
Increase in long-term borrowings		2,500,000	3,000,000
Expired cash dividends paid		(34)	(16)
Payment of lease principal	6(9)	(38,504)	(38,209)
Decrease in guarantee deposits		<u>583</u>	<u>-</u>
Net cash flows from (used in) financing activities		<u>429,527</u>	<u>(205,952)</u>
Effect of foreign exchange rate		<u>76,737</u>	<u>(7,815)</u>
Net decrease in cash and cash equivalents		(56,792)	(572,323)
Cash and cash equivalents at beginning of period	6(1)	<u>3,471,141</u>	<u>3,083,322</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 3,414,349</u>	<u>\$ 2,510,999</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

<u>Business departments</u>	<u>Major activities</u>
Primary department: Fabrics, dyeing and others	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastic bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers

- (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, 2022, the Company and its subsidiaries (collectively referred herein as the “Group”) had 7,611 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, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

(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 IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. The consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of the consolidated financial statements is the same with the consolidated financial statements as of and for the year ended December 31, 2021.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100	100	100	Note
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 specialized zones	100	100	100	Note
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies	100	100	100	Note
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100	100	100	Note
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100	100	100	Note
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100	100	100	Note
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100	100	100	Note

Note: The financial statements of the entity as of and for the three months ended March 31, 2022 and 2021 were not reviewed by independent auditors as the entity did not meet the definition of significant subsidiary

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

A. Short-term employee benefits

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

B. Pension

(a) Defined contribution plans

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

(b) Defined benefit plan

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

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

(5) Income tax

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

- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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, 2021 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand and petty cash	\$ 73,793	\$ 93,645	\$ 75,016
Checking accounts and demand deposits	1,821,611	1,521,542	1,428,263
Time deposits	1,291,975	1,709,972	621,916
Commercial paper	226,970	145,982	385,804
	<u>\$ 3,414,349</u>	<u>\$ 3,471,141</u>	<u>\$ 2,510,999</u>

- A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The range of time deposit rate on March 31, 2022, December 31, 2021 and March 31, 2021 are 0.15%~4.3%, 0.1%~4.3% and 0.11%~5.65%, respectively.
- C. The range of commercial paper rate on March 31, 2022, December 31, 2021 and March 31, 2021 are 0.32%, 0.21%~0.22% and 0.15%~0.19%, respectively.
- D. The Group repatriates the offshore fund by adopting “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”. The Act restricts the usage of the fund; hence, in accordance with IAS 7, “Statement of cash flows”, the fund was reclassified as other financial assets. The amount on March 31, 2022 is USD 8,433 thousand equivalent to \$241,405 thousand.
- E. The Group has no cash and cash equivalents pledged to others.

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

As of March 31, 2022, December 31, 2021 and March 31, 2021: None.

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

	Three months ended March 31,	
	2022	2021
Forward foreign exchange contracts	\$ -	(\$ 82)

- B. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current items:			
Equity instruments			
Listed stocks	\$ 900,285	\$ 900,285	\$ 900,285
Unlisted stocks	100,000	100,000	100,000
	<u>1,000,285</u>	<u>1,000,285</u>	<u>1,000,285</u>
Valuation adjustment	472,323	489,166	448,817
	<u>\$ 1,472,608</u>	<u>\$ 1,489,451</u>	<u>\$ 1,449,102</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 8,163,125	\$ 8,163,125	\$ 8,163,126
Unlisted stocks	6,647,666	6,647,666	6,647,667
	<u>14,810,791</u>	<u>14,810,791</u>	<u>14,810,793</u>
Valuation adjustment	25,210,914	25,701,287	25,142,387
	<u>\$ 40,021,705</u>	<u>\$ 40,512,078</u>	<u>\$ 39,953,180</u>

A. The Group has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$41,494,313, \$42,001,529 and \$41,402,282 as at March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive loss	(\$ 507,216)	(\$ 40,847)

C. As at March 31, 2022, December 31, 2021 and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$41,494,313, \$42,001,529 and \$41,402,282, respectively.

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

(4) Financial assets at amortized cost

<u>Items</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current items:			
Time deposit	\$ 64,773	\$ 62,909	\$ -

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

below:

	Three months ended March 31,	
	2022	2021
Interest income	\$ 457	\$ -

B. As at March 31, 2022, December 31, 2021 and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$64,773, \$62,909 and \$0, respectively.

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

(5) Notes and accounts receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 40,162	\$ 57,955	\$ 64,291
Accounts receivable	\$ 3,826,101	\$ 3,626,208	\$ 3,841,397
Less: Allowance for bad debts	(63,909)	(62,795)	(62,928)
	\$ 3,762,192	\$ 3,563,413	\$ 3,778,469

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

	March 31, 2022	December 31, 2021	March 31, 2021
Not past due	\$ 3,754,502	\$ 3,562,781	\$ 3,815,758
Up to 30 days	71,143	81,194	78,011
31 to 90 days	18,412	21,801	7,502
Over 90 days	22,206	18,387	4,417
	\$ 3,866,263	\$ 3,684,163	\$ 3,905,688

The above ageing analysis was based on past due date.

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$3,211,277.

C. As at March 31, 2022, December 31, 2021 and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$3,802,354, \$3,621,368 and \$3,842,760, respectively.

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

(6) Inventories

March 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,472,724	(\$ 114,752)	\$ 1,357,972
Supplies	334,810	(3,636)	331,174
Work in process	2,968,059	-	2,968,059
Finished goods	3,589,631	(620,216)	2,969,415
Merchandise inventory	257,219	-	257,219
Materials in transit	210,260	-	210,260
Outsourced processed materials	220,042	-	220,042
Construction in progress	1,651	-	1,651
Land for construction	68,335	-	68,335
	<u>\$ 9,122,731</u>	<u>(\$ 738,604)</u>	<u>\$ 8,384,127</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,302,690	(\$ 104,250)	\$ 1,198,440
Supplies	254,640	(4,583)	250,057
Work in process	2,692,176	-	2,692,176
Finished goods	3,596,140	(613,727)	2,982,413
Merchandise inventory	214,886	-	214,886
Materials in transit	265,645	-	265,645
Outsourced processed materials	242,248	-	242,248
Construction in progress	1,645	-	1,645
Land for construction	68,335	-	68,335
	<u>\$ 8,638,405</u>	<u>(\$ 722,560)</u>	<u>\$ 7,915,845</u>
March 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,222,843	(\$ 103,124)	\$ 1,119,719
Supplies	246,053	(4,832)	241,221
Work in process	2,448,137	-	2,448,137
Finished goods	3,333,767	(733,364)	2,600,403
Merchandise inventory	260,188	-	260,188
Materials in transit	149,576	-	149,576
Outsourced processed materials	211,424	(73)	211,351
Land for construction	68,724	-	68,724
	<u>\$ 7,940,712</u>	<u>(\$ 841,393)</u>	<u>\$ 7,099,319</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 months ended March 31, 2022 and 2021 were as follows:

	Three months ended March 31,	
	2022	2021
Cost of inventories sold	\$ 7,847,201	\$ 7,053,557
Inventory valuation loss (gain) (Note 1)	16,044 (	64,981)
Others (Note 2)	25,240	80,460
	<u>\$ 7,888,485</u>	<u>\$ 7,069,036</u>

Note 1: Gain on inventory for the three months ended March 31, 2021 arose from inventories which were previously provided with allowance but were subsequently sold.

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

(7) Investments accounted for using the equity method

Items	March 31, 2022	December 31, 2021	March 31, 2021
Formosa Advanced Technologies Co., Ltd.	\$ 5,279,117	\$ 5,152,935	\$ 5,155,173
Formosa Industries Co., Ltd.	1,918,810	1,825,888	2,042,402
Quang Viet Enterprise Co., Ltd.	1,255,610	1,238,353	1,181,486
Schoeller Textil AG	1,068,082	1,030,378	1,195,444
Nan Ya Photonics Inc.	267,699	290,161	198,105
Changshu Yu Yuan Development Co., Ltd.	18,209	17,480	16,156
	<u>\$ 9,807,527</u>	<u>\$ 9,555,195</u>	<u>\$ 9,788,766</u>

A. The investment income of \$198,892 and \$198,914 for the three months ended March 31, 2022 and 2021, respectively, were accounted for using the equity method based on the unreviewed financial statements of the investee companies, except for Formosa Advanced Technologies Co., Ltd. which was reviewed by the Company's auditors.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Formosa Advanced Technologies Co., Ltd.	\$ 5,582,395	\$ 5,323,699	\$ 5,500,701
Quang Viet Enterprise Co., Ltd.	2,148,918	2,427,998	2,232,042
	<u>\$ 7,731,313</u>	<u>\$ 7,751,697</u>	<u>\$ 7,732,743</u>

C. Associates

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		March 31, 2022	December 31, 2021	March 31, 2021		
Formosa Advanced Technologies Co., Ltd.	Taiwan	30.68%	30.68%	30.68%	Investments accounted for using the equity method	Equity method
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	10.00%	Investments accounted for using the equity method	Equity method

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

Balance sheets

Formosa Advanced Technologies Co., Ltd.			
	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 10,310,108	\$ 9,538,767	\$ 8,649,949
Non-current assets	4,498,754	4,693,324	5,530,141
Current liabilities	(1,569,508)	(1,402,448)	(1,321,571)
Non-current liabilities	(528,152)	(527,629)	(549,828)
Total net assets	\$ 12,711,202	\$ 12,302,014	\$ 12,308,691
Share in associate's net assets	\$ 3,913,862	\$ 3,787,680	\$ 3,789,918
Difference	1,365,255	1,365,255	1,365,255
Carrying amount of the associate	\$ 5,279,117	\$ 5,152,935	\$ 5,155,173

Formosa Industries Co., Ltd.			
	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 21,666,450	\$ 11,757,034	\$ 16,128,558
Non-current assets	17,160,759	17,104,621	17,796,866
Current liabilities	(14,236,419)	(5,873,213)	(6,720,471)
Non-current liabilities	(6,304,039)	(5,630,904)	(7,682,284)
Total net assets	\$ 18,286,751	\$ 17,357,538	\$ 19,522,669
Share in associate's net assets	\$ 1,828,676	\$ 1,735,754	\$ 1,952,268
Difference	90,134	90,134	90,134
Carrying amount of the associate	\$ 1,918,810	\$ 1,825,888	\$ 2,042,402

Statements of comprehensive income

	Formosa Advanced Technologies Co., Ltd.	
	Three months ended March 31,	
	2022	2021
Revenue	\$ 2,562,634	\$ 2,534,354
Profit for the period from continuing operations	\$ 461,139	\$ 361,236
Other comprehensive (loss) income, net of tax	(51,951)	132,288
Total comprehensive income	\$ 409,188	\$ 493,524

	Formosa Industries Co., Ltd.	
	Three months ended March 31,	
	2022	2021
Revenue	\$ 7,412,919	\$ 6,074,716
Profit for the period from continuing operations		
(Total comprehensive income)	\$ 408,041	\$ 634,438

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

As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amount of the Group's individually immaterial associates amounted to \$2,609,600, \$2,576,370 and \$2,591,191, respectively.

	Three months ended March 31,	
	2022	2021
Profit for the period from continuing operations	\$ 52,108	\$ 24,246
Other comprehensive (loss) income, net of tax	(179,007)	1,009
Total comprehensive (loss) income	(\$ 126,899)	\$ 25,255

(8) Property, plant and equipment

	2022					
	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>						
Cost	\$ 2,189,875	\$ 10,382,564	\$ 23,290,879	\$ 4,875,439	\$ 408,407	\$ 41,147,164
Accumulated depreciation	(10,825)	(6,700,390)	(18,253,533)	(4,484,770)	-	(29,449,518)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,312</u>	<u>\$ 3,682,174</u>	<u>\$ 5,037,346</u>	<u>\$ 390,669</u>	<u>\$ 408,407</u>	<u>\$ 11,541,908</u>
Opening net book amount as at January 1	\$ 2,023,312	\$ 3,682,174	\$ 5,037,346	\$ 390,669	\$ 408,407	\$ 11,541,908
Additions	-	-	-	75	178,528	178,603
Disposals	-	-	(10,183)	(694)	-	(10,877)
Transfers	8	83,637	92,900	6,982	(183,527)	-
Depreciation charge	-	(77,479)	(197,658)	(16,471)	-	(291,608)
Net exchange differences	46	69,825	87,692	6,845	4,904	169,312
Closing net book amount as at March 31	<u>\$ 2,023,366</u>	<u>\$ 3,758,157</u>	<u>\$ 5,010,097</u>	<u>\$ 387,406</u>	<u>\$ 408,312</u>	<u>\$ 11,587,338</u>
<u>At March 31</u>						
Cost	\$ 2,190,342	\$ 10,604,761	\$ 23,520,243	\$ 4,889,381	\$ 408,312	\$ 41,613,039
Accumulated depreciation	(11,238)	(6,846,604)	(18,510,146)	(4,501,975)	-	(29,869,963)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,366</u>	<u>\$ 3,758,157</u>	<u>\$ 5,010,097</u>	<u>\$ 387,406</u>	<u>\$ 408,312</u>	<u>\$ 11,587,338</u>

	2021					
	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>						
Cost	\$ 2,189,947	\$ 10,365,740	\$ 23,138,515	\$ 4,941,190	\$ 613,374	\$ 41,248,766
Accumulated depreciation	(10,890)	(6,419,261)	(17,831,721)	(4,509,154)	-	(28,771,026)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,319</u>	<u>\$ 3,946,479</u>	<u>\$ 5,306,794</u>	<u>\$ 432,036</u>	<u>\$ 613,374</u>	<u>\$ 12,322,002</u>
Opening net book amount as at January 1	\$ 2,023,319	\$ 3,946,479	\$ 5,306,794	\$ 432,036	\$ 613,374	\$ 12,322,002
Additions	-	-	-	-	129,267	129,267
Disposals	- (24)	(193)	(1,031)	-	(1,248)	
Transfers	-	44,897	166,420	17,462	(228,779)	-
Depreciation charge	- (77,555)	(191,187)	(17,833)	-	(286,575)	
Net exchange differences	(7)	(1,682)	4,893	(2,314)	(45)	845
Closing net book amount as at March 31	<u>\$ 2,023,312</u>	<u>\$ 3,912,115</u>	<u>\$ 5,286,727</u>	<u>\$ 428,320</u>	<u>\$ 513,817</u>	<u>\$ 12,164,291</u>
<u>At March 31</u>						
Cost	\$ 2,189,871	\$ 10,401,624	\$ 23,104,837	\$ 4,938,765	\$ 513,817	\$ 41,148,914
Accumulated depreciation	(10,821)	(6,489,509)	(17,818,110)	(4,510,445)	-	(28,828,885)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,312</u>	<u>\$ 3,912,115</u>	<u>\$ 5,286,727</u>	<u>\$ 428,320</u>	<u>\$ 513,817</u>	<u>\$ 12,164,291</u>

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

	Three months ended March 31,	
	2022	2021
Amount capitalized	\$ 379	\$ 956
Range of the interest rates for capitalization	0.77%~0.78%	0.80%~2.27%

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

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

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

- D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles of land which the Company has acquired for future plant expansion is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of March 31, 2022, December 31, 2021 and March 31, 2021, the land mortgaged to the Company was \$808,300.

(9) Leasing arrangements — lessee

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

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

	March 31, 2022	December 31, 2021	March 31, 2021
	Carrying amount	Carrying amount	Carrying amount
Right-of-use asset - land	\$ 1,115,546	\$ 1,026,668	\$ 1,031,284

	Three months ended March 31,	
	2022	2021
	Depreciation charge	Depreciation charge
Right-of-use asset - land	\$ 35,975	\$ 38,498

- C. For the three months ended March 31, 2022 and 2021, the additions to right-of-use assets were \$121,333 and \$81,075, respectively.

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

	Three months ended March 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,734	\$ 2,570
Expense on short-term lease contracts	1,287	360

E. For the three months ended March 31, 2022 and 2021, the Group's total cash outflow for leases were \$41,238 and \$40,779, respectively.

(10) Investment property

	2022		
	Land	Buildings	Total
At January 1			
Cost	\$ 7,892	\$ 1,012,678	\$ 1,020,570
Accumulated depreciation	-	(444,718)	(444,718)
	<u>\$ 7,892</u>	<u>\$ 567,960</u>	<u>\$ 575,852</u>
Opening net book amount as at January 1	\$ 7,892	\$ 567,960	\$ 575,852
Depreciation charge	-	(8,262)	(8,262)
Net exchange differences	-	3,442	3,442
Closing net book amount as at March 31	<u>\$ 7,892</u>	<u>\$ 563,140</u>	<u>\$ 571,032</u>
At March 31			
Cost	\$ 7,892	\$ 1,016,742	\$ 1,024,634
Accumulated depreciation	-	(453,602)	(453,602)
	<u>\$ 7,892</u>	<u>\$ 563,140</u>	<u>\$ 571,032</u>
	2021		
	Land	Buildings	Total
At January 1			
Cost	\$ 7,892	\$ 1,013,317	\$ 1,021,209
Accumulated depreciation	-	(411,801)	(411,801)
	<u>\$ 7,892</u>	<u>\$ 601,516</u>	<u>\$ 609,408</u>
Opening net book amount as at January 1	\$ 7,892	\$ 601,516	\$ 609,408
Depreciation charge	-	(8,255)	(8,255)
Net exchange differences	-	(586)	(586)
Closing net book amount as at March 31	<u>\$ 7,892</u>	<u>\$ 592,675</u>	<u>\$ 600,567</u>
At March 31			
Cost	\$ 7,892	\$ 1,012,646	\$ 1,020,538
Accumulated depreciation	-	(419,971)	(419,971)
	<u>\$ 7,892</u>	<u>\$ 592,675</u>	<u>\$ 600,567</u>

A. Rental income from investment property is as follows:

	Three months ended March 31,	
	2022	2021
Rental income from investment property	\$ 13,920	\$ 14,244

B. The fair value of the investment property held by the Group as at March 31, 2022, December 31, 2021 and March 31, 2021 were \$703,538, \$701,006 and \$762,435, respectively, which was by reference to the transaction prices of similar prices in the neighboring areas.

(11) Short-term borrowings

Type of borrowings	March 31, 2022	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 3,483,269	0.7%~3.75%	-
Secured borrowings	50,000	1.2%~1.45%	Property, plant and equipment and Inventories
Purchase loans	1,444	4.90%	-
	<u>\$ 3,534,713</u>		
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 3,065,991	0.70%~3.75%	-
Secured borrowings	70,000	1.20%	Property, plant and equipment and Inventories
Purchase loans	31,236	0.75%~4.5%	-
	<u>\$ 3,167,227</u>		
Type of borrowings	March 31, 2021	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 3,547,329	0.7%~3.43%	-
Secured borrowings	40,000	1.20%	Property, plant and equipment and Inventories
Purchase loans	11,328	0.85%	-
	<u>\$ 3,598,657</u>		

(12) Short-term notes and bills payable

	March 31, 2022	December 31, 2021	March 31, 2021
Commercial paper payable	\$ 400,000	\$ 300,000	\$ -
Less: Commercial paper payable discount	(63)	(59)	-
	<u>\$ 399,937</u>	<u>\$ 299,941</u>	<u>\$ -</u>
Interest rate	<u>0.34%~0.44%</u>	<u>0.34%~0.45%</u>	<u>—</u>

On March 31, 2022 and December 31, 2021, the abovementioned commercial paper payable is issued by Taishin International Bank, Ta Ching Bills Finance Corporation, International Bills Finance Corp., and Mega Bills Finance Co., Ltd., etc.

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

As of March 31, 2022, December 31, 2021 and March 31, 2021: None.

The Group recognized net gain of \$0 and \$137 on financial liabilities held for trading for the three months ended March 31, 2022 and 2021, respectively.

(14) Other payables

	March 31, 2022	December 31, 2021	March 31, 2021
Salaries and year-end bonus payable	\$ 330,584	\$ 451,177	\$ 336,035
Accrued utilities expenses	193,526	117,679	103,150
Commission payable	75,732	72,896	67,287
Payable on equipment	33,912	50,909	85,837
Dividends payable	13,215	13,240	12,939
Others	393,229	333,733	375,959
	<u>\$ 1,040,198</u>	<u>\$ 1,039,634</u>	<u>\$ 981,207</u>

(15) Long-term borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
Credit borrowings	\$ 9,700,000	\$ 9,700,000	\$ 8,900,000
Interest rate	<u>0.73%~1.05%</u>	<u>0.73%~0.85%</u>	<u>0.72%~0.90%</u>

The abovementioned long-term borrowings on March 31, 2022 and December 31, 2021 are due in 2024.

The abovementioned long-term borrowings on March 31, 2021 are due in 2023-2024.

(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 2%-15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned employees pension reserve account by December 31, every year. If the account balance is 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 recognized pension costs of \$2,636 and \$3,625 for the three months ended March 31, 2022 and 2021, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 are \$55,728.
- 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., and Formosa Taffeta (Changshu) 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. has a defined contribution plan 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) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2022 and 2021 were \$25,064 and \$22,576, respectively.

(17) Share capital

A. As of March 31, 2022, 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 months ended March 31, 2022 and 2021, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Three months ended March 31, 2022			Ending shares
		Beginning shares	Additions	Disposal	
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,193	-	-	2,193

Reason for reacquisition	Investee company	Three months ended March 31, 2021			Ending shares
		Beginning shares	Additions	Disposal	
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,193	-	-	2,193

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

(Blank)

(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.

Three months ended March 31, 2022					
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Others
At January 1, 2022	\$ 38,773	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 10,038
Paid expired cash dividends transferred to capital surplus	-	-	-	-	(9)
Change in the net interest of associates recognized under the equity method	-	-	-	2,267	-
At March 31, 2022	<u>\$ 38,773</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,251,543</u>	<u>\$ 10,029</u>
Three months ended March 31, 2021					
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Others
At January 1, 2021	\$ 36,580	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 7,543
Paid expired cash dividends transferred to capital surplus	-	-	-	-	(16)
At March 31, 2021	<u>\$ 36,580</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,249,276</u>	<u>\$ 7,527</u>

(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. According to the article of the Company, when allocating the earnings, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings, then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the Board of Directors. The special reserve includes:

i) Reserve for special purposes.

ii) Investment income recognized under the equity method.

iii) Net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section

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 2021 earnings had been resolved by the Board of Directors on March 9, 2022 and the appropriations of 2020 earnings had been resolved by the stockholders on July 30, 2021. Details are summarized below:

	2021 earnings		2020 earnings	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 201,758		\$ 212,351	
Cash dividends	1,684,665	\$ 1.00	1,684,665	\$ 1.00

E. As of March 31, 2022, December 31, 2021 and March 31, 2021, unpaid stock dividends amounted to \$13,215, \$13,240 and \$12,939, respectively.

F. The consolidated subsidiary, Formosa Taffeta (Changshu) Co., Ltd, set aside a portion of aftertax profits for the reserve fund and staff bonus welfare fund in accordance with regulations on foreign invested enterprises as set forth in the Company Law of the People's Republic of China. The percentage of after-tax profits allocated to the reserve fund must be 10% or more. Once the amount of the reserve fund reaches 50% of the registered capital, contribution to the fund is no longer required. The percentage of after-tax profits allocated to the staff bonus welfare fund is determined by the company. No profits can be distributed before operating losses from prior years are first covered.

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

(20) Other equity items

	Unrealized gains on valuation	Currency translation
January 1, 2022	\$ 26,221,380	(\$ 1,443,502)
Revaluation		
– Group	(507,216)	-
– Associates	(46,198)	-
Revaluation transferred to retained earnings		
– Associates	207	-
Difference of currency translation		
– Group	-	257,223
– Associates	-	94,563
March 31, 2022	\$ 25,668,173	(\$ 1,091,716)
	Unrealized gains on valuation	Currency translation
January 1, 2021	\$ 25,601,654	(\$ 1,246,441)
Revaluation		
– Group	(41,070)	-
– Associates	39,577	-
Difference of currency translation		
– Group	-	(3,995)
– Associates	-	(82,910)
March 31, 2021	\$ 25,600,161	(\$ 1,333,346)

(21) Operating revenue

	Three months ended March 31,	
	2022	2021
Sales revenue	\$ 8,856,884	\$ 8,086,256
Service revenue	56,898	73,661
	\$ 8,913,782	\$ 8,159,917

(22) Interest income

	Three months ended March 31,	
	2022	2021
Interest income from bank deposits	\$ 4,026	\$ 2,007

(23) Other income

	Three months ended March 31,	
	2022	2021
Dividend income	\$ 4,608	\$ 10,115
Other income	51,122	69,262
	<u>\$ 55,730</u>	<u>\$ 79,377</u>

(24) Other gains and losses

	Three months ended March 31,	
	2022	2021
Loss on disposal of property, plant and equipment	(\$ 9,404)	(\$ 1,116)
Foreign exchange gains (losses)	98,951	(25,520)
Forward foreign exchange contracts		
Net loss on financial assets at fair value through profit or loss	-	(82)
Net gain on financial liabilities at fair value through profit or loss	-	137
Bank charges	(12,844)	(8,269)
Other gains and losses	(10,715)	(12,097)
	<u>\$ 65,988</u>	<u>(\$ 46,947)</u>

(25) Expenses by nature

	Three months ended March 31,	
	2022	2021
Employee benefit expense	\$ 882,081	\$ 863,880
Depreciation charges		
(including right-of-use assets and investment property)	335,845	333,328
	<u>\$ 1,217,926</u>	<u>\$ 1,197,208</u>

(26) Employee benefit expense

	Three months ended March 31,	
	2022	2021
Wages and salaries	\$ 727,230	\$ 719,360
Labor and health insurance fees	94,990	85,112
Pension costs	27,700	26,201
Other personnel expenses	32,161	33,207
	<u>\$ 882,081</u>	<u>\$ 863,880</u>

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

B. For the three months ended March 31, 2022 and 2021, employees' compensation were accrued at \$500 and \$500, respectively; while directors' and supervisors' remuneration were accrued at \$250 and \$250, respectively. The aforementioned amounts were recognized in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current period for the three months ended March 31, 2022.

The employees' compensation and directors' and supervisors' remuneration for 2021 as approved by shareholders were the same as the amounts shown in the 2021 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Finance costs

	Three months ended March 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 33,221	\$ 33,014
Other financial expense	2,734	2,570
Less: Capitalization of qualifying assets	(379)	(956)
	<u>\$ 35,576</u>	<u>\$ 34,628</u>

(28) Income tax

A. Income tax expense

	Three months ended March 31,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 83,572	\$ 76,426
Adjustments in respect of prior period	(161)	(24,410)
Impact of change in exchange rate	-	119
Total current tax	83,411	52,135
Deferred tax:		
Origination and reversal of temporary differences	15,205	14,242
Total deferred tax	15,205	14,242
Income tax expense	\$ 98,616	\$ 66,377

- B. The income tax returns of the Company, Formosa Development Co., Ltd. and Public More Internation Company Ltd. through 2020 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., and Formosa Taffeta (Changshu) Co., Ltd. is based on 25% of income generated within and outside Mainland China. In addition, Formosa Taffeta (Zhong Shan) Co., Ltd. was certified as high-tech enterprise by Guangdong Provincial Government and accordingly, is entitled to the applicable income tax rate of 15% for 3 years from 2021.
- D. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by the Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 20% after 12 years. Formosa Taffeta Dong Nai Co., Ltd. was granted income tax exemption for 3 years from the first profit-making year and income tax reduction was half of the 15% income tax rate or half of the 20% income tax rate for the next 4 to 10 years.
- E. In accordance with local tax regulations, the applicable income tax rate of Formosa Taffeta Vietnam Co., Ltd. was 20%.
- F. In accordance with local tax regulations, the applicable income tax rate of Formosa Taffeta (Hong Kong) Co., Ltd. was 16.5%.

(29) Earnings per share

A. Basic earnings per share

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

Three months ended March 31, 2022					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 634,361</u>	<u>\$ 557,205</u>	<u>1,682,471</u>	<u>\$ 0.38</u>	<u>\$ 0.33</u>
Three months ended March 31, 2021					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 640,289</u>	<u>\$ 573,912</u>	<u>1,682,471</u>	<u>\$ 0.38</u>	<u>\$ 0.34</u>

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

Three months ended March 31, 2022					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 634,361</u>	<u>\$ 557,205</u>	<u>1,684,665</u>	<u>\$ 0.38</u>	<u>\$ 0.33</u>
Three months ended March 31, 2021					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 640,289</u>	<u>\$ 573,912</u>	<u>1,684,665</u>	<u>\$ 0.38</u>	<u>\$ 0.34</u>

B. Employees' compensation could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the three months ended March 31, 2022 and 2021.

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	Three months ended March 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 178,603	\$ 129,267
Add: Opening balance of payable on equipment	50,909	85,562
Ending balance of prepayment on equipment	37,124	39,809
Less: Ending balance of payable on equipment	(33,912)	(85,837)
Opening balance of prepayment on equipment	(67,489)	(88,203)
Cash paid during the period	\$ 165,235	\$ 80,598

(31) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes payable	Long-term borrowings	Liabilities
			(including current portion)	from financing activities-gross
At January 1, 2022	\$ 3,167,227	\$ 299,941	\$ 9,700,000	\$ 13,167,168
Changes in cash flow from financing activities	367,486	99,996	-	467,482
At March 31, 2022	\$ 3,534,713	\$ 399,937	\$ 9,700,000	\$ 13,634,650
	Short-term borrowings	Short-term notes payable	Long-term borrowings	Liabilities
			(including current portion)	from financing activities-gross
At January 1, 2021	\$ 3,266,405	\$ 499,979	\$ 8,956,822	\$ 12,723,206
Changes in cash flow from financing activities	332,252	(499,979)	(56,914)	(224,641)
Impact of changes in foreign exchange rate	-	-	92	92
At March 31, 2021	\$ 3,598,657	\$ -	\$ 8,900,000	\$ 12,498,657

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Formosa Chemicals & Fibre Corporation	Ultimate parent company
Formosa Advanced Technologies Co., Ltd.	Associate
Quang Viet Enterprise Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Schoeller Textil AG	Associate
Nan Ya Photonics Inc.	Associate
Schoeller Asia Co., Ltd.	Other related party
Formosa Biomedical Technology Corp.	Other related party
Toa Resin Corp.	Other related party
Formosa Petrochemical Corp.	Other related party
Formosa Heavy Industries Corp.	Other related party
Formosa Network Technology Corp.	Other related party
Formosa Plastics Corp.	Other related party
Formosa Plastics Transport Corp.	Other related party
Formosa Asahi Spandex Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nan Ya Plastic (Guangzhou) Co., Ltd.	Other related party
Nan Ya Plastic (Nantong) Co., Ltd.	Other related party
Nan Ya Technology Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
KONG YOU INDUSTRIAL CO., LTD.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party
Albers & Co AG (Note)	Other related party
Formosa HA TINH (CAYMAN) LIMITED	Other related party
NKFG Corp.	Other related party

Note: Schoeller Holding AG merged with its parent company, Albers & Co AG, in September 2021, with Albers & Co AG as the surviving company and Schoeller Textile AG as the dissolved company.

(3) Significant related party transactions and balances

A. Operating revenue

	Three months ended March 31,	
	2022	2021
Sales of goods:		
– Ultimate parent company	\$ 121	\$ 62
– Associates	80,418	109,858
– Other related party	349,764	249,798
	<u>\$ 430,303</u>	<u>\$ 359,718</u>

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

B. Purchases of goods

	Three months ended March 31,	
	2022	2021
Purchases of goods:		
– Ultimate parent company	\$ 466,318	\$ 360,822
– Associates	320,781	233,967
– Other related party		
Formosa Petrochemical Corp.	2,613,546	2,300,847
Others	315,384	336,751
	<u>\$ 3,716,029</u>	<u>\$ 3,232,387</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

	March 31, 2022	December 31, 2021	March 31, 2021
Notes and accounts receivable:			
– Ultimate parent company	\$ 26	\$ 18	\$ 27
– Associates	67,150	16,687	90,681
– Other related party	351,999	197,924	238,306
	<u>\$ 419,175</u>	<u>\$ 214,629</u>	<u>\$ 329,014</u>

The receivables from related parties arise mainly from sales 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, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes and accounts payable:			
– Ultimate parent company	\$ 376,318	\$ 560,160	\$ 342,662
– Associates	128,975	197,243	99,586
– Other related party			
Formosa Petrochemical Corp.	382,958	425,208	438,435
Others	123,780	126,516	126,683
	<u>\$ 1,012,031</u>	<u>\$ 1,309,127</u>	<u>\$ 1,007,366</u>

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

E. Property transactions and investment property

Acquisition of property, plant and equipment:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Other related party	\$ 310	\$ -

F. Others

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

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

For the three months ended March 31, 2022 and 2021, Formosa Taffeta (Dong Nai) Co., Ltd. has recognized lease service income in investment district of \$8,055 and \$8,217, respectively, for rendering the abovementioned consigned services. As of March 31, 2022, December 31, 2021 and March 31, 2021, the uncollected amount of \$3,098, \$2,880 and \$3,119, respectively, was recognized under 'other receivables'. For the above land leasing, as of March 31, 2022, December 31, 2021 and March 31, 2021, the management expense and utility expense which Formosa Taffeta (Dong Nai) Co., Ltd. is due to collect from the related party, Formosa Industry, amounted to \$27,018, \$25,385 and \$24,827, respectively.

(b) Rent income (shown as ‘other income’)

The Group leases buildings at No. 319, 329 and 331, Henan St., Douliu City, Yunlin County, No. 497-1, Sec. Neilin, land and employees’ dorms at No. 132 and 136, Sec. Meilin river, Douliu City to Formosa Advanced Technologies Co., Ltd. Rents which were determined by reference to general rental price in local market are payable at the beginning of each month based on the mutual agreement. Rent income for the three months ended March 31, 2022 and 2021 amounted to \$10,539 and \$10,609, respectively.

(c) Other income pertains to the Group’s collections and payment transfer of utilities, steam and waste disposal costs, etc. for Formosa Advanced Technologies Co., Ltd. for the three months ended March 31, 2022 and 2021 in the amount of \$5,728 and \$6,789, respectively.

(d) In 2022, Formosa Advanced Technologies Co., Ltd. has planned to expand its plant capacity and entrusted the Group to coordinate the procurement and supervision of the construction. Under the agreement, Formosa Advanced Technologies Co., Ltd. paid half of the contract price after signing the contract, and the remaining balance of the contract price shall be paid after the construction is completed. As of March 31, 2022, the amount of \$15,310 was recognized under ‘Other current liabilities’.

(4) Key management compensation

	Three months ended March 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 2,977	\$ 4,854

8. PLEDGED ASSETS

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

Item	Book Value			Purpose
	March 31, 2022	December 31, 2021	March 31, 2021	
Property, plant and equipment	\$ 135,686	\$ 135,861	\$ 136,386	Security for short-term borrowings
Inventories (Held-to-maturity land)	17,610	17,610	17,610	Security for short-term borrowings
	<u>\$ 153,296</u>	<u>\$ 153,471</u>	<u>\$ 153,996</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of March 31, 2022, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

Currency	Amount
USD	\$ 3,152
JPY	62,409
EUR	1,262

(2) Endorsements and guarantees

As of March 31, 2022, in order to assist the subsidiaries in obtaining credit line, the Group has guaranteed the following amounts for subsidiaries:

Name of company	March 31, 2022
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 944,625
Formosa Taffeta Vietnam Co., Ltd.	1,517,125
Formosa Taffeta (Changshu) Co., Ltd.	1,574,375
Formosa Taffeta Dong Nai Co., Ltd.	3,592,438
Formosa HA TINH (CAYMAN) LIMITED	1,679,336

(3) Contingencies - Significant lawsuit

A. Taiwan Cooperative Bank Co., Ltd. (hereinafter referred to as TCB) filed a civil lawsuit against the Company with the Taipei District Court in September 2019. TCB claimed that the former employees of the Company colluded with New Site Industries Inc. (hereinafter referred to as New Site) and New Brite Industries Inc. (hereinafter referred to as New Brite) to make false statements. TCB was misled with the fact that New Site and New Brite has accounts receivable due from the Company, causing damage to TCB. Therefore, TCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.

B. DBS (Taiwan) Commercial Bank Co., Ltd. (hereinafter referred to as DBS) filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in September 2019. The former employees of the Company and Formosa Dong Nai colluded with New Site Industries Inc. (hereinafter referred to as New Site) to make the false statements. DBS was misled with the fact that New Site has accounts receivable due from the Company and Formosa Dong Nai, causing damage to DBS. Therefore, DBS claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.

C. O-Bank filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company with the Taipei District Court in February 2020. The former employees of the Company and Formosa Dong Nai colluded with I Chin Young Inc. (hereinafter referred to as I Chin Young) to make false statements. O-Bank was misled with the fact that I Chin Young has accounts receivable due from the Company and Formosa Dong Nai, causing damage to O-Bank. Therefore, O-Bank claimed that the Company

and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.

D. Yuanta Commercial Bank (hereinafter referred to as YCB) filed a merger of action in criminal and civil prosecution against the Company with the Taipei District Court in October 2020. The former employees of the Company colluded with Loomtech Industries Inc. (hereinafter referred to as Loomtech) to make false statements. YCB was misled with the fact that Loomtech has accounts receivable due from the Company, causing damage to YCB. Therefore, YCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.

E. Taiwan Business Bank (hereinafter referred to as TBB) filed a merger of action in criminal and civil prosecution against the Company and its subsidiary - Formosa Taffeta Dong Nai. The former employees of the Company colluded with New Site, New Brite and I Chin Young to make false statement. TBB was misled with the fact that New Site, New Brite, I Chin Young have accounts receivable due from the Company and Formosa Taffeta Dong Nai, causing damage to TBB. Therefore, TBB claimed that the Company and Formosa Taffeta Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employees. As of May 6, 2022, the court was not in session, hence the ultimate outcome of this litigation is not presently determinable. However, the Company has engaged a lawyer to submit a strong defense to protect the Company's rights and interests.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) The spread of the coronavirus (COVID-19) pandemic and multiple prevention policies enforced by the government led to the decrease in the overall consumer market demand. However, there was no significant effect on the Group's financial position and assets impairment. The Group has implemented the measures listed below to ensure the continued operations during the pandemic.

A. Implement prevention guidelines of the Centers for Disease Control.

B. Raise the administration level of supply chain to provide clients with a stable and flexible production line.

(2) 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, 2021 for related information.

(3) Financial instruments

A. Financial instruments by category

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income	\$ 41,494,313	\$ 42,001,529	\$ 41,402,282
Financial assets at amortized cost	7,987,834	7,582,879	6,984,012
	<u>\$ 49,482,147</u>	<u>\$ 49,584,408</u>	<u>\$ 48,386,294</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost	\$ 17,189,361	\$ 16,830,329	\$ 15,831,788
Lease liabilities	894,234	811,333	806,488
	<u>\$ 18,083,595</u>	<u>\$ 17,641,662</u>	<u>\$ 16,638,276</u>

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

March 31, 2022			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 106,435	\$ 28.62	\$ 3,046,170
EUR:NTD	3,946	31.92	125,956
USD:RMB	26,884	6.35	769,420
USD:VND	41,551	22,859.42	1,189,190
<u>Non-monetary items</u>			
VND:NTD	5,371,417,732	0.0013	6,982,843
RMB:NTD	704,640	4.51	3,177,926
HKD:NTD	335,761	3.65	1,225,528
CHF:NTD	34,527	30.94	1,068,265
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	117,097	22,859.42	3,351,316
December 31, 2021			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 118,120	\$ 27.69	\$ 3,270,743
JPY:NTD	418,997	0.24	100,559
EUR:NTD	5,218	31.32	163,428
USD:RMB	22,799	6.38	631,304
USD:VND	37,975	22,771.38	1,051,528
<u>Non-monetary items</u>			
VND:NTD	5,299,065,790	0.0012	6,358,879
RMB:NTD	694,474	4.34	3,014,017
HKD:NTD	339,811	3.54	1,202,931
CHF:NTD	34,147	30.18	1,030,556
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	107,192	22,771.38	2,968,146

March 31, 2021			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 115,137	\$ 28.53	\$ 3,284,859
EUR:NTD	3,180	33.48	106,466
RMB:NTD	145,382	4.34	630,958
<u>Non-monetary items</u>			
RMB:NTD	681,454	4.34	2,957,510
HKD:NTD	322,878	3.67	1,184,962
VND:NTD	5,228,209,547	0.0012	6,273,851
CHF:NTD	39,480	30.28	1,195,454
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	5,953	6.57	169,839
USD:VND	118,436	23,082.52	3,378,979

- ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2022 and 2021 amounted to \$98,951 and (\$25,520), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Three months ended March 31, 2022			
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%	\$ 30,462	\$ -
EUR:NTD	1%	1,260	-
USD:RMB	1%	7,694	-
USD:VND	1%	11,892	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	69,828
RMB:NTD	1%	-	31,779
HKD:NTD	1%	-	12,255
CHF:NTD	1%	-	10,683
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	1%	33,513	-

Three months ended March 31, 2021				
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%	\$	32,849	\$ -
EUR:NTD	1%		1,065	-
RMB:NTD	1%		6,310	-
<u>Non-monetary items</u>				
RMB:NTD	1%		-	29,575
HKD:NTD	1%		-	11,850
VND:NTD	1%		-	62,739
CHF:NTD	1%		-	11,955
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:RMB	1%		1,698	-
USD:VND	1%		33,790	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three months ended March 31, 2022 and 2021 would have increased/decreased by \$0 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$414,943 and \$414,023, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the three months ended March 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in the NTD and USD.

- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
 - iii. If the borrowing interest rate of NTD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the three months ended March 31, 2022 and 2021 would have decreased/increased by \$77,600 and \$71,200, respectively. The main factor is that changes in interest expense result from floating rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
 - ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
 - iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
 - v. The Group classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Group applies the simplified approach using the provision matrix to estimate expected credit loss.
 - vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
 - vii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. As of March 31, 2022, December 31, 2021 and March 31, 2021, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>At March 31, 2022</u>					
Expected loss rate	1%	8%	64%	100%	
Total book value	\$ 3,754,502	\$ 71,143	\$ 18,412	\$ 22,206	\$ 3,866,263
Loss allowance	24,174	5,761	11,768	22,206	63,909
	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>At December 31, 2021</u>					
Expected loss rate	1%	6%	70%	100%	
Total book value	\$ 3,562,781	\$ 81,194	\$ 21,801	\$ 18,387	\$ 3,684,163
Loss allowance	24,501	4,682	15,225	18,387	62,795
	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>At March 31, 2021</u>					
Expected loss rate	1%	27%	39%	100%	
Total book value	\$ 3,815,758	\$ 78,011	\$ 7,502	\$ 4,417	\$ 3,905,688
Loss allowance	34,400	21,214	2,897	4,417	62,928

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

	2022	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 62,795)
Effect of foreign exchange	-	(1,114)
At March 31	\$ -	(\$ 63,909)
	2021	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 63,055)
Effect of foreign exchange	-	127
At March 31	\$ -	(\$ 62,928)

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, commercial paper and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at March

31, 2022, December 31, 2021 and March 31, 2021, the Group held money market position of \$44,753,881, \$45,379,025 and \$43,838,265, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Long-term borrowings (including current portion)				
March 31, 2022	\$ -	\$ 9,779,188	\$ -	\$ -
December 31, 2021	-	9,777,005	-	-
March 31, 2021	-	8,000,000	900,000	-
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Lease liability				
March 31, 2022	\$ 134,156	\$ 122,475	\$ 294,700	\$ 342,883
December 31, 2021	82,334	155,586	262,668	310,745
March 31, 2021	142,798	111,604	256,479	295,607

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

(4) Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates with quoted market prices is included in Level 1.

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

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

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortized cost, notes

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

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

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

<u>March 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through other comprehensive				
income assets				
Equity securities	\$ 35,984,742	\$ 466,200	\$ 5,043,371	\$ 41,494,313
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through other comprehensive				
income assets				
Equity securities	\$ 36,655,941	\$ 464,900	\$ 4,880,688	\$ 42,001,529
<u>March 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Forward exchange contracts	\$ 37,171,145	\$ 344,500	\$ 3,886,637	\$ 41,402,282

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

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

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

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques such as current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including applying a model using market information available at the consolidated balance sheet date.

iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward

exchange rate.

- iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the three months ended March 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the three months ended March 31, 2022 and 2021:

	<u>Three months ended March 31, 2022</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 4,880,688
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	162,683
At March 31	<u>\$ 5,043,371</u>
	<u>Three months ended March 31, 2021</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 2,909,741
Acquired during the period	550
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	976,346
At March 31	<u>\$ 3,886,637</u>

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

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

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

	Fair value at March 31, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 127,759	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	4,915,612	Net asset value	Not applicable	Not applicable
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 127,332	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	4,753,356	Net asset value	Not applicable	Not applicable

	Fair value at March 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 116,883	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	3,769,754	Net asset value	Not applicable	Not applicable

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

		March 31, 2022	
		Recognized in other comprehensive income	
	Input	Favourable change	Unfavourable change
Financial assets			
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	
		\$ 1,278	\$ 1,278

			December 31, 2021	
			Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	\$ 1,273	\$ 1,273
			March 31, 2021	
			Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	\$ 1,169	\$ 1,169

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- 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: None.
- 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 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(13) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(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.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

A. The Group operates and sets policies from product and service perspective; thus, management also identifies reportable segments using the same method.

B. The Group has three reportable segments: First business group, Second business group consisting of Cord fabric department and Gasoline department. Details are as follows:

(a) First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries—Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Hong Kong) Co., Ltd., etc.

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

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

(2) Measurement of segment information

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

(3) Information about segment profit or loss and assets

Three months ended March 31, 2022						
	First business group	Second business group			Adjustment and write-off	Total
		Cord fabric department	Gasoline department	Other segment		
<u>Segment revenue</u>						
Revenue from						
external customers	\$ 3,788,717	\$ 1,666,846	\$ 2,960,589	\$ 497,630	\$ -	\$ 8,913,782
Inter-segment revenue	278,924	24,025	-	47,079	(350,028)	-
Total segment revenue	<u>\$ 4,067,641</u>	<u>\$ 1,690,871</u>	<u>\$ 2,960,589</u>	<u>\$ 544,709</u>	<u>(\$ 350,028)</u>	<u>\$ 8,913,782</u>
Segment income	<u>\$ 391,940</u>	<u>\$ 146,866</u>	<u>\$ 139,433</u>	<u>\$ 25,835</u>	<u>\$ (48,253)</u>	<u>\$ 655,821</u>
<u>Segment assets</u>						
Identifiable assets	<u>\$ 13,862,601</u>	<u>\$ 5,871,157</u>	<u>\$ 1,204,617</u>	<u>\$ 3,633,996</u>	<u>\$ (379,377)</u>	<u>\$ 24,192,994</u>
Investments using the equity method						9,807,527
General assets						48,221,896
Total assets						<u>\$ 82,222,417</u>

Three months ended March 31, 2021						
	First business group	Second business group			Adjustment and write-off	Total
		Cord fabric department	Gasoline department	Other segment		
<u>Segment revenue</u>						
Revenue from						
external customers	\$ 3,392,202	\$ 1,724,929	\$ 2,615,405	\$ 427,381	\$ -	\$ 8,159,917
Inter-segment revenue	293,477	7,685	-	36,322	(337,484)	-
Total segment revenue	<u>\$ 3,685,679</u>	<u>\$ 1,732,614</u>	<u>\$ 2,615,405</u>	<u>\$ 463,703</u>	<u>(\$ 337,484)</u>	<u>\$ 8,159,917</u>
Segment income	<u>\$ 554,018</u>	<u>\$ 110,047</u>	<u>\$ 145,833</u>	<u>(\$ 20,101)</u>	<u>(\$ 149,508)</u>	<u>\$ 640,289</u>
<u>Segment assets</u>						
Identifiable assets	<u>\$ 13,238,287</u>	<u>\$ 5,658,334</u>	<u>\$ 1,246,102</u>	<u>\$ 3,607,199</u>	<u>(\$ 314,538)</u>	<u>\$ 23,435,384</u>
Investments using the equity method						9,788,766
General assets						46,708,144
Total assets						<u>\$ 79,932,294</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).

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the three months ended March 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2022 (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/g uarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 40,691,101	\$ 944,625	\$ 944,625	\$ 14,313	\$ -	1.51	\$ 81,382,202	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	40,691,101	1,517,125	1,517,125	566,009	-	2.42	81,382,202	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	40,691,101	1,574,375	1,574,375	248,250	-	2.51	81,382,202	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	40,691,101	3,592,438	3,592,438	2,635,487	-	5.74	81,382,202	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	40,691,101	1,953,531	1,679,336	1,679,336	-	2.68	81,382,202	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 seven categories.

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

March 31, 2022

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, 2022				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	\$ 961,400	0.21	\$ 961,400	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	35	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	68	-	68	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	44,940	0.01	44,940	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Current financial assets at fair value through other comprehensive income	10,000,000	466,200	2.35	466,200	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,711,010	533,602	0.25	533,602	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	34,444,732	3.83	34,444,732	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	234,166	16,606	0.54	16,606	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	47,770	10.00	47,770	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	852,120	28,627	1.20	28,627	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	337,183	503	3.17	503	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	248,423	3.00	248,423	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

March 31, 2022

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, 2022				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	NKFG	Other related party	Non-current financial assets at fair value through other comprehensive income	5,540,000	\$ 34,756	2.50	\$ 34,756	
FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	4,666,686	3.85	4,666,686	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,193,228	61,849	0.13	61,849	

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

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

For the three months ended March 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions						
			Transaction				(Note 1)		Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		Footnote (Note 2)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Purchases	\$ 2,613,546	46.18	Pay every 15 days by mail transfer	-	-	Accounts payable	(\$ 382,958) (	47.17)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	378,368	6.68	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	(112,565) (	46.78)	
									Accounts payable	(200,785) (	24.73)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	191,562	3.38	Pay every 15 days by mail transfer	-	-	Accounts payable	(72,215) (	8.89)	
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(128,634) (	12.10)	60 days after monthly	-	-	Accounts receivable	138,817	12.06	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	191,634	20.08	60 days after monthly	-	-	Accounts payable	(94,163) (	45.72)	

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

March 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2022 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	\$ 104,552	2.44	–	–	\$ 31,178	–
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	138,817	3.19	–	–	19,269	–
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	171,430	1.59	–	–	81,649	–

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the three months ended March 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	\$ 378,368	Draw promissory notes due in 2 months after inspection	4.24
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	112,565	Draw promissory notes due in 2 months after inspection	0.14
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	200,785	Draw promissory notes due in 2 months after inspection	0.24

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Information on investees
For the three months ended March 31, 2022

Table 6

Expressed in thousands of NTD (Except as otherwise indicated)											
				Initial investment amount		Shares held as at March 31, 2022			Net profit (loss) of the investee for the three months ended March 31, 2022 (Note 2(2))	Investment income (loss) recognized by the company for the three months ended March 31, 2022 (Note 2(3))	Footnote
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Balance as at March 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	\$ 114,912	\$ 114,912	16,100,000	100.00	\$ 185,541	\$ 1,381	\$ 1,381	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	1,762,711	1,762,711	135,686,472	30.68	5,260,909	461,139	141,489	
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	1,225,528 (	22,061) (	22,061)	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,171,242	12,929	12,929	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producon of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	213,771	213,771	18,595,352	17.99	1,254,538	250	920	
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	2,634,963	34,275	34,275	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	1,918,810	408,041	40,804	
FORMOSA TAFFETA CO., LTD.	SCHOELLER TEXTIL AG	Switzerland	Textile R&D, production and sales	1,285,507	1,285,507	21,874	50.00	1,068,082	20,682	10,341	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the three months ended March 31, 2022

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, 2022			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for the three	recognized by the	
				March 31, 2022	December 31, 2021				months ended March 31, 2022	company for the three	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INCORPORATION	Taiwan	Manufacturing, installing, and supervising the engineer design of LED illumination systems/illumination arrangements	\$ 263,327	\$ 263,327	7,013,871	15.22	\$ 267,699	\$ 31,419	\$ 4,782	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	18,208	461,139	548	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATIONAL COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	15,302	1,250	1,250	
PUBLIC MORE INTERNATIONAL COMPANY LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producon of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	1,069	1,069	10,000	0.01	1,072	250	1	

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, 2022' 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 months ended March 31, 2022' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the three months ended March 31, 2022' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the three months ended March 31, 2022

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, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022	Net income of investee for the three months ended March 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2022 (Note 2)	Book value of investments in Mainland China as of March 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022	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	\$ 25,428	100.00	\$ 25,428	\$ 2,022,800	\$ 43,914	Note 3
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	(23,501)	100.00	(23,501)	1,108,936	-	Note 4
CHANG SHU YU YUAN DEVELOPMENT CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	18	40.78	7	18,209	-	Note 5

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

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

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

(3) Others

Note 2: The amount of 'Investment income (loss) recognized by the Company for three months ended March 31, 2022 was derived from financial statements which were audited by independent auditors.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 and March 31, 2022 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, 2022 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, 2022 was US\$41,100,000.

Note 5: Chang Shu Yu Yuan Development Co., Ltd. was merged with Chang Shu Fushan Enterprise Management Co., Ltd. in the third quarter of 2015, with Chang Shu Yu Yuan Development Co., Ltd. as the surviving company and its paid capital is RMB\$13,592,920.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022	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	\$ 1,327,968	\$ 37,561,016
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,202,040	37,561,016

Note :

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

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

(3)The original currency of paid-in capital was translated at USD:TWD = 1:28.62

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 months ended March 31, 2022

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property		Accounts receivable		Provision of endorsements/guarantees		Financing					
	Amount	%	Amount	%	Balance at March 31, 2022	%	Balance at March 31, 2022	Purpose	Maximum balance during the three months ended	Balance at March 31, 2022	Interest rate	Interest during the three months ended	Others	
									March 31, 2022			March 31, 2022		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,678	0.03	\$ -	-	\$ 1,678	0.07	\$ 944,625	For short-term loans from financial institutions	\$ -	\$ -	-	\$ -		
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	913	0.01	-	-	4	0.00	1,574,375	For short-term loans from financial institutions	-	-	-	-		

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on Major Shareholders

March 31, 2022

Table 9

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