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Formosa Taffeta Co., Ltd.

2018 Annual Report

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Inquiry about the Annual Report
Market Observation Post System: mops.twse.com.tw
Corporate website: www.ftc.com.tw

A. Names, job titles, contact phone numbers, and e-mail addresses of spokesperson and acting spokesperson

Name of spokesperson: *Lee Ming-chang*
Title: president
Tel.: (02)8770-1688
e-mail address: u000686@ftc.com.tw

Acting spokesperson: *Cheng Hung-Ning*
Title: manager, general management Division
Tel: (05)5573966
e-mail address: u133232@ftc.com.tw

B.Addresses and telephone numbers of headquarters, offices and factories

Headquarters and offices: No. 317, Shuliu Road, Touliu, Yunlin County, Taiwan, ROC
Tel: (05)5573966

Office: 11th fl., No. 201, Dunhua N. Road, Songshan District, Taipei, Taiwan, ROC
Tel.: (02)8770-1688

C. name, address, website, and telephone number of stock-transfer institution

Name: stock affairs section, Formosa Taffeta Co., Ltd.
Address, 1st fl., rear building of Formosa Plastics Building, No. 201, Dunhua N. Road, Songshan District, Taipei, Taiwan, ROC
Website: Nil
Tel. (02) 2718-9898

D.Name, address, website, and telephone number of name of certified public accountant and of accounting firm for the financial state of the latest year

Names of CPAs: Wu Han-chi, Chou Chien-hung
Name of accounting firm: PwC Taiwan
Address: 27th fl., No. 333, Keelung Road, section 1, Taipei
Website: www.pwc.com/tw
Tel.: (02)2729-6666

E. Name of site for transaction of overseas securities and method for inquiry about the overseas securities: Nil

F. Corporate website: http://www.ftc.com.tw

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I.Report to shareholders

A. 2018 business performance

The Company's consolidated revenue grew by 9.4%, from NT$ 40,705.66 million in 2017 to NT$44,545.05 million in 2018, an increase of NT$ 3,839.39 million, with consolidated pretax profit increasing by 19%, from NT$ 5,276.48 million to NT$6,280.36 million, an increase of NT$ 1,003.88 million.

The business of 2018 had been influenced by the global financial environment. The main attributor was a loose monetary policy that rendered new high of capital-market indices of stocks, futures, and bonds, which in turn resulted in the rise of prices of raw materials and oil. However, the increased costs of materials and pays were not easy to be passed on to consumers due to weaker-than-expectation consumption power and acute competition in the downstream sector.

Following inventory reduction in the fourth quarter in 2018, sports, fashion, and functional apparel brands in the U.S. and Europe resumed purchase in the first quarter of 2019 while tariffs and the present international supply chain are being impacted by trade disputes arose from trade deficits which the U.S. had with its major trade partners, including China, Germany, and Japan. Should the disputes be settled smoothly, the Company expects to attain its 2019 growth target, given robust economy and rising consumption power in Northern America.

B. 2019 The company's business plan summary, company development strategy in future, Influenced by the external competition environment, regulatory environment and overall business environment.

(A) Filament woven and dyed fabrics:

In 2018, with continuous slow growth of the apparel consumption market and the approach of completion of inventory adjustment on the end market, sales of autumn and winter apparels picked up, leading to increase of orders from brand vendors. In 2019, the U.S. apparel market is expected to remain robust and sports and casual wear featuring coziness, functionality, and fashion will be market mainstream, providing the 2019 apparel market growth momentum, as a result of which orders from major sports brands will increase. Meanwhile, in line with branded vendors' plan to integrate fabrics, consolidate supply chain for garment production, in the hope of shortening delivery time and increasing local sourcing. In 2019, the Company's Vietnamese plant is expected to see phenomenal growth in orders from branded vendors and sales of the mainland Chinese plants will also grow while the Taiwanese plants will focus on the development of differentiated products, functioning as the platform for product development and innovation and business integration for brand projects so as to sustain growth of orders.

There are four end markets for the Company's filament woven fabrics: outdoor performance wear, sportswear, casual wear, and umbrella. In response to international brands' development trend crossing fashion and sportswear, the Company will increase the proportion of high niche and environment-friendly differentiated products, such as light weight micro-denier textiles, spandex fabric, environment-friendly materials, special breathable waterproof laminated fabric, and coated textiles, meeting customized demands of emerging brand customers with potential.

For production and marketing, the Company's R&D team takes charge of product innovation and upgrade while the marketing team focuses on market exploration and augmentation of market share. As to the ordinary management, the Company has been pushing process upgrading, lowering failure cost, conserving energy, and introducing AI and industry 4.0 to consolidate the quality of core products, enhance productivity and boost product competitiveness. On operation, to respond to local sourcing and take advantage of regional preferential tariffs, the Company has been working on effective use and integration of respective advantages of five production bases in Taiwan, mainland China, and Vietnam and optimization of its product portfolio so as to maximize synergy.

The market of filament woven fabrics in 2019 is about to be of challenge as a result of uncertainties of external financial and economic circumstances. Even with high expectation for 2019 orders from main brands, to attain the 2019 growth target, the Company has to strive for lead generation, intensify strategic partnership with various brands, and ally with their designated apparel suppliers.

(B) Tire cord fabric

Trade disputes between the U.S. and its major trading partners, including China, Germany, and Japan, had made worldwide impacts all through 2018. Auto and related assembly manufacturing suffered a heavy blow, which had a ripple effect on production and sales of the Company's tire cord fabric. Besides such circumstances, unfavorable tariffs and smaller production scale than that of competitors also challenge the operation of the Company's Taiwanese Tire cord Plant. To survive, the Company has still strived to beat the odds via a flexible separate-production-n-centralized-distribution strategy through taking the Vietnamese Plant as the distribution/production center for exploitation of the zero-tariff privilege for exports to ASEAN (Association of Southeast Asian Nations) markets, gains of orders from ASEAN, China, Korea, Japan, India, Europe and the U.S., and acceptance of orders of zero-profit products if they are produced in the Taiwanese Plant. With completion of its expansion project, the Vietnamese Plant can adjust its product portfolio to meet the needs of customers.

In 2019, along with solicitation of more orders from existing domestic and overseas customers, the Company will intensify efforts to seek new customers, develop new products with different specifications, expand business for low-denier high-margin bread-winning products, and raise prices for slim-margin products. In addition, it will improve process, such as an increase of the speed of dipping machines, the control of repair-maintenance expenses and inventory level, etc., negotiate with material supplies, especially tire cord yarn suppliers, for price cut, and take customers' demands in physical properties as requirements for quality. The parent plant in Taiwan will continue raising its share in the market of the world's top 30 tire brands, as well as the share of differentiated products and those with high added value. 2019 profits are expected to be higher than the 2018 level.

(C) Gas station

As of the end of 2018, Formosa Petroleum Station had had 106 gas stations, making it one of the top 5 gas-station brands in Taiwan for years. With international oil prices rising continuously, thanks to agreement of output reduction by oil-producing countries, revenue grew. Formosa Petroleum Station has been able to maintain steady profits for years, thanks to the policy of removing inferior gas stations through assessment of their performance, locations, plus the length of lease contract. Profit in Q4 2018 was affected by the government policy of freezing oil prices, which reduced the valuation of oil in stockpile. Given fluctuation in international oil prices in recent three years, inventory level of oil tanks should be closely monitored and adjusted flexibly. The number of gas stations with self-service has been increased to 93, such increase will go on if benefits justify. Effort will be intensified to increase the number of contracted customers with monthly settlement of bills, including enterprises and owners of agricultural or engineering machines. Efforts have also been made to diversify income sources, such as service of patented car washers and sales of travel and daily-life goods and auto accessories via B2C channel. Formosa Petroleum Station has been continuously offering various training courses, such as SOP, 5S, and TPM, to station workers to attain quality service and standardized management. Its business scope is planned to include the operation of charging stations for electronic products, service of car inspection, and sales of products for car detailing and maintenance. In 2019, the volume of sold oil is anticipated to swell, which benefits form the government’s advocacy of domestic tourism; its revenue is expected to be stable even with the fluctuation of international oil prices.

(D) Cotton yarn

Despite the double impacts of the competition of increasing amount of imported yarn and shrinking domestic demands, the Company is able to flexibly respond with the rapid development capability by consolidating regular-yarn business of the domestic market with branded vendors and channel partners, penetrating the markets of functional yarn and regular yarn in Latin America, Southeast Asia, and Korea, leading to growth in revenue and profits in 2018.

In 2019, the Company will continue tapping overseas markets, actively tapping business of customers of protective-gear yarn, and launching operation of multi-function spinning machines, accommodating the product portfolio of branded customers, as a result of which sales of cotton yarn are expected to score slight growth.

(E) Special textiles

Sales of special fabrics reached the objective in 2018, thanks to increased open-bidding orders for petroleum-worker uniforms and orders for fireproof fabric for military and policemen clothes. Due to the requirement of lightweight, the Company's ballistic fabric is replaced by high-strength lightweight PE, and only Indonesian open-bidding order of ballistic fabric for ballistic helmets is received. Orders for anti-static fabric also dropped, as a result of price competition by Chinese suppliers. However, thanks to the contribution of high-priced medical fabric and fabric for paint spray coveralls, revenue and profits managed to grow in 2018.

In 2019, sales of special fabrics are expected to grow further, thanks to expected supply of near-infrared fire-proof laminated camouflage fabric to the military, the just concluded three-year contract for supply of petroleum-worker uniforms to Southeast Asia, and orders of anti-static fabric for permeable paint spray coveralls and anti-bacterial clothes for food manufacturing.

(F) Carbon-fiber composite material

Major products in this category include 3k and 12k carbon-fiber fabric, 12k reinforcement material, 12k/24k one-way prepreg, 3k two-way prepreg, and carbon-fiber panel, mainly for supply to domestic manufacturers of bike components and parts, sports gear, reinforcement construction materials, and 3Cs, plus exports to Japan, Korea, Thailand, Indonesia, Brazil, and Europe. Sales shot up in 2018, thanks in part to lower comparison base in 2017.

In 2019, the Company should focus on seeking civil-engineering business via open bidding for reinforced materials, developing high Tg (with glass transition temperature of 180 ℃, 250 ℃, or 300 ℃) resin prepreg, and tapping high value-added robotic arm markets. In addition, it has to tap the markets of yacht, ship, and turbine blade for multi-axis/-layer carbon fiber fabric, the markets of robotic arm and auto accessories for expansion-fiber textiles, the water-transport robotic arm market for carbon fiber panel, and the 3C market for thermoplastic and thermoset carbon fiber panel. Sales are expected to expand further in 2019.

(G) Plastic bag

Following strike by some customs employees in Chile in the fourth quarter of 2017, influx of orders from South America resumed in the first quarter of 2018, which, plus increased orders from 7-11 in Japan, the largest overseas market, enabled 2018 sales to score slight growth, but efforts to hike unit price and effectively respond to fluctuation of the exchange rate between NT dollar and Japanese yen have to be made for better performance.

Sales are expected to drop significantly in 2019 as Japan's 7-11 channels will push biodegradable plastic bags, then charging fee for plastic bags. In response, the Company has rolled out T-shirt bags with biodegradable materials, which has higher added value, and will have the product certified.

In 2019, energy and raw material prices are expected to rise, which, plus climate change and price competition, will pose major difficulty and challenge for business operation, especially in the consolidation and upholding of the existing supply chain. In response, the Company will push various improvement projects, invest in new capacities and new technologies, flexibly adjust the division of labor, in terms of regional sales, global marketing, and specialty-based production, among the five production bases in Taiwan, China, and Vietnam. The Company will take pains in eliminating failure cost, do the right things, pursue high added value, uniform standards, and refined quality, and create and expand synergy, in addition to intensifying corporate governance and fulfillment of corporate social responsibilities and promoting environmental protection, in line with the global current so as to attain performance target, co-benefits and co-prosperity with supply-chain partners, a sustainable win-win outcome with customers, and the vision of creating sustainable growth for investment returns for shareholders.

II Company profile

A. Incorporation date

April 19, 1973

B. Company history

Founded by Formosa Chemicals & Fibre Corp. and a number of business figures, the company was incorporated on April 19, 1973, dubbed "Formosa Fiber Co., Ltd.," for engagement in the weaving, dyeing, and printing of long-fiber Polyamide and polyester weaving fabric. Renamed as Formosa Taffeta Co., Ltd. in Jan. 1979, the company's paid-in capital reached NT$120 million in the beginning, which has been enlarged in subsequent years, via several capital increments with earnings, to fund business diversification, with existing major products including long-fiber Polyamide and polyester dyeing-and-finishing converted fabric, blended fabric, long- and short-fiber weaving fabric, composite functional fabric, short-fiber yarn, tire cord, PE bag, stab-proof fabric, fire-proof and fire-fighting fabric, gas station, and carbon-fiber fabric and composite materials. Formosa Taffeta Co., Ltd. has become a world-class manufacturer, in terms of both production scale and quality, of long-fiber Polyamide and polyester weaving fabric, notably in the fields of sportswear and outdoor functional clothes, progressing in sync with fashion current and the development of major international brands. Corporate chronology follows:

1972 Founders Wang,Yung-Chin; Wang Yung-tsai; Lai,Shu-Wang and Hsie Shih-ming formed a preparatory office for the establishment of factories producing long-fiber Polyamide and polyester weaving fabric, dyeing and finishing, and printing.

1973 Approved by the Ministry of Economic Affairs, Formosa Fiber Co., Ltd. came into being, with Lai,Shu-wang as chairman of the Board and Hsie Shih-ming as president. Ground was broken in Nov. for the construction of factories.

1974 Test run of factories in Sept.

1975 Official inauguration in Jan.

1977 Expansion of printing plant, for the production of flat and rotary printing fabric umbrella cloth

1978 Expansion of 1st weaving fabric plant with addition of warping machine, sizing frame, beaming machine and weaving machine, making it an plant with integrated weaving operation.

1979 Approval for name change to Formosa Taffeta Co., Ltd. in Jan.; expansion of weaving fabric plant and 2nd dyeing and finishing plant, and establishment of umbrella ribs plant, doubling the output of taffeta fabric and diversifying operation with the addition of umbrella ribs plant.

1980 Construction of tire-cord plant with monthly capacity of 600 tons, leading to further diversification of the company's operation.

1981 Construction of new tire-cord plant, boosting total capacity to 14,400 ton/year, and expansion of the machinery equipment of umbrella ribs plant.

1982 Installation of automated equipment and capacity at dyeing and printing plant.

1983 Setup of 2nd weaving fabric plant, with annual capacity of 60 million yards of grey cloth for dressing materials.

1984 Setup of 3rd dyeing plant and PE bag Plastics Processing Plant.

1985 Setup of function-oriented units, for the first time ever, including 1st production division (for long-fiber fabric), business division, and 2nd production division (tire cord, umbrella ribs, and PE bag); expansion of the president's office, in charge of regular management works, instead of merely auditing and statistics works in the past; installation of first Oil and electricity cogeneration motors; share listing in Taiwan on Dec. 24, with IPO price set at NT$19.5 per share, transforming the company into a public company, a milestone in the development of the company.

1986 Setup of financial division in July, investment in the construction short-fiber cotton spinning plant, cotton weaving plant, cotton dyeing plant featuring integrated operation, greatly boosting the scale of diversification via the blending of long- and short-fiber fabrics; expansion of printing equipment at 2nd dyeing plant of 1st production division and the equipment of 2nd weaving plant.

1987 Organizational reshuffle in May with setup of 1st, 2nd, and third business divisions, in place of original function-oriented production divisions and business division, pushing of profit-center system for business divisions, which are responsible for both production and marketing performance; installation of special processing machinery equipment and construction of warehouses for finished products.

1988 Construction of second set of waste treatment equipment and expansion of the machinery equipment of tire cord plant; registration of "Abletex" trademark for water-proof/moisture-vapor fabric, initiating multi-brand marketing.

1989 Setup of second set of oil and electricity cogeneration motors and PVA resin for weaving recycling system at cotton dyeing plant. Setup of Hong Kong subsidiary in April, renamed as Formosa Taffeta (H.K.) Co., Ltd. in Sept, with paid-in capital of HK$7 million, as the company's first overseas sales overseas office, mainly for reception of transshipment orders, taking over agency business in Hong Kong and Macao gradually, plus preparation for setup of factories in mainland China.

1990 Setup of first Automatic Storage System for gray and construction of an eight-story dormitory. Investment in the founding of Formosa Advanced Technologies Co., Ltd. with paid-in capital of NT$200 million, in Hsinchu Science Park in Sept. for the production of cathode power supply components and molybdenum sheets, and investment in the founding of Formosa Development Co., Ltd. with paid-in capital of NT$100 million, in Douliu City of Yunlin County for engagement in land rezoning and development.

1991 Installation of special fabric equipment, expansion of umbrella ribs plant equipment, and setup of fifth dyeing plant; setup of Xiamen representative's office by Hong Kong subsidiary, the company's first business establishment in mainland China, servicing Taiwanese umbrella firms in Fujian; actively assisting Formosa Plastics Group to obtain land dubbed the the nation's sixth naphtha cracking complex in the area of Mailiao township Yunlin county, including shallow-sea culture area.

1992 Acquisition of near 5% stake in Formosa Petrochemical Corp., following the latter's founding in April. Formation of committee for expansion of the 2nd plant premises in Neilinduan of Yinlin County, expansion of the capacity of 2nd tire-cord plant premises by 1,300 tons/month, and setup of PVA resin for weaving recycling system at 2nd weaving fabric plant. In Oct. Founding of " F.T.C. INTERNATIONAL s.r.l " in COMO,Italy with paid-in capital of 1 billion liras, for engagement in cloth trading in Europe. In Dec. Investment in the founding of three subsidiaries in Shenwan township, Zhongshan City of Guangdong Province in China. for production of tire core(Syn-Formosa Textile Industrial Co.,Ltd.), chemical-fiber fabric (Syn-Formosa Textile (Zhong Shan) Co.,Ltd.), and umbrella ribs (Syn-Formosa Indusrtila (Zhong Shan) Co.,Ltd.), with initial registered capitals reaching US$11.2 million, US$11.2 million, and US$2.1 million, respectively.

1993 Setup of Formosa (Xiamen) Drawing Co., Ltd. for engagement in drawing of patterns, including patterns for umbrella cloth and PE bag, as well as fabric trading.

1994 Change of umbrella ribs plant to steel coil processing plant; change of the registered investor of the three subsidiaries in Zhongshan City to Hong Kong subsidiary and increase of paid-in capital of one Formosa industrial(Zhongshan)Co.,Ltd. to US$1.47 million to fund construction of plant, which started test run in Dec; founding of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., with registered capital of US$500,000, in Aug.; signing of ISO assistance plan with China Productivity Center for pushing ISO certification.

1995 Setup of textile industrial development center in Feb., putting under its auspices R&D staffers at various plants and departments, to intensify development of new fabrics and support business staffers in sales campaign. Acquisition of near 15% stake in Nanya Technology Corp. following its founding in March, before gradual drop to less than 1% over the past years. 3rd dyeing plant, sixth dyeing plant, and tire-core plant passing ISO9002 certification. Renaming of three Chinese subsidiaries (Syn-Formosa Textile Industrial Co.,Ltd.→ Formosa Chemical Fiber (Zhong Shan)Co.,Ltd.) along with cash capital increment of US$1.43 million, unbuilt factory; (Syn-Formosa Textile (Zhong Shan) Co.,Ltd. → Formosa Textile (Zhong Shan)Co.,Ltd.), with cash capital increment of US$4.75 million to fund plant construction, (Syn-Formosa Industrial (Zhong Shan) Co.,Ltd.→ Formosa Industrial (Zhong Shan)Co.,Ltd.) with two cash capital increments totaling US$2.25 million in scale, for mass production of umbrella ribs.

1996 Installation of 903 water-jet looms and other related new equipment at third section of 1st weaving fabric plant in Neilinduan; Moving of Formosa Advanced Technologies

Co., Ltd. to Douliu City, along with its transformation into a plant with integrated operation, thanks to the installation IC assembly line, as well as capital reduction before capital increment to NT$1 billion; mass production of silk cloth and umbrella cloth at the dyeing and finishing plant of Formosa Textile (Zhongshan) Co., Ltd.; mass production of umbrella ribs at Formosa Industrial (Zhongshan) Co., Ltd., with annual capacity reaching 7,200 tons.

1997 Installation of second automated storage system for gray and new dyeing machines, increasing capacities by 52.32 million yards/year. Acquisition of Formosa (Xiamen) Drawing Co., Ltd. by Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. before write-off, with registered capital reaching US$570,000.

1998 Following passing away of Lai Shu-wang, then chairman and a founder, at 90 in Feb., the board of directors elected Wong Wen-yuan to be the new chairman; completion of expansion project with 58.8 million yards/year in scale for processing plant; formation of petroleum business segment preparotory office; full-scale mass production of Polyamide fabric and polyester fabric by Formosa Textile (Zhong shan) Co., Ltd., furnished with 600 looms, featuring integrated operation for weaving, dyeing, and printing, and install two sets of generators; transfer of remaining equipment at steel coil processing plant to Formosa Industry (Zhong shan) Co., Ltd., boosting the latter's capacity to 14,400 tons/year. still retains part of its sales and service business for 3 years in Taiwan.

1999 Acquisition of Ruiyuan Vietnam Co., Ltd., a trouser fabric manufacturer , in Feb. before its transformation to Formosa Taffeta Vietnam Co., Ltd. in Long An Province of Vietnam in June, with registered capital of US$25 million, for engagement in the production of trouser fabric and dyed chemical-fiber fabric; formation of petroleum business division and setup of gas stations in Changyi Kuaikuan, and Chihsiang, marking foray into B2C retail business for the first time.

2000 Renaming of Formosa Textile (Zhongshan) Co., Ltd. to Formosa Taffeta (Zhong shan) Co., Ltd., in preparation for cross-line acquisition; passage of dividend payout policy by shareholders' meeting in June, calling for appropriation of at least 50% of earnings after deduction of legal provisions, compensations for directors and supervisors, and employee bonus for payout of dividends, half of which should be in the form of cash.

2001 Setup of Schoeller FTC (Hong Kong) Co., Ltd., as a 43:57 joint venture with Schoeller Textil AG of Switzerland, for engagement, Be the first one in Taiwan, in the production of electromagnetic shielding fabrics; Establishment of 21 new gas stations; cash capital increment of US$12 million by Formosa Taffeta (Zhong shan) Co., Ltd., to fund installation of 605 looms and dyeing and finishing equipment at 2nd weaving fabric plant; cash capital increment of US$14 million by Formosa Taffeta Vietnam Co., Ltd., to fund installation of 632 looms, along with warping machine,sizing machine, dyeing and finishing, water treatment equipment.

2002 Setup of 17 new gas stations, including that in Shetou; established a joint venture with

Nan Ya Plastic Corp. and King Car Industrial Co., of Formosa Industries Corp., holding 10% stake; expansion in the development of plot of land and facilities for its plant in Nhon Trach industrial zone in Vietnam.

2003 To expand sources for orders for fabric from clothes brands, the company spent NT$85 million to subscribe to 5 million new shares in the cash capital increment of Quang Viet Enterprise Co., Ltd., holding 24.49% stake; invitation for the company, the first among non-Japanese firms in Asia, to attend the Premiere Vision-Paris fair; installation of 14 new gas stations, including Nan Ya gas station; establishment of Shanghai representative's office by Formosa Taffeta (Zhong shan) Co., Ltd.; establishment of 12"-wafer assembly plant and module production line by Formosa Advanced Technologies Co., Ltd.

2004 Setup of oversea filament division in Feb., to oversee the operation of plant premises in China and Vietnam; installation 22 new gas stations, including Nankan gas station; investment in the establishment of Formosa Taffeta Dong Nai Co., Ltd., with registered capital of US$12 million, in Nhon Trach industrial zone in Vietnam; installation of chafing-proof tire cord equipment, with annual capacity of 3,240 tons, at tire cord plant in Aug.; acquisition of Formosa Industrial (Zhong shan) Co., Ltd. and Formosa Chemical Fiber (Zhong shan) Co., Ltd. by Formosa Taffeta (Zhong shan) Co., Ltd. in Dec., whose registered capital rose to US$46.4 million subsequently.

2005 Funding for installation of 504 looms by Formosa Taffeta (Dong Nai) Co., Ltd. in Jan.; dismantling of 3rd business division in Feb., with its cotton weaving plant and cotton dyeing plant being taken over by 1st business division; capital increment by Formosa Taffeta (Hong Kong) Co., Ltd. in April before investment in the setup of Formosa Taffeta (Changshu) Co., Ltd., in China's Jiangsu Province, with registered capital of US$18 million, for producing chemical-fiber dyeing-and-finishing fabric in may; setup of fifth production line at tire cord plant, with annual capacity of 13,200 tons; cash capital increment of US$25 million by Vietnam subsidiary in Long An to fund installation of 320 looms, plus interlace warping machines and automated color-matching equipment; closure of F.T.C. international s.r.l and application for its write-off.

2006 Cash capital increment of US$10 million by Long An subsidiary, to fund installation of 120 looms, plus air compressors, boosting annual capacity of dyeing and finishing plant to 48 million yards and registered capital to US$74 million; capital increment of US$21 million by Formosa Development Co., Ltd., boosting its paid-in capital to US$161 million; capital increment of US$3 million by Dong Nai subsidiary, to fund installation of 125 looms; increase of the number of gas stations to 87.

2007 Reshuffle for the establishment of 3rd business division, overseeing spinning plant, special fabrics plant, and newly established carbon-fiber composite material plant; dismantling of oversea filament division, switch of subsidiaries in China and Vietnam to the jurisdiction of 1st business division of the parent company; dismantling of the

Shanghai office of Zhong shan subsidiary in May; capital increment by Hong Kong subsidiary to fund setup of Formosa Taffeta Trading (Shanghai) Co., Ltd., with registered capital of US$150,000, located at the same site of the former Shanghai office; eruption of the U.S. subprime mortgage crisis in the second half of July, triggering stock and futures market crash, promoting governments worldwide to cut interest rates to bolster market, boosting global oil price to over US$100 per barrel, inducing price hike of grain and other raw materials, cutting gross margin of transportation and manufacturing industries, and leading to stagnation of major economies; Formosa Advanced Technologies going public in Taiwan with paid-in capital increasing to NT$4,422 million; revenue and profit in consolidated financial statement hitting record high for the fourth straight year.

2008 Incorporation of 3rd dyeing plant, fifth dyeing plant, and processing plant of 1st business division into 1st dyeing plant and 2nd dyeing plant in Jan.; QC Guarantee Group of president's office renamed as standard section in March; completion and gradual inauguration of third plant of Formosa Advanced Technologies in April, mass production of DDR3 with 70 nm process in August, and foray into mass production of LED gross dies, including grinding, cutting, spot check, and classification; capital increment of US$10 million by Dong Nai subsidiary, to fund setup of new dyeing and finishing plant, with annual capacity of 24 million yards, test run at the end of the year, leading integrated operation of weaving and dyeing; global oil price peaking at US$147 per barrel before crash, triggering similar general price fluctuation, outbreak of Wall Street financial crisis in Sept., affecting manufacturing industries and dampening interest rates to near zero, which resulted in negative growth; passing away of founder Wang, Yung-Chin during a tour of the plant premises of Formosa Plastics Corp. USA in New Jersey, with various affiliates of Formosa Plastics Group retaining normal operation under established guidelines; TAIEX Index dropping below 4,000 and global oil price tumbling to the nadir of US$40 per barrel; completion of the expansion of the capacity of fifth production line of tire cord plant by 13,200 tons/year in Dec., boosting total capacity to 56,400 tons; completion of upgrading of domestic ERP (enterprise resource planning) mainframe and management system at the end of the year.

2009 Execution of reorganization in Jan., including setup of 1st business group, overseeing weaving business division, dyeing and finishing business division, R&D center, and overseas weaving, dyeing and finishing plant premises; 2nd business group, overseeing tire cord business division, industrial materials business division (merger of original third business division and plastics processing plant), petroleum business division, and energy & civil construction division; setup of general management division, putting under its jurisdiction president's office, finance division, procurement department, administration department, and safety and hygiene office; slump of various global economic and trade indices to record low; capital increment of US$9 million both by Hong Kong subsidiary in April and Changshou subsidiary in June; liquidation of F.T.C international s.r.l, provisions for impairment of assets of Nanya Technology Corp.; austerity measures, to cope with the impact of global financial tsunami and export decline, including cut on outlays and energy consumption, reduction of cost, expenses, and stock, and manpower contraction.

2010 Completion of new dyeing and finishing plant, with annual capacity of 24 million yards, of Dong Nai subsidiary; in response to the new situation after ASEAN-China Free Trade Agreements taking effect, cash capital increment of US$11 million in April, to fund the construction of new tire cord plant, with annual capacity of 12,000 tons, plus expansion of 2nd weaving fabric plant at cost of US$3.7 million; acquisition of 4.963% stake in Formosa Ha Tinh Steel Corp.; consolidated revenue reaching new high.

2011 Price hike of raw materials, notably gold, cotton, and CPL, due the effect of the Jasmine Revolution in Northern Africa and the Middle East and military friction between North and South Korea, with global crude-oil price breaking US$120/barrel mark in April; transformation of short-fiber cotton spinning plant into 3rd long-fiber weaving fabric plant, alongside installation of 524 new looms, including 269 weaving-fabric looms, 177 multi-arm looms, 66 weaving machine, and 12 rapier looms; retirement of assistant president Kenbo Huang before joining the board of directors; installation of 297 looms, in batches at 2nd weaving fabric plant of Dong Nai subsidiary in Vietnam; appreciation of New Taiwan dollar against US dollar, breaking the mark of US$1=NT$28.4 once; formation of the remuneration committee in Aug., write-off of Formosa Taffeta Trading(Shanghai) Co., Ltd. in Sept.; completion of installation of dipping machines at the new tire cord plant of Dong Nai subsidiary in Dec.; selection of 2007 as the base year for compliance with ISO 14064-1 standard; passage of the inspection of British Standards Institution (BSI) on Dec. 8; acquisition of certified statement on greenhouse-gas emission by Taiwan Accreditation Foundation (TAF), acknowledged by Taiwan's Environmental Protection Administration and the International Accreditation Forum (IAF), with inventory showing total CO2 emission of 686,177 metric tons, belonging to the grade of reasonable assurance, a milestone of the company's effort in pushing environmental protection and an honor for Taiwan's textile industry; the number of gas stations surpassing the 102 mark; provisions for the impairment of assets of Nanya Technology; revenue reaching NT$36.2 billion and revenue in consolidated financial statement hitting NT$53.2 billion, both new highs.

2012 Change of the titles of administrator and senior administrator, appointment of vice president; plan for the construction of green-energy dyeing and finishing plant; successive completion of the verification of PAS 2050 carbon footprints for 24 weaving functional fabrics; visit to the company by BSI representatives in Dec.; completion of the installation of the first batch of dipping machines, weaving and twisting machines at tire cord plant of Dong Nai subsidiary in Vietnam; strengthening of the organization for functional fabric of 1st business segment.

2013 In compliance with the requirement of the Financial Supervisory Commission, adoption of the International Financial Reporting Standards (IFRSs), compiling financial statement, mainly consolidated one, in traditional Chinese, from Jan.; formulation of six major policies for the year in Feb., including inroads into the global market and removal of waste from repetitive works, notably the project for preventing failure costs; preparation for waterless dyeing process; publication of declaration on sustainable development by president Hsie Shih-ming in May; publication of "2012 report on green sustainable development" in Aug. for posting on related international websites, for perusal by branded customers and major stakeholders; installation of 12 new looms for fire-proof production line at the plant of Dong Nai subsidiary in Oct.; inauguration of first-phase capacity of 12,000 tons/year at tire core plant of Dong Nai subsidiary in Vietnam, following investment in 2011; gradual increase of self-service gas stations.

2014 Approval of US$15.3 million cash capital increment plan of Dong Nai subsidiary in Vietnam by the Vietnamese government in Jan., fund raising of another US$22.54 million by Dong Nai subsidiary for 2nd-phase capacity reaching 12,000 tons/year and fire-proof fabric production line with annual capacity of 580,000 yards; suspension of San Francisco office for western U.S.; takeover of the trading business of Hong Kong subsidiary by the Taipei business department; installation waterless dyeing machines at Taiwan plant in April; fund raising of US$6.4 million by Long An subsidiary in Vietnam for construction of new plant for back-end finishing of functional finishing fabric with annual capacity of 21.42 million yards; eruption of anti-Chinese demonstration in Vietnam on May 14, prompting the Vietnamese plant to suspend operation for two days; selection, for the first time ever, of three independent directors by shareholders' meeting, ushering corporate governance into a new era; setup of an investment company in Cayman, as the channel for indirect investment, in place of original direct investment, Formosa Ha Tinh Steel Corp.; twa- credit rating granted by Taiwan Ratings, elevated to twa+ in Oct.; In July, in accordance with the initiative of the International Textile Finished Products Organization, the introduction of the Chemical Management and Zero Discharge of Hazardous Substances (ZDHC) project, in which the fluorine-free water repellent and biomass wicking agent were introduced into the market. In August, polyester recycled gauze was certified by McDonough Braungart Design Chemistry (MBDC), Cradle to Cradle product innovation organization. The whole process of raw materials is non-toxic, energy clean, water-saving and carbon-reducing, recycling, named BOOMETEX ® Recycled Polyester, international brand identity. application for capital injection of US$15 million in Hong Kong subsidiary and Changshou subsidiary, to improve their financial structure, including US$3 million for construction of leased plant buildings, approved by the Chinese government in Sept., passing away of co-founder Wang Yung-tsai on Nov. 27; completion of installation of around-the-clock detection equipment for printing and dyeing discharge, analyzing water quality and recording water volume, which is connected to local environmental-protection bureau, for real-time detection and response to abnormality; moving of the office of Hong Kong subsidiary and Schoeller FTC (Hong Kong) to room 6 of 16th floor, from original room 5 of 11th floor, of the same building.

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

2016 Declaration by president Hsie Shih-ming again to push "Industry 4.0" and cut failure costs in Jan.; cooperation with National Yunlin University of Science and Technology in holding 160-hour education and training courses on programmable control PLC/human-machine interface (HMI) for Industry 4.0, attended by 60 staffers; inclusion, as the only textile company, into top 5%, or 41 companies, among public companies in 2015 corporate governance evaluation by Taiwan Stock Exchange, with award being granted in June; resolution by the board of directors in June promoting president Hsie Shih-ming to be vice chairman; publication of "2015 CSR report," as an established practice every year; inclusion of gas stations in the coverage of verification, elevation to first-type AA1000 medium assurance; granting by third party of twA+ for long-term credit rating and twA-1 for short-term credit rating, with a stable long-term outlook; contract with renowned U.S. brand Gore for cooperative production of high-end waterproof moisture-permeable laminating grey fabric, ceremony for inauguration of “Bumblebee plant”, constructed under "Bumblebee" project, at the end of August; completion and inauguration of 2nd-phase facility of tire cord plant of Dong Nai subsidiary with annual capacity of 12,000 tons in Sept.; granting by the Ministry of Labor of certificate for passage of corporate evaluation for TTQS (talent quality management system) in Oct.; change of corporate charter, as well as corporate representatives, directors, installation of supervisors, and registration items, by Long

An subsidiary, according to corporate law of Vietnam, followed by issuance of new corporate license in Oct.; continuing R&D on waterless, non-water plazma repellent environment-friendly process, acquisition of new-type patent for Intelligent temprerature control apparel.

2017 Adoption of multiple austerity measures and intensification of global marketing, amid jittery global economic and financial situation, caused by two interest-rate hikes by the U.S. Federal Reserve Board, in Dec. 2016 and March 2017, respectively, triggering an interest-rate rising cycle, and the new economic policy and "America First" approach of U.S. President Donald Trump, who swore into office in Jan.; promotion of Lee Ming-chang to be the executive vice president, from the original post of vice president of 1st business group; increase of personnel cost, due to the implementation of five-day workweek scheme; setup of Public More International Company Ltd., with paid-in capital of NT$5 million, for engagement in manpower business, as a 100%-owned subsidiary of Formosa Development Co., Ltd., a subsidiary of the company; change of corporate charter and representative of corporate investors, institution of supervisors, and revision of corporate registration, before issuance of new corporate license in March; approval for liquidation of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. in April, for limited commission income from transshipment business; institution of auditing committee, in place of original supervisors, in June; closure of steel coil processing plant for production of umbrella ribs of Zhongshan subsidiary in Oct., due to lackluster performance resulting from acute competition; appointment of Lee Ming-change as president, from original post of executive vice president, by the board of directors; debut by Taipei branch of Intelligent temprereture control clothes on Dec. 15, The highlights are active, filler free, safe and comfortable, with conductive materials whose temperature can be adjusted via Bluetooth technology and mobile-phone APP;to achieve the optional temperature control warmth effect arrival at market in Feb. 2019, following adoption by U.S. fashion brand Ralph Lauren.

2018 Stationing of two contracted physicians, one in occupational medicine and the other in general medicine, at Douliu plant premises from Jan., seven times for 3-hour stay each a month, offering employees free medical consulting and service for arranging outpatient treatment at hospitals; further revision of Labor Standards Law in March, giving management more leeway in work schedule of employees; price hikes for raw materials, energy, transportation, some merchandises, and pays, following bottoming out of global oil prices in Jan. 2016, jacking up costs; installation of new dyeing and finishing capacity at 12 million yards/year by Long An subsidiary in Vietnam, with test run in March; reception of "best trade contribution award" and "award for contribution to the exploration of major overseas emerging markets" for the textile category of the 2017 "Awards for Excellent Trading Businesses," granted by the Ministry of Economic Affairs on Sept. 6; acquisition of two certificates IATF

16949.2016 and ISO 9001.2015 by Taiwan plant premises of tire core business division in Sept., after passing the IATF 16949.2016 certification for auto quality management system, which covers ISO 9001,by SGS Taiwan; reshuffle of CSR committee in Sept., overseeing 23 theme sections, including climate change CDP (carbon disclosure project) and greenhouse-gas inventory; dispatch of eight staffers to attend AI technology training program, held by Taiwan AI Academy, from Aug. through Dec., completing 384 hours/person of courses; execution by Taiwan head plant and overseas plants of water conservation measures, including reduction of water consumption per product, institution of separate sewer system, cut on water supply, water recycling, and water regeneration; investment of NT$120 million in ultra-filtration water recycling system and reuse of recycled water from weaving waste water reaching 212 tons/year, attaining 20% water-conservation target for 2018; as for air-pollution abatement, investment of NT$19.5 million during 2016 through 2018 for purchase RTO (regenerative thermal oxidizer) equipment, boosting VOCs (volatile organize compounds) handling rate to 90%, investment of NT$84 million for purchase of denitration control equipment for SCR (selective catalytic reduction) for the two sets of combined heat and power systems, slashing NOx (nitrogen oxides) emission by 72%; substitution of natural gas for pyrolysis low-sulfur fuel oil for dip-dryer at 2nd plant premises and investment of NT$30.38 million for renovation of equipment heating systems and installation of natural-gas pipelines, thereby slashing SOx (sulfur oxides) emission by 83%; increase of the number of gas stations to 106.

2019 Initiation of trade talks between the U.S. and major trade partners since March 2018, overshadowing global trade and indirectly affected exchange rates worldwide; dedication of the company to consolidation of supply chain; good results of the company in CDP questionnaire for 2018, including B for management, A for scope-3 emission (figures certified by SGS), A for value-chain participation, and A- for participation of suppliers in related issues; application for write-off of subsidiary F. T. C. America Corp.; selection by Taiwan Index Plus Corp. as a constituent stock of Taiwan Sustainability Index in Dec. 2018; reception of two Taiwan Sustainability Index labels in April 2019; application for write-off of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.; installation of new dyeing and finishing equipment with annual capacity of 12 million yards by Long An subsidiary in

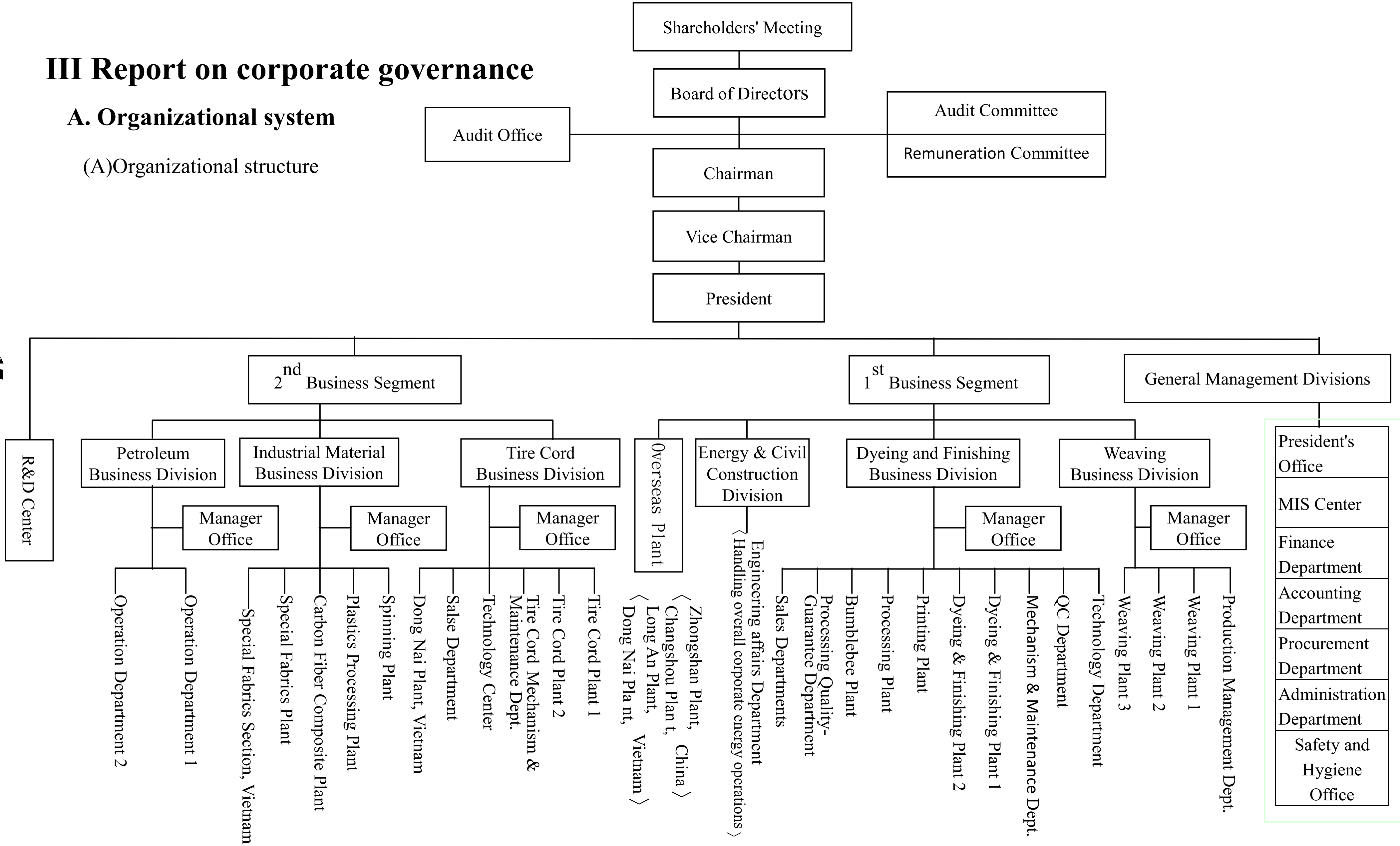
Vietnam, scheduled for inauguration in batches by the end of the year; plan for investment of NT$150 million in RTO (regenerative thermal oxidizer) equipment in 2019, leading to reuse of 2.4 million tons/year of recycled water from dyeing and finishing waste water, capable of slashing water consumption by 70% at domestic and overseas plant premises.

Organizational chart of Formosa Taffeta Co., Ltd.

III Report on corporate governance

A. Organizational system

(A)Organizational structure



(B)Main businesses of all segments and divisions:

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

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

(A) Data on directors and supervisors (1)

April 22, 2019

Title (note1)	Nationality /place of incoprorat ion	Name	Gender	Date of election (assumption of)	Tenure (Years)	Date of first election (note 2)	Shareholding on election for office		Existing shareholding		spouse & minor shareholding		Shareholding in others' names		Experience (education) (note 3)	Director's Current Position in FTC and Other Companies	Spouse or relatives within second kinship who are also chief, director, or supervisor of the company		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Chairman	R O C	Wong, Wen-yuan, Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Master, industrial engineering, University of Houston	Chairman, Formosa Chemicals & Fibre Corp. and Formosa Advanced Technologies, chairman, the Chinese National Federation of Industries	Nil	Nil	Nil
						1992.9.17	0	0	0	0	8,777	0	0	0					

Title (note1)	Nationality/place of incoprorat ion	Name	Gender	Date of election (assumption of)	Tenure (Years)	Date of first election (note 2)	Shareholding on election for office		Existing shareholding		spouse & minor shareholding		Shareholding in others' names		Experience (education) (note 3)	Director's Current Position in FTC and Other Companies	Spouse or relatives within second kinship who are also chief, director, or supervisor of the company		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Vice chairman	R O C	Hsie, Shih-ming, Keyford Development Co., LTD.	Male	2017.6.23	3	2008.6.27	113,000	0.01	113,000	0.01	0	0	0	0	Bachelor, National Taipei University of Technology	Vice chairman, Formosa Advanced Technologies Co., Ltd.	Director	Hsieh Ming-Der	Father-son
						1973.3.16	143,000	0.01	143,000	0.01	15,000	0	0	0					
Standing director and independent director	R O C	Cheng Yu	Male	2017.6.23	3	2014.6.26	0	0	0	0	0	0	0	0	Chairman, Chunghwa Telecom; vice chairman, Fair Trade Commission; president, Taiwan Television Enterprise MBA, National Chengchi University	Independent director, Formosa Petrochemical Corp. and Formosa Advanced Technologies Co., Ltd.	Nil	Nil	Nil
Independent director	R O C	Wang Kung	Male	2017.6.23	3	2014.6.26	0	0	0	0	0	0	0	0	Commissioner, Fair Trade Commission Director-general, Hsinchu Science Park Administration Doctorate degree, Massachusetts Institute of Technology	Professor at China University of Technology, independent director, Qisda Corp.	Nil	Nil	Nil
Independent director	R O C	Kuo Chia-chi	Female	2017.6.23	3	2015.6.26	3,000	0	3,000	0	0	0	0	0	Department of Accounting, National Taiwan University	CPA at Kuo Chia-chi Accounting Firm, independent director of Formosa Advanced Technologies and FBT, supervisor of Zongtai Real Estate Development Co., Ltd.	Nil	Nil	Nil

Title (note1)	Nationality /place of incoprorati on	Name	Gender	Date of election (assumption of)	Tenure (Years)	Date of first election (note 2)	Shareholding on election for office		Existing shareholding		spouse & minor shareholding		Shareholding in others' names		Experience (education) (note 3) Title	Director's Current Position in FTC and Other Companies	Spouse or relatives within second kinship who are also chief, director, or supervisor of the company		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Director	R O C	Hong Fu-yuan, Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Chemical Engineering, Chung Yuan Christian University	Vice chairman, Formosa Chemicals & Fibre Corp.	Nil	Nil	Nil
						2005.6.17	0	0	0	0	0	0	0	0					
Director	R O C	Huang Dong-terng, Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Chemical engineering section, Provincial Taipei Institute of Technology	Chief engineer, Formosa Chemicals & Fibre Corp.台	Nil	Nil	Nil
						2014.6.26	0	0	0	0	0	0	0	0					
Director	R O C	Lee Ming-chang, Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Textile Engineering, Feng Chia University	President of the company, Formosa Taffeta Long An, and Formosa Taffeta Dong Nai, and director of Quang Viet Enterprise	Nil	Nil	Nil
						2002.6.14	281,538	0.02	281,538	0.02	0	0	0	0					
Director	R O C	Tsai Tien-shuan, Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Textile Engineering, Feng Chia University	Senior vice president of the company	Nil	Nil	Nil
						2008.6.27	75,000	0	75,000	0	49,000	0	0	0					
Director	R O C	Lee Man-chun, Lai Shu-wang Foundation	Male	2017.6.23	3	1990.5.4	4,151,942	0.25	4,151,942	0.25	0	0	0	0	Master, Gradual School of Accounting, National Chengchi University	CPA, Lee Man-chun Accounting Firm	Nil	Nil	Nil
						1998.3.31	0	0	0	0	0	0	0	0					
Director	R O C	Hsieh Ming-der	Male	2017.6.23	3	2011.6.28	15,548,068	0.92	15,548,068	0.92	4,769,969	0.28	0	0	Department of Machinery, Taipei City University of Science & Technology	Chairman, Yu Yuang Textile Co., Ltd.	Vice chairman	Hsie Shih-ming	Father-son

Note 1: List the names of institutional shareholders and their representatives separately (for representatives of institutional shareholders, specify the names of the latter) and fill in table 1 below.

Note 2: Fill in the date for directors or supervisors to assume the office for the first time and specify the existence of suspension for the job, if any.

(1) Hsie Shih-ming served as the company's director on March 16, 1993 before being designated by institutional director Keyford Development Co.,LTD.. as its representative for the seat.

(2) Hong Fu-yuan was designated by institutional supervisor Formosa Chemicals & Fibre Corp. as its representative for the seat on June 17, 2005 before being designated by the latter as its representative for its seat as a director.

(3) Lee Ming-chang served as the company's director on June 14, 2002 before being designated by institutional director Formosa Chemicals & Fibre Corp.as its representative for the seat on June 26, 2014.

(4) Tsai Tien-shuan served as the company's director on June 27, 2008 before being designated by institutional director Formosa Chemicals & Fibre Corp.as its representative for the seat on June 28, 2011.

(5) Lee Man-chun was designated by Lai Shu-wang Foundation as its representative for its seat as a institutional director on March 31, 1998, then for its seat as a institutional supervisor on June 27, 1998, and for its seat as a institutional director again on June 23, 2017.

Note 3: If experience related to current position includes the positions at the auditing accounting firm or its affiliates during the aforementioned period, specify the title and responsibilities of the positions.

Table 1: Major shareholders of institutional shareholders April 22, 2017

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders(note 2)
Formosa Chemicals & Fibre Corp	Chang Gung Medical Foundation (18.58%), Chingdwell International Investment Corp. (6.35%), Vason International Investment Co.,Ltd. (3.80%), Formosa Plastics Corp. (3.39%), Nan Ya Plastics Corp. (2.40%), Wong Wen-yuan (2.20%), Consolidated Power Development Corp. (1.63%), Standard Chartered Bank (Taiwan)Ltd In Custody for Genesis Equity Group Inc. (1.41%), Cathay Life Insurance (1.35%), and HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp. (1.30%)
Keyford Development Co.,LTD.., Ltd.	Ho Chen-fang (1.67%), Hsieh Hsiu-li (1.67%), Hsieh Ying-chan (1.67%), Hsieh Ming-der (10%), Hsieh Ming-ta (1.67%), Keyfore Industrial Holding Limited (83.32)
Lai Shu-wang Foundatio	Lai Ming-hsiung, Lai Ming-tsung, Chen Yi-li, Chen Shu-chen, Lin Pei-yuan, Tsai Wei-tsung, Chen Shu-chu, Hsu Yi-nan, Lee Man-chun

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

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

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

April 22, 2019

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders （note 2）
Chang Gung Medical Foundation	Foundation without share issuance
Chingdwell International Investment Corp.	Everred Corporate, Inc.(100%)
Vason International Investment Corp.	Landmark Capital Holdings Inc.(100%)
Formosa Plastics Corp.	Chang Gung Medical Foundation (9.44%), Formosa Chemicals & Fibre Corp. (7.65%), Standard Chartered Bank (Taiwan) in custody for an investment account of Credit Suisse (Singapore) (6.26%), Nan Ya Plastics Corp. (4.63%), Chingdwell International Investment Corp. (4.16%), Vason International Investment Corp. (3.05%), Formosa Petrochemical Corp. (2.07%), Citibank Taiwan in custody of Singaporean government foundation account (1.54%), discretionary account of Fubon Life Insurance at Nomura Asset Management Taiwan Ltd. (1.46%), and Ming Chi University of Technology (1.43%)
Nan Ya Plastics Corp.	Chang Gung Medical Foundation (11.05%), Formosa Plastics Corp. (9.8%), Formosa Chemicals & Fibre Corp. (5.21%), Chang Gung University (4.00%), Vason International Investment Corp. (2.39%), Formosa Petrochemical Corp. (2.26%), Chingdwell International Investment Corp. (1.86%), an investment account under the custody of Standard Chartered Bank (Taiwan) (1.56%), an investment account under the custody of Citibank Taiwan (1.26%), Cathay Life Insurance (1.22%)
Consolidated Power Development Corp., Ltd.	Cabo de Roca Corporation(100%)
Standard Chartered Bank (Taiwan) in custody for Genesis Equity Group Inc.	Investment account
Cathay Life Insurance 司	Cathay Financial Holdings (100%)
HSBC Bank (Taiwan) Limited in custody for Consolidated Power Development Corp.	Investment account
Keyford Industrial Holding Limited	Keyford Industrial Fund(100%)

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

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

Perfessional qualifications and independence analysis of directors and supervisors (2)

April 22, 2019

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

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

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

(1) not an employee of the company and affiliates;

(2) not a director or supervisor of the company and affiliates, exclusive of independent director of the company, its parent company, subsidies appointed according to the law of host countries;

(3) not a person owning more than 1% of the company's shares in circulation in the name of himself/herself, his/her spouse, children before the age of majority, or others, or among the top 10 natural-person shareholders:

(4) not spouse, relatives within second kinship, or direct-blood relatives within third kinship of the aforementioned three kinds of persons;

(5) not a director, supervisor, or employee of institutional shareholders owning directly over 5% of shares in circulation or one of the top five institutional shareholders;

(6) not director, supervisor, managerial staffer, or shareholders with over 5% stake of specific companies with financial or business dealings with the company;

(7) not professionals providing services or consulting in commerce, judicial affairs, finance, or accounting to the company or affiliates or owner, partner, director, supervisor, managerial staffer and spouse of businesses of sole proprietorship, businesses of partnership, companies, or institutions providing such services or consulting to the company or affiliates, exclusive, however, of members of the compensation committee, who exercise their power according to article 7 of the "measures governing the setup and execution of power of the compensation committee of listed companies or companies with share trading at the offices of securities companies."

(8) not a spouse or a relative within second kinship of other directors;

(9) without one of the situations listed in article 30 of the Company Act

(10) not elected as a representative of the government, judicial person, or other institutions according to article 27 of the Company Act.

Note 3: Independent director Cheng Yu is also independent director of Formosa Petrochemical Corp. and Formosa Advanced Technologies.

Independent director Wang Kung is also independent director of Qisda Corp.

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

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

The company's directors have diversified professional backgrounds and abundant management experience, in terms of management/administration, leadership and decision making, industrial knowledge, international perspective, and financial/accounting analysis. At present, there is one female director. The following table exhibits the education, gender, professional qualifications, and working experience:

Name	Nationality	Gender	Management/professional background and management/decision making capability				
			Management and administration	Leadership and decision making	Industrial knowledge	International perspective	Financial/ accounting analysis.
Wong,Wen-yuan Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V	V
Hsie,Shih-ming Keyford Development Co., Ltd.	ROC	Male	V	V	V	V	V
Cheng,Yu independent director	ROC	Male	V	V	V	V	V
Wang,Kung independent director	ROC	Male	V	V	V	V	V
Kuo,Chia-chi, independent director	ROC	Female	V	V	V	V	V
Hong,Fu-yuan Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V	V
Huang,Dong-terng Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V	V
Lee,Ming-chang, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V	V
Tsai,Tien-shuan, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V	V
Lee,Man-chun, Lai Shu-wang Foundation	ROC	Male	V	V	V	V	V
Hsieh,Ming-der	ROC	Male	V	V	V	V	V

(C) Management Team

April 22, 2019

Title (note 1)	Nationality	Name	Gender	Date of election	Shareholding		spouse and minor Shareholding		Shareholding in others' names		Experience (education) (note 2)	Other Positions Concurrent	Managers who are Spouses or Within Two Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relation
President	ROC	Lee Ming-chang	Male	2017.11.09	281,538	0.02	-	-	-	-	Department Textile Engineering, Feng Chia University	Chairman of Formosa Taffeta Long An, and Formosa Taffeta Dong Nai, and director of Quang Viet Enterprise	Nil	Nil	Nil
SeniorVice President	ROC	Tsai Tien-shuan	Male	2018.10.01	75,000	-	49,000	-	-	-	Department of Textile Engineering, Feng Chia University	Nil	Nil	Nil	Nil
Financial Chief	ROC	Cheng Hung-ning	Male	2018.11.02	-	-	-	-	-	-	Department of Business Administration, Chinese Culture Univeristy	Nil	Nil	Nil	Nil
Accounting Chief	ROC	Lee Shu-ming	Male	2018.11.02	6,507	-	-	-	-	-	Department of Accounting, Feng Chia University	Nil	Nil	Nil	Nil
Assistant Vice President, Dyeing and finishing Division	ROC	Lin Chun-nan	Male	2018.02.01	234	-	-	-	-	-	Department of Chemical Engineering, Tunghai University	Nil	Nil	Nil	Nil
Assistant Vice President, Dyeing and finishing Division	ROC	Lee Kuo-yi	Male	2009.01.01	47,041	-	-	-	-	-	Machinery section, Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil

Title (note 1)	Nationality	Name	Gender	Date of election	Shareholding		spouse and minor Shareholding		Shareholding in others' names		Experience (education) (note 2)	Other Positions Concurrent	Managers who are Spouses or Within Two Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relation
Manager, Weaving Business Divison	ROC	Hsiao Nan-sheng	Male	2009.01.01	-	-	-	-	-	-	Machinery section,Ming Chi Institute of Technology	Nil	Nil	Nil	Nil
Manager, R&D Center	ROC	Liu Fang-jong	Male	2018.02.01	-	-	-	-	-	-	Textile section, Nan Ya Institute of Technology	Nil	Nil	Nil	Nil
Manager, Petroleum Division	ROC	Chang Hung-chi	Male	2016.11.25	3,000	-	-	-	-	-	Department of Business Administration, Tunghai University	Nil	Nil	Nil	Nil
Manager, Engineering & Civil Constrction Division	ROC	Chang Yung-chiao	Male	2007.06.01	50	-	22,651	-	-	-	Electrical engineering section, Electric Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil
Manager, Tire Cord Division	ROC	Chao Wen-hong	Male	2017.04.01	-	-	-	-	-	-	Department of chemical engineering, Mational Central University	Nil	Nil	Nil	Nil
Assistant Vice President, 2nd Business Segment	ROC	Chen Kun-yuan	Male	2018.10.01	-	-	-	-	-	-	Textile section, Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil

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

Note 2: If experience related to current positions includes the positions at the auditing accounting firm or its affiliates during the aforementioned period, specify the title and responsibilities of the positions.

Note 3: The aforementioned disclosures cover mainly those with management responsibilities and right of signature in the company.

Note4: The stock ratio column is "-", indicating that the shareholding ratio is less than 0.01%.

C. Compensations for directors (including independent directors), supervisors, president, and vice presidents in the recent year

(A) Compensations for directors and supervisors (disclosure in the form of pay range and names of payees)

1. Compensations for directors (including independent directors)

Unit: NT$1,000; Dec. 31, 2018

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Names (note 1)</th><th colspan="8">Compensations for directors</th><th colspan="2" rowspan="2">Share of the total of A, B, C, and D in after-tax net profit(note 10)</th><th colspan="8">Collection of related compensations by part-time employees</th><th colspan="2" rowspan="2">Share of the total of A, B, C, D, E, F, and G in total after-tax net profit (Note 10)</th><th rowspan="4">Collection or not compensations from invested companies other than subsidiaries(note 11)</th></tr>
<tr><th colspan="2">Compensations (A)(note 2)</th><th colspan="2">Retirement fund (B)</th><th colspan="2">Compensations for directors (C)(note 3)</th><th colspan="2">Business execution fees (D)(note 4)</th><th colspan="2">Salary, bonus, and special allowance (E)(note 5)</th><th colspan="2">Retirement fund (F)</th><th colspan="4">Employee compensation (G)(note 6)</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">All the companies in financial statement (note 7)</th><th rowspan="2">The company</th><th rowspan="2">All the companies in financial statement (note 7)</th><th rowspan="2">The company</th><th rowspan="2">All the companies in financial statement (note 7)</th><th rowspan="2">The company</th><th rowspan="2">All the companies in financial statement (note 7)</th><th rowspan="2">The company</th><th rowspan="2">All the companies in financial statement (note 7)</th><th rowspan="2">The company</th><th rowspan="2">All the companies in financial statement (note 7)</th><th rowspan="2">The company</th><th rowspan="2">All the companies in financial statement (note 7)</th><th colspan="2">The company</th><th colspan="2">All the companies in financial statement (note 7)</th><th rowspan="2">The company</th><th rowspan="2">All the companies in financial statement (note 7)</th></tr>
<tr><th>Cash amount</th><th>Stock amount</th><th>Cash amount</th><th>Stock amount</th></tr>
<tr><td>Chairman</td><td>Wong, Wen- yuan Formosa Chemicals & Fibre Corp.</td><td rowspan="11">3,600</td><td rowspan="11">4,800</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">5,272</td><td rowspan="11">5,272</td><td rowspan="11">930</td><td rowspan="11">1,320</td><td rowspan="11">0.2069%</td><td rowspan="11">0.2405%</td><td rowspan="11">29,134</td><td rowspan="11">29,134</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">7</td><td rowspan="11">0</td><td rowspan="11">7</td><td rowspan="11">0</td><td rowspan="11">0.8220%</td><td rowspan="11">0.8556%</td><td rowspan="11">52,050</td></tr>
<tr><td>Vice chairman</td><td>Hsie, Shih –ming Keyford Dpt Co., Ltd.</td></tr>
<tr><td>Standing director (independent director)</td><td>Cheng, Yu</td></tr>
<tr><td>Independent director</td><td>Wang, Kung</td></tr>
<tr><td>Independent director</td><td>Kuo, Chia-chi</td></tr>
<tr><td>Director</td><td>Hong, Fu-yuan, Formosa Chemicals & Fibre Corp.</td></tr>
<tr><td>Director</td><td>Huang, Dong-terng Formosa Chemicals & Fibre Corp.</td></tr>
<tr><td>Director</td><td>Lee, Ming-chang Formosa Chemicals & Fibre Corp.</td></tr>
<tr><td>Director</td><td>Tsai, Tien-shuan, Formosa Chemicals & Fibre Corp.</td></tr>
<tr><td>Director</td><td>Lee, Man-chun Lai Shu-wang's Foundation</td></tr>
<tr><td>Director</td><td>Hsieh, Ming-Der</td></tr>
<tr><td colspan="23">* Collection of compensations by directors for provision of services to any of the companies in the financial statement in the recent year, other than those disclosed in the table above (such as consulting for non-employees): nil</td></tr>
</table>

Compensations brackets

Compensations brackets for the company's directors	Names of directors (note 12)			
	Total of first four items (A+B+C+D)		Total of first sevenitems (A+B+C+D+E+F+G)	
	The company (note 8)	All the companies in the financial statement (note 9)	The company (note 8)	All the invested companies (Note 9)
Less than NT$2,000,000	Wong Wen-yuan, Hsie Shih-ming, Cheng Yu, Wang Kung, Kuo Chia-chi, Hong Fu-yuan, Huang Dong-terng, Lee Ming-chang, Tsai Tien-shuan, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., LTD., Lai Shu-wang Foundation	Wong Wen-yuan, Hsie Shih-ming, Wang Kung, Kuo Chia-chi, Hong Fu-yuan, Huang Dong-terng, Lee Ming-chang, Tsai Tien-shuan, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., LTD., Lai Shu-wang Foundation	Wong Wen-yuan, Cheng Yu, Wang Kung, Kuo Chia-chi, Hong Fu-yuan, Huang Dong-terng, Lee Man-chun, Hsieh Ming-der, Keyford Development Co., LTD., Lai Shu-wang Foundation	Lee Man-chun, Hsieh Ming-der, Keyford Development Co., LTD., Lai Shu-wang Foundation
NT$2,000,000 (inclusive) ～ 5,000,000 (exclusive)	Formosa Chemicals & Fibre Corp.	Cheng Yu, Kuo Chia-chi, Formosa Chemicals & Fibre Corp.	Formosa Chemicals & Fibre Corp.	Cheng Yu, Wang Kung, Kuo Chia-chi, Formosa Chemicals & Fibre Corp.
NT$5,000,000 (inclusive) ～ 10,000,000 (exclusive)	Nil	Nil	Lee Ming-chang, Tsai Tien-shuan	Lee Ming-chang, Tsai Tien-shuan
NT$10,000,000 (inclusive) ～ NT$15,000,000 (exclusive)	Nil	Nil	Nil	Huang Dong-terng
NT$15,000,000(inclusive) ～ NT$30,000,000 (exclusive)	Ni	Ni	Hsie Shih-ming,	Wong,Wen-yuan, Hsie Shih-ming, Hong Fu-yuan
NT$30,000,000(inclusive) ～ NT$50,000,000 (exclusive)	Ni	Ni	Ni	Ni
NT$50,000,000(inclusive) ～ NT$100,000,000(exclusive)	Ni	Ni	Ni	Ni
Over NT$100,000,000	Ni	Ni	Ni	Ni
Total	14	14	14	14

Note 1: Names of directors should listed separately (in the case of institutional directors, the names of representatives should also be listed); disclose various payment amounts in summarized form; for directors who also hold the positions of president or vice presidents, fill in the table and tables (3-1) or (3-2) below.

Note 2: Refer to compensations for directors in the recent year (including salaries, job-related allowance, severance pay, various bonuses, and incentive pay).

Note 3: Fill in compensation payouts for directors in the recent year approved by the board of directors.

Note 4: Refer to business execution fees for directors in the recent year (including transportation fees, special allowances, various fringe benefits, dormitory, and company car). For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations.

Note 5: Payments collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, or other positions), including salaries, job-related allowances, severance pay, various bonuses, incentive pays, transportation expenses, special allowances, various fringe benefits, dormitory, and company cars. For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations. Salary expenses listed according to share-based payment specified in IFRS2, including share-subscription warrants for employees, employee right for subscription to new shares and participation in cash capital increment, should be included in compensations.

Note 6: Refer to employee compensations (including shares and cash) collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, and other positions) in the recent year. Disclose plan for payout of employee compensations in the recent year approved by the board of directors. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3.

Note 7: Disclose the total of all the compensations paid by all the companies in the consolidated financial statement (including the company) to the company's directors.

Note 8: Disclose the brackets of the total of compensations paid by the company to each director and his/her name.

Note 9: Disclose the brackets of the total of compensations paid by all the companies in the consolidated financial statement (including the company) to each director of the company and his/her name.

Note 10: After-tax net profit refers to the figure of the recent year; for those having adopted IFRS (international financial reporting standards), the figure refers to the after-tax net profit in individual financial statement of the recent year.

Note 11: a. In the column, fill in the value of compensations for directors of the company paid by invested companies other than subsidiaries.

b. If the company's directors collect compensations from invested companies other than subsidiaries, incorporate the value into column I of compensation brackets and change the name of the column to "all the invested enterprises."

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

Note 12: Compensations for the company's 11 directors (including independent directors) are listed separately, since compensations for representatives of institutional directors are collected by institutional directors.

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

2. Compensations for supervisors

The company has set up auditing committee, which has taken over the function of supervisors since June 23, 2017.

3. Compensations for president and vice presidents (disclosure in the form of compensation brackets and names)

Unit: NT$1,000; Dec. 31, 2018

Title	Name (note 1)	Salary (A) (note 2)		Severance or retirement pay (B)		Incensitve pay and special allowance (C) (note 3)		Value of employee compensations (D) (note 4)				Share of the total of A, B , C, and D in after-tax net profit(%) (note 8)		Whether or not to receive remuneration from overseas investment in subsidiaries (Note 9)
		The company	All the companies in the financial statement (note 5)	The company	All the companies in the financial statement note 5)	The company	All the companies in the financial statement (note 5)	The company		All the companies in the financial statement (note 5)		The company	All the companies in the financial statement (note 5)	
								Cash value	Stock value	Cash value	Stock value			
President	Lee Ming-chang	2,487	2,487	0	0	8,468	8,468	4	0	4	0	0.2313	0.2313	360
Senior vice president	Tsai Tien-shuan													

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

Compensation brackets

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

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

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

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

Note 4: Fill in employee compensations (including shares and cash)for president and vice presidents approved by the board of directors in the recent year. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3. After-tax net profit refers to the figure of the recent year; for those having adopted IFRS (international financial reporting standards), the figure refers to the after-tax net profit in individual financial statement of the recent year.

Note 5: Disclose the total value of compensations for the company's president and vice presidents paid by all the companies (including the company) in the consolidated financial statement.

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

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

Note 8: After-tax net profit refers to the figure of the recent year; for those having adopted IFRS (international financial reporting standards), the figure refers to the after-tax net profit in individual financial statement of the recent year.

Note 9: a. Fill in in the column compensations for president and vice presidents paid by invested companies other than the company's subsidiaries.

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

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

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

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

Unit: NT$1,000; March 31, 2019

<table>
<tr><th rowspan="5">Managerial staffers</th><th>Title (note 1)</th><th>Name (note 1)</th><th>Stock Value (note 2)</th><th>Cash value</th><th>Total</th><th>Share of the total in after-tax net profit（％）</th></tr>
<tr><td>President</td><td>Lee Ming-chang</td><td rowspan="4">0</td><td rowspan="4">9</td><td rowspan="4">9</td><td rowspan="4">0.000190</td></tr>
<tr><td>Senior vice president</td><td>Tsai Tien-shuan</td></tr>
<tr><td>Financial chief</td><td>Cheng Hung-ning</td></tr>
<tr><td>Accounting chief</td><td>Lee Shu-ming</td></tr>
</table>

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

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

Note 3: According to the definition of the Financial Supervisory Commission (decree 0920001301, March 27, 2003), the scope of managerial staffers includes
(1) president and equivalent positions;
(2) vice president and equivalent positions;
(3) assistant vice president and equivalent positions;
(4) financial chief;
(5) accounting chief:
(6) Other employees with management responsibility and signature right.

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

(B) Analysis of shares of the total compensations for the company's directors, supervisors, president, and vice presidents in after-tax net profits in recent two years, and explain compensation policy, criteria, and combination, procedure for determination of compensations and their association with business performance.

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

Unit: NT$1,000, %

Year/item	2018	2017	Difference	Note
Total compensation for directors and supervisors paid out by the board of directors	5,272	4,497	775	
Total compensation for directors	4,800	3,940	860	
Transportation fees	1,320	1,310	10	
Total compensation for president and vice presidents	10,955	10,840	115	
Total	22,347	20,587	1,760	
After-tax net profit in individual financial statement	4,737,406	4,279,871	457,535	
Share in after-tax net profit	0.4717	0.4810	-0.0093	

Explanation: After-tax net profit in the company's 2018 individual financial statement increased by 10.69% over 2017. According to the allocation plan for 2018 after-tax net profit, after appropriation for legal surplus reserves, the company plans to pay out NT$2.1 in cash dividend. In 2018, share of total compensation for directors, president, and vice presidents in after-tax net profit decreased by 0.0093 of a percentage point from the 2017 level.

2. Explanation for the policy, criteria, and combination for compensation payout, procedure for determination of compensation and its association with business performance:
The company's compensations for directors consist of fixed transportation fees for each meeting and allocation of profits. According to the company's charter, the company appropriates up to 0.5% of pre-tax profit as compensations for directors, which are allocated among chairman, standing directors, and directors according to different rankings of their positions.

D. Operation of corporate governance

(A) Operating status of the board of directors

The board of directors convened 7 times (A) in 2018, with the attendances of directors listed below:

Title	Name (note1)	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A) (note2)	Note
Chairman	Wong, Wen-yuan Formosa Chemicals & Fibre Corp.	4	0	57.14	
Vice Chairman	Hsie, Shih-ming Keyford Development Co., Ltd.	5	0	71.43	
Standing director (independent director)	Cheng, Yu	7	0	100	
Independent director	Wang, Kung	7	0	100	
Independent director	Kuo, Chia-chi	6	1	85.71	
Director	Hong, Fu-yuan Formosa Chemicals & Fibre Corp.	6	0	85.71	
Director	Huang, Dong-terng Formosa Chemicals & Fibre Corp.	6	0	85.71	
Director	Lee, Ming-chang Formosa Chemicals & Fibre Corp.	7	0	100	
Director	Tsai, Tien-shuan Formosa Chemicals & Fibre Corp.	7	0	100	
Director	Lee, Man-chun Lai Shu-wang Foundation	7	0	100	
Director	Hsieh, Ming-der	7	0	100	

Other items mandating record:

A. In case there occurs one of the following situations, related information should be specified, including date of the board meeting, term of the board of directors, contents of agenda, opinions of all the independent directors, and handling of the opinions by the company:

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

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

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

1. Second meeting of the board of directors on May 4, 2018

(1) Name of director: Hong Fu-yuan

(2) Contents of agenda: proposal for signing "contract for commissioning of construction work and execution of urban renewable project" with Formosa Construction Co., Ltd.

(3) Hong Fu-yuan abstained from the voting, as he is a director of Formosa Construction Co., Ltd.

(4) Situation of voting: Except Hong Fu-yuan abstaining from the voting, all other directors present agreed to the proposal.

2. Fourth meeting of the board of directors on July 20, 2018

(1) Name of director: vice chairman Hsie Shih-ming

(2) Contents of agenda: disposal of less than 84,022,000 shares of Formosa Advanced Technologies Co.,Ltd., via block trading on centralized securities exchange market, mainly for sale to Nanya Technology Corp.

(3) Reason for abstention: Hsie abstained from the voting, as he is a director of Nanya Technology Corp.

(4) Situation of voting: with Hsie abstaining from voting, all other directors present agreed to the proposal.

3. Seventh meeting of the board of directors on Dec. 14, 2018

(1) Name of director: Hong Fu-yuan

(2) Contents of agenda: provision of guarantee to Formosa Ha Tinh (Cayman) Co., Ltd., indirectly invested by the company, for bank loan

(3) Reason for abstention: Hong Fu-yuan abstained from the voting, as he is a director of Formosa Ha Tinh (Cayman) Co., Ltd.

(4) Situation of voting: With Hong Fu-yuan abstaining from the voting, all other directors present agreed to the proposal.

C. Evaluation of execution of the objective for strengthening the functions of the board of directors in the current year and the previous year:

(A) In its operation, the company's board of directors abides by laws/regulations, corporate charter, and resolutions of shareholders' meeting. In addition to the professional knowledge, skills, and literacy related to their positions, all the directors adhere to the principle of loyalty and integrity in the execution of their duties, so as create maximum benefits for shareholders.

(B) In order to establish a good system of governance for the board of director, as well as strengthen its supervisory and management functions, the company, in addition to the selection of independent directors, has set up the norm for board meetings, covering contents of agenda, operating procedure, items to be recorded in the minutes of meetings, official notices, and others.

(C) In order to strengthen the functions of the board of directors, the company, in addition to regular examination of the board's operation, has had its in-house auditors produce monthly auditing report for perusal by independent directors at the end of every month, in compliance with the requirement of the securities regulator.

(D) In line with regulations of securities regulator, the board of directors resolved on Aug. 25, 2011 to set up compensation committee, which convened three times in 2018 reviewing the compensations for directors and managerial staffers, to materialize corporate governance.

(E) In line with the requirement of securities regulator, the company's board of directors resolved on June 23, 2017 to set up auditing committee, in place of supervisors, which convened six times in 2018 and submitted its resolutions to the board of directors for ratification, so as to materialize corporate governance.

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

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

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

(B) Operation of the auditing committee or status of participation of supervisors in the operation of the board of directors.

1. Operation of the auditing committee

The auditing committee convened six times (A) in the year, as of Dec. 31, 2018, with the status of attendance of independent directors listed below:

Title	Name	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A)	Note
Convener	Cheng, Yu	6	0	100	Independent director
Member	Wang, Kung	6	0	100	Independent director
Member	Kuo, Chia-chi	5	1	83.33	Independent director

Other items mandating record:

A. In case there is one of the following situations in the operation of the auditing committee, specify the date of the meeting of the board of directors, the term of the board of directors, contents of agenda, resolutions of the auditing committee, and approach of the company in handling the opinions of the auditing committee.

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

1. First meeting of the board of directors on March 16, 2018

(1) Contents of agenda: production of the company's 2017 financial statement
Resolution of the auditing committee: approval by the members present
Approach of the board of directors in handling the opinion of the auditing committee: all the directors present agreed to the proposal

(2) Contents of agenda: production of the company's 2017 "statement on internal control system"
Resolution of the auditing committee: all the members agreed to the draft statement which was submitted to the board of directors for ratification.
Approach of the board of directors in handling the opinion of the auditing committee: all the directors present accepted the drafted statement.

(3) Contents of agenda: appointment of Wang Chi-ho as the company's new chief of internal auditing
Resolution of the auditing committee: all members present agreed to the proposal, which was submitted to the board of directors for ratification.
Approach of the board of directors in handling the opinion of the auditing committee: all directors present supported the appointment.

(4) Contents of agenda: plan to sell a plot of land in Tounan township of Yunli county to HMK, which is not a stakeholder.
Resolution of the auditing committee: all members present agreed to the plan, which was submitted to the board of directors for ratification.
Approach of the board of directors in handling the opinion of the auditing committee: all the directors present agreed to the plan.

2.The second meeting of the board of directors on May 4, 2018

(1) Contents of agenda: proposal for revision of stock affairs-related regulations, including "internal-control system" and "enforcement rules for internal auditing."
Resolution of the auditing committee: all members present agreed to the proposal, which was submitted to the board of directors for ratification.

Approach of the board of directors in handling the opinion of the auditing committee: all the directors present approved the proposal.

(2) Contents of agenda: proposal for signing "contract for commissioning of construction work and execution of urban renewable project" with Formosa Construction Co., Ltd.
Resolution: all members present agreed to the proposal, which was submitted to the board of directors for ratification.
Approach of the board of directors in handing the opinion of the auditing committee: all the directors present approved the proposal, except Hong Fu-yuan who abstained from the case, due to involvement of related interest (please refer to "B. situation of abstention from cases involving related interests by directors").

(3) Contents of agenda: sale of a plot of land in Dounan township of Yunlin county to Shih Hsiang Auto Parts Co., Ltd., which is not a stakeholder.
Resolution of the auditing committee: all members present agreed to the proposal, which was submitted to the board of directors for ratification.
Approach of the board of directors in handling the opinion of the auditing committee: all directors present approved the proposal.

3. Fourth meeting of the board of directors on July 20, 2018

(1) Contents of agenda: disposal of less than 84,022,000 shares of Formosa Advanced Technologies Co., Ltd., via block trading on centralized securities exchange market, mainly for sale to Nanya Technology Corp.
Resolution of the auditing committee: all the members present agreed to the proposal, which was submitted to the board of directors for ratification.
Approach of the board of directors in handling the auditing committee's opinion: all the directors present approved the proposal, except the vice chairman, who abstained from the case, due to involvement of related interest (please refer to "B. situation of abstention from cases involving related interests by directors").

4. Fifth meeting of the board of directors on Aug. 9, 2018

(1) Contents of agenda: production of the company's financial statement of second quarter, 2018
Resolution of the auditing committee: all members present accepted the financial statement.
Approach of the board of directors in handling the opinion of the auditing committee: the board acknowledged the financial statement.

5. Sixth meeting of the board of directors on Nov. 2, 2018

(1) Contents of agenda: Contents of agenda: appointment of Cheng Hung-ning as the new financial chief and Lee Shu-ming as the new accounting chief
Resolution of the auditing committee: all the members present agreed to the appointments.
Approach of the board of directors in handling the opinion of the auditing committee: all directors present approved the appointments.

6. Seventh meeting of the board of directors on Dec. 14, 2018

(1) Contents of agenda: provision of guarantee to Formosa Ha Tinh (Cayman), indirectly invested by the company, for bank loan
Resolution of the auditing committee: all the members present agreed to the proposal, which was submitted to the board of directors for ratification.
Approach of the board of the directors in handling the opinion of the auditing committee: all the directors present approved the proposal, except Hong Fu-yuan, who abstained from the case, due to involvement of related interest (please refer to "B. situation of abstention from cases involving related interests by directors").

7. First meeting of the board of directors on March 15, 2019

(1) Contents of the case for deliberation: formulation of the company's 2018 financial statement.

Resolution of the auditing committee: approval by all the members in attendance.
Handling of the auditing committee's opinion by the company and resolution of the board of directors: approval by all the directors in attendance.

(2) Contents of the case for deliberation: formulation of the company's 2018 "statement on internal control system.
Resolution of the auditing committee: approval by all the members in attendance before submission to the board of directors for resolution.
Handling of the auditing committee's opinion by the company and resolution of the board of directors: approval by all the directors in attendance.

(3) Contents of the case for deliberation: Proposal to revise the company's "procedure for acquisition or disposal of assets," "procedure for engagement in transaction for derives," "measures governing loan extension to others," "procedure for provision of endorsement and guarantee."
Resolution of the auditing committee: approval by all the members in attendance before submission to the board of directors for resolution.
Handling of the auditing committee's opinion by the company and resolution of the board of directors: approval by all the directors in attendance before submission to 2019 shareholders' meeting for resolution.

(4) Content of the proposal: It is proposed to increase the investment of “FG INC” by US$4.5 million according to the investment structure.
Resultion of the auditing committee : All the attending members agreed to pass and submitted a resolution to the board of directors.
Handling of the auditing committee's opinion by the company and resolution of the board of directors: All the attending directors agreed to pass.

8. Second meeting of the board of directors on May 3, 2019

(1) Contents of the case for deliberation: Proposal to revise the company's internal control system for stock affairs.
Resolution of the auditing committee: approval by all the members in attendance before submission to the board of directors for resolution.
Handling of the auditing committee's opinion by the company and resolution of the board of directors: approval by all the directors in attendance.

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

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

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

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

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

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

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

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

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

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

Date	Communications method	Communications target	Communications items	Communications result
2018.3.16	Audit committee	Certified public accountant	Evaluation report on the influence of the adoption of "IFRS16," an international guidance on accounting for leases	Acknowledge the finding of limited influence
2018.3.16	Audit committee	Certified public accountant	Communications and explanation for auditing of 2017 financial statement	Good
2018.3.16	Audit committee	In-house auditing chief	Production of 2017 "statement on internal control system"	Submission to the board of directors for resolution
2018.3.16	Board of directors	In-house auditing chief	Report on the execution of the auditing plan for the fourth quarter of 2017 1	Acknowledgement
2018.5.4	Audit committee	In-house auditing chief	Revision of stock affairs-related regulations, including "internal-control system" and "enforcement rules for internal auditing"	Submission to the board of directors for resolution
2018.5.4	Board of directors	In-house auditing chief	Report on the execution of the auditing plan for first quarter of 2018	Acknowledgement
2018.6.22	Board of directors	In-house auditing chief	Report on improvement of flaws and abnormal items in internal control system in 2017	Acknowledgement
2018.8.9	Board of directors	In-house auditing chief	Report on the execution of the auditing plan for second quarter of 2018	Acknowledgement
2018.11.2	Board of directors	In-house auditing chief	Report on the execution of the auditing plan for third quarter of 2018	Acknowledgement
2018.12.14	Board of directors	In-house auditing chief	Report on the execution of the auditing plan for Oct. 2018	Acknowledgement
2018.12.14	Board of directors	In-house auditing chief	Formulation of 2019 auditing plan	Approval by the board of directors

D. Annual work priorities and operational conditions:

1.The audit committee of the Company consists of 3 independent directors. In 2018, 6 meetings were held. The contents of each proposal and the subsequent processing details are as follows: “A. Results of the Audit Committee Resolution and the Company's Treatment of the Audit Committee's Opinions”. Highlights are as follows:

(1) The Company amended the “Internal Control System” and “Internal Audit Implementation Rules”.

(2) Assess the effectiveness of the "internal control system".
(3) The rationality of the director's own interest relationship proposal.
(4) Significant asset transactions.
(5) Major funds are loaned, endorsed or provided with guarantees.
(6) Annual financial report and semi-annual financial report check and accounting policies and procedures.

2.2019 will continue to assist the Board of Directors in overseeing the company's financial statements, the selection and resolution of visa applicants, independence and performance, effective implementation of internal control, compliance with relevant laws and regulations, company presence or potential risks.

Note:

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

2. Situation of participation of supervisors in the operation of the board of directors

The company already set up the auditing committee on June 23, 2017 to replace the supervisors.

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

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
A.Does the company establish and disclose the Corporate Governance Best-Principles based on "Corporate Governance Best- Practice Principles for TWSE /TPEx Listed Companies "?	V		The company's board of directors approved the company's corporate governance principles on Nov. 7, 2014 and posted the contents on the information declaration website designated by the securities regulator and the company's website http://www.ftc.com.tw/ newftc/governanceop.php for public disclosure.	Compliance with articles 1-2 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies." Despite some revisions to accommodate the company's actual situation, the company's corporate- governance principles are in line in spirit with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies."
B. shareholding structure & shareholders' rights				
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts,disputes and litigations, and implement based on the procedure?.	V		1.1 Names of the company's contact persons for stakeholders, spokesperson, and deputy spokesperson are publicized on the company's website and annual report, ready to take the suggestions and proposals of shareholders and other stakeholders. 1.2 As for internal operation in handling stakeholders' affairs, the company details ways for upholding stakeholders' interests in chapter 2 of the company's corporate governance best-practice principles. In addition to institution of spokesperson for taking suggestions of shareholders or other stakeholders anytime and expelling their doubts via explanation, staffers at President's Office and financial department understand and review suggestions or concerns of stakeholders before offering reply orally or in written form.	Compliance with article 13 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		2.1 The company has constantly noticed and grasped shareholding status of major shareholders with over 5% stake, directors, and managerial staffers, including increase/decrease, mortgages, and changes of shareholding. Information on directors, managerial staffers, and shareholders with over 10% stake is disclosed publicly, including monthly posting on information declaration website designated by securities regulator, as well as inclusion in the company's annual report and posting on the company's website. 2.2. Except foreign investors or professional investment trust institutions featuring faster change in subscribers and the amount of shareholding, information on eventual controllers of other major shareholders is available in the company's annual report or website.	Compliance with article 19 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		3.1 The company and affiliates are separate corporate bodies, with respective management, profit/loss, and risk. The companies have strict and clear distinction in personnel and properties, engaging in trading according to laws/regulations and norms and undertaking separate investment risks which are inevitable for any investor. 3.2 Financial dealings are based on market interest rates with markup, with the amount of loans subject to quarterly review according to the status of business dealings. Endorsement and guarantee for a specific enterprise is also subject to restriction on the scope and quota of guarantee. 3.3 General risk is evaluated for business dealings with affiliates, on top of auditing of credit line and accounts receivable/payable, so as to cut loss risk or enhance business opportunities. 3.4. The company has formulated measures governing the various dealings with affiliates, including trading, endorsement and guarantee, and loans. Also in place is regulation on "supervision and management of subsidiaries," facilitating risk management for subsidiaries, drawn according to "Regulations Governing Establishment of Internal Control Systems by Public Companies" formulated by the Financial Supervisory Commission. Details for related control and management are included	Compliance with articles 14 -17 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
			in articles 14-19 of chapter 2-c "relationship of governance between the company and affiliates" of the company's corporate-governance principles. 3.5 The company dispatches directors or managerial staffers to take part in the management of subsidiaries or joint ventures with over 40% stake, so as to have firm grip on market risk, in addition to monthly review of business performance. Quarterly review is also carried out for the performance of invested companies with less than 40% stake, with outcome included in quarterly financial statement. 3.6 Over the past years, the dealings of the company with other affiliates of Formosa Plastics Group, in finance, business, and investment, have involved risks lower than similar dealings with enterprises with similar business nature and within controllable scope, with overall advantages outweighing disadvantages.	
(4)Does the company establish internal rules against insiders trading with undisclosed information?	V		4. The company has formulated "key points for internal auditing in prevention of insider trading" (access website: http://www.ftc.com.tw/newftc/internal_audit.php?id6), which forbids company insiders to take advantage of undisclosed information in trading in securities for profit illegally, supplemented by timely education and promotion for employees to abide by the regulation.	Compliance with article 10-3 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
C. Composition and Responsibilities of the board of directors (1) Does the board of directors develop and implement a diversified policy for the composition of its members?	V		1. Article 20 of the company's corporate-governance principles has called for diversification in the membership of the company's board of directors. Sitting directors have diversified backgrounds and abundant varied experience, including management, leadership and decision making, industrial knowledge, international perspective, and financial and accounting analysis. The company now has three independent directors (including one female) and the board of directors has diversified membership, in terms of education, experience, gender, professional qualifications, and working experience, as shown in pages 18~20 and	Compliance with article 20 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
			pages 25 of the annual report.	
(2) Does the company is voluntarily establish other functional committees in addition to the Remuneration Committee and the Auditing Committee?		V	2.1 The company's board of directors resolved on Dec. 29, 2011 to establish compensation committee, followed by decision by shareholders' meeting in July 2017 to institute auditing committee. In the future, the company will consider institution of other functional committees according to the need of business environment, in line with articles 27-30 of chapter 3-3 of the company's corporate governance principles. 2.2 A standing auditing office and auditing chief have been instituted under the President's Office, for exercise of their prescribed duties.	Compliance with articles 28 and 28-1 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
(3) Does the company establish a standard tomeasure the performance of the board of directors and carried out periodic review of such performance annually?		V	3. The company has yet to formulate measures for evaluating the performance of the board of directors but is scheduled to conduct such evaluation from 2020, according to regulation. The company has formulated rules governing meetings of the board of directors and convened such meeting regularly, according to regulation. Directors have firm grip on the company's objective, operation, and finance. The board of directors has functioned well and communicated with management team and managerial staffers effectively.	At odds with articles 37-2 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies," which will be rectified in 2020
(4) Does the company regularly evaluate the independence of certified public account periodically?	V		4. The company reviews the independence and competence of certified public accountant at least once a year, taking into account such factors as the scale and international repute of accounting firm, years for continuing provision of auditing service, nature and extent for the provision of non-auditing service, auditing and certification fees, evaluation by peers, Whether there is no record for involving in any litigation or cases rectified or investigated by the regulator, quality of auditing service, whether there are regular trainings, Interaction indicators with senior professional managers and internal audit supervisors, The commissioned accountant and its firm provide relevant information and statements, etc., which are evaluated by the general management divisions. We had reported the assessment results to the Board of Directors on March 15, 2019.	Compliance with articles 29 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
D. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but mot limited to providing information for	V		D.1 The company will institute a corporate-governance chief in 2019, overseeing all the corporate governance-related affairs, who will undertake 18 hours of study in related courses within one year after assuming office, as mandated. D.2 Corporate-governance chief oversees corporate governance-related	Compliance with article 3 -1 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
directors and supervisors to perforn their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings) ?			affairs of the president's Office and the financial Department, including arrangement of meetings of the board of directors, auditing committee, compensation committee, and shareholders' meeting and production of such meetings' minutes, handling of corporate registration and change of such registration, internal auditing, financial statement, major messages, shareholders' opinions, changes of shareholding, public disclosure of information on corporate website, term, and reelection, as well as asking the legal affairs office of corporate headquarters and other related units in providing assistance for pushing various businesses.	Companies"
E. Does the company has establish a communications channel and build a designated section on its website for stakeholders (including, but not limited to shareholders, employees, customers, and suppliers) as well as handle all the issues they care for in terms of corporate social responsibilities?	V		E.1 The company has demands various related units to communicate with stakeholders according to their duties, in written form when necessary, according to working procedure and the level of authorization, on top of institution of spokesperson and acting spokesperson for external communications. E.2 The company has set up a special section for stakeholders on corporate website, which contains contact windows of spokesperson, contact persons for investor relationship, and contact persons for stakeholders, along with their contact information, including phone numbers and e-mail addresses, for handling various related issues, including, but not limited to, issues on corporate social responsibilities, offering broad channels for stakeholders to communicate with the company in various situations. E.3 The company responds to issues concerned by stakeholders timely via the following channels: (1) Shareholders: The company convenes shareholders' meeting every year, for which shareholders can exercise their voting right in electronic form, in addition to the publication of annual report, monthly revenues, and self-calculated quarterly profit/loss, so that shareholders can have firm grip on the company's business status. (2) Employees: The company communicates with employees on workplace safety, employee benefits, human-rights protection, and labor-management relationship, via labor union and meetings of	Compliance with article 47 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
			various factories (departments). (3)Suppliers: Adhering to the management concept of sustainability and fair-trade principle, the company has asked business partners to abide by the principles of environmental protection, industrial safety, and human rights, carried out purchase via open bidding mechanism, and held explanation sessions for business partners regularly, so as to intensify two-way communications and promotion via multiple channels. (4) Customers: Respond to issues on production quality and after-sales service concerned by customers via visits to customers, participation in exhibitions, holding of product demonstration sessions, and surveys on customer satisfaction. In addition, publicize dedicated phone number and e-mail for customer service, handling customer complaints via "form for customer opinions" and "form for handing customer complaints."	
F. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?		V	F. In quest of perfection, the company handles affairs related to shareholders' meeting by itself, except common or routine affairs which are commissioned to dedicated stock-affairs unit and legal office of Formosa Plastics Group. Thanks to painstaking rigorous planning and screening, shareholders' meeting are held, under the principles of openness, law-abidance, effectiveness, and safety, so as uphold the rights and interests of shareholders.	At odds with article 7-1 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies," which doesn't affect the efficacy of the operation of shareholders' meeting, though.
G. Information Sisclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website,	V V		G.1 The company has established corporate website in both Chinese and English, with website address at www.ftc.com.tw, and disclosed information on finance, business, and corporate governance on "special investor section" of the website. G.2.1 The company has instituted spokesperson and acting spokesperson, plus staffers designated by president's office, financial department, safety and hygiene office, engineering department, and information	Compliance with articles 57 and 59 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" Compliance with articles 55 and 56 of "Corporate Governance Best Practice

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
appointing designated people to handle information collection and disclosure, creating a spokesman system,webcasting investor conferences)?			center, responsible for the collection and disclosure of information, as well as provision to spokesperson and related units as reference and reply to inquiries by stakeholders and regulator. G.2.2 Articles 45-48 of the company's corporate governance principles regulate collection and publication of information, spokesperson system, corporate website, and investor conference for implementation, with related information having been posted on the corporate website.	Principles for TWSE/TPEx Listed Companies"
H. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g. including, but not limited to, employee rights,employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors, training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policy, and purchasing insurance for directors and supervisors).	V		People can understand the company's various corporate-governance operations directly by accessing the Market Observation Post System (http://mops.twse.com.tw/) and the special corporate-governance section on the company's website (http://www.ftc.com.tw/newftc/governanceop.php). Corporate governance -related inquiry can also be made with the company's spokesperson, chiefs of related units, and the company's labor union, with other key information described briefly in the following: 1. Employee rights and interests: In order to seek a harmonious labor-management relationship and encourage employees expressing their opinions, the government has established various channels for employees to put forth their opinions, including physical opinion boxes and online opinion box on the company's website, with designated staffers responsible for understanding and responding to the opinions. To remove blockade to opinion expression, the company has set up whistle-blower management and protection system, in addition to formulate measures for reporting by employees. Moreover, the company has held labor-management meetings regularly, wherein chiefs of related units would discuss with labor representatives to understand the stand of labor union on major labor-management issues. Ranking officials also talk with union representatives, for attaining consensus on major labor-management issues, so as to assure harmonious labor-management relationship and the company's sustainable development. 2. Care for employees: In order to help employees maintain physical and	Compliance with articles 51 and 54 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
			mental health, the company appropriates budget for arranging physical examination for employees annually, which covers more than mandatory checkup items. The company has maintained employee restaurant, whose operation is subject strict regulations on hygiene and nutrition, covering sources of foodstuff, storage of foodstuff, water, edible oil, and cleanness of service staffers and kitchen. For related measures, please refer to pages 128~129 of the annual report. 3. For information on labor-management relationship, study by directors and auditing-committee members, risk-management policy, and risk evaluation standard, formation of customer policy, and taking out of liabilities insurance for directors and audit-committee members, refer to related pages in the annual report. 4. Investor relationship: The company's spokesperson responds to inquiries from shareholders, potential investors, and stakeholders, as well as suggestions from social public, addressing their concerns, in addition to assistance from financial department, stock-affairs office, and president's office, whose staffers understand and respond to suggestions or concerns of shareholders. To attain information transparency, the company sets up special investor section on the corporate website, providing related information to investors, so as to uphold a good relationship with investors. 5. Supplier relationship: The company's has set up a mechanism for procurement via open bidding, in order to create a platform for fair competition and seek excellent suppliers capable of providing equipment, materials, engineering works, or services at adequate quality and quantity, so as to meet the needs of various units for expansion or operation. 5.1 Open and fair procurement mechanism via open bidding: The company carries out procurement via open bidding, accepting bids from prospective suppliers via the Internet, mail, and fax, with all information kept in confidentiality strictly via a rigorous certificate system. All bids for procurement projects via open bidding are	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
			evaluated are evaluated according the bidders' management concept of sustainability, ethics and integrity, and optimal quotes, in addition to conformance to the company's business needs, in terms of quality, delivery, and environmental protection and safety. 5.2 Sound supplier management: To assure the quality and delivery of materials, as well as quality and progress of engineering works, the company has put in place a sound supplier management system, featuring regular evaluation and irregular inspection, in addition to seeking suppliers with good track record in environment protection, in line with the policy of the Environmental Protection Administration pushing green procurement, so as to materialize the policies of energy conversion, energy conservation, carbon abatement, and green consumption. 6. Rights of stakeholders: In line with the Sustainable Development Goal indicators of the UN, the company has been seeking attainment of good business performance, striving to fulfill the mission of "care for employees, service to customers, and giveback for shareholders," as a result of which the company bears the responsibility of taking good care of shareholders, customers, suppliers, employees, and the society. The company has to abide by legal requirements and business ethics and norms, and connect with the world for stronger competitiveness, so as to create benefits for shareholders, assure stable supply of quality products at reasonable prices conforming to the conditions of safety, hygiene, and environment-friendliness. Moreover, the company has strived to become a friend of the environment, develop in the direction of ecological industrial zone, push green industry and green procurement of energy and materials, address various social issues, following the campaign of international organizations, and take part in communal and social public services, so as to fulfill its social responsibilities. 7. Study of directors:	Compliance with article 40

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
			(see table below)	of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Title	Name	Date of study	Organizer of study	Title of course for study	Study hours
Chairman Vice chairman Standing director (independent director) Independent director Director Director Director Director Director Director	Wong Wen-yuan; Hsie Shih-ming; Cheng Yu; Wang Kung; Hong Fu-yuan; Huang Dong-terng; Lee Ming-chang Tsai Tien-shuan; Lee Man-chun; Hsieh Ming-der	Nov. 16, 2018	Securities and Futures Institute	Benefits of community analysis for organization	3
			Dharma Drum Mountain Humanities and Social Improvement Foundation	Management mindset based on corporate ethics and innovative sustainability	3
Independent director	Kuo Chia-chi	Jan. 11, 2018	CPA Associations	IFRS9 share-right evaluation for private companies	3

<table>
<tr><th rowspan="2">Evaluation items</th><th colspan="3">Status of operation (note)</th><th rowspan="2">Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summarized explanation</th></tr>
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<table>
<tr><th>Title</th><th>Name</th><th>Date of study</th><th>Organizer of study</th><th>Title of course for study</th><th>Study hours</th></tr>
<tr><td>Independent director</td><td>Kuo Chia-chi</td><td>March 8, 2018</td><td>CPA Associations</td><td>Key points and analysis for filing 2017 business income tax return</td><td>7</td></tr>
</table>
Note: Study hours of directors average six hours

8. Taking out of liabilities insurance by the company for directors and supervisors: The company has taken out liabilities insurance for all directors and supervisors, with the total insured amount reaching US$7 million (around NT$215 million), for the period from Feb. 1 2018 through Aug. 1, 2019 (to be extended upon expiration of the insurance contract).
9. Status of execution of risk-management policy and risk evaluation standard:
9.1 Risk management policy
Belonging to textile manufacturing industry, the company inevitably has need for forex trading position (deriving from, for instance, import of materials or equipment and export of fabric), plus limited trading in derivatives. However, for the sake of sustainable development, the company has embraced the principle of steadiness in business policy, dedicated to the quest for core business performance in an earnest manner, while shying away from high-risk and high-leverage speculative -investment benefits. In order to identify, evaluate, supervise, and manage various risks, the company has endeavored to raise risk awareness among all employees, in the hope of containing possible risks within bearable scope and attaining the balanced goal of rationalizing risks and returns and optimizing benefits. For explanation for related risks, please refer to pages 147~152 of the annual report.
</td><td>Compliance with article 39 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Compliance with article 16 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"</td></tr>
</table>

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
			9.2 Risk management mechanism In trading in derivatives, confirmation and delivery for the trading are carried out by separate staffers. Traders must deal with counterparts of institutional partner for the trading directly according to trading method set according to approved trading contents. Countermeasures must be taken immediately upon discovery of irregularities in trading prices or specifications. 9.3 The company has instituted internal auditing office, reviewing irregularly efficacy and propriety of various risk-hedging trading and producing auditing reports for submission to the board of directors regularly, for continuing tracking and improvement. 9.4 Formulation of trading strategy: In line with the company's forex need and fund in hand, as well as market trend, formulate risk-hedging strategy and select proper financial products, avoiding in principle expansion of trading volume exceeding own need and overstretching of credit line, so as to contain loss within bearable scope, on top of setup of stop-loss criteria. 9.5 Trading strategy: The company's forex risk-hedging trading is mainly for reducing risk for the net forex position. The company engages in spot or forward forex trading at relatively advantageous timing, in line with level of forex holding resulting from business activities and the need for pay off long-term forex-denominated debts, so as to minimize the effect of exchange-rate fluctuation on the company's revenue and profit. 9.6 Evaluation of loan and risk-hedging positions according to market prices: A special unit of the president's office evaluates twice monthly the unrealized profit/loss of the risk-hedging positions of various forward forex contracts according to market prices for submission of the finding to managerial staffers, to help them have firm grip on the risk	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
			status of the company's forex position and the efficacy of risk-hedging trading. 10. Status of the execution of customer policy: As customers are the cornerstone for the survival and continuation of enterprise, it is essential to provide products and services needed by customers in a quick manner, so as to attain a stable relationship based on honesty and trust for mutual benefits and prosperity. 10.1 Forging a stable supply-demand relationship: Given the critical relationship with customers for mutual survival and prosperity, a key task for any enterprise in its quest for sustainable development is to forge a stable supply-demand relationship with customers. With an eye on long-term industrial development and in line with customers' global marketing, the company has forged a longstanding good cooperative relationship with customers, based on integrity-oriented trading, reasonable pricing, stable supply and demand, realizing mutual benefits and prosperity. 10.2 Enhance competitiveness of medium- and downstream customers: Only via sharing of growth benefits with medium- and downstream customers can an enterprise attain sustainable development. The company's R&D center would discuss with medium- and downstream branded customers for formulating a win-win strategy before development of new products, not only facilitating pushing of new products but also augmenting customers' competitiveness. 10.3 Resort to e-commerce to cut cost and raise efficiency: In order the raise the efficiency of customer services, the company has established a corporate website, online customer service system, and online marketing system, enabling customers to access in real time product information, progress of production for orders, inspection report, warehousing and shipment status. Also in place are rear-end systems, including project customer performance evaluation system, forecast and tracking system for customer orders, and product	

Evaluation items	Status of operation (note)			Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summarized explanation	
			inspection system, so as to enhance the service standard and the extent of customer satisfaction, as well as reduce operational errors and cost. 10.4 Materialization of K.P.I benefits In response to the demands of customers, the company has embraced and actively implemented KPI (key performance indicators) system, including first pass yield rate at one try and punctual delivery rate.	

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

The company ranks among the top 20% among TWSE-listed companies in result of 5th corporate governance evaluation released by the corporate governance center of Taiwan Stock Exchange in April 2019. Improvement plan for major items of the corporate-governance evaluation is listed below:

2018 indicators	Explanation for improvement plan
1.11	The company will post the English version of the 2019 annual report onto the information declaration system designated by the regulator, as reference for investors.
2.21	The company will institute corporate-governance chief following approval by the board of directors in 2019.
4.2	The company already set up CSR committee in March 2015, which reports its operation and results to the board of directors regularly every year. In line with the requirements of the regulator, the company will strengthen introduction to the members, work plan, operation, and execution results of the corporate-governance promotion panel for publication in the annual report and on the corporate website.
4.6	In reference to the International Bill of Human Rights, the company will formulate human rights policy for disclosure on the corporate website (or in annual report).

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

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

1. Data on the members of remuneration committee

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

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

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

(1) not an employee of the company and affiliates;

(2) not a director or supervisor of the company and affiliates, exclusive of independent director of the company, its parent company, subsidies appointed according to the law of host countries;

(3) not a person owning more than 1% of the company's shares in circulation in the name of himself/herself, his/her spouse, children before the age of majority, or others, or among the top 10 natural-person shareholders:

(4) not spouse, relatives within second kinship, or direct-blood relatives within third kinship of the aforementioned three kinds of persons;

(5) not a director, supervisor, or employee of institutional shareholders owning directly over 5% of shares in circulation or one of the top five institutional shareholders;

(6) not director, supervisor, managerial staffer, or shareholders with over 5% stake of specific companies with financial or business dealings with the company;

(7) not professionals providing services or consulting in commerce, judicial affairs, finance, or accounting to the company or affiliates or owner, partner, director, supervisor, managerial staffer and spouse of businesses of sole proprietorship, businesses of partnership, companies, or institutions providing such services or consulting to the company or affiliates;

(8) without provisions of article 30 of the Company Act.

2. Information on the operation of the remuneration commitee

(1)The company's remuneration committee consists of three members.
(2)Term of the members of the current committee: From June 23, 2017 through Jun 22, 2020, with the qualifications of the members and their attendance in the three meetings (A) in the recent year listed below:

Title	Name	Times of attendance (B)	Times of attendance via proxy	Attendance rate (%) (B/A) (note)	Note
Convener	Cheng Yu	3	0	100	
Member	Wang Kung	2	1	66.67	
Member	Kuo Chia-chi	2	1	66.67	

Status of operation:
A. The company's board of directors resolved on Aug. 25, 2011 to set up the remuneration committee.
B. The committee convened three times in 2018.

Other items mandating record:
A. In case of rejecting or revising the suggestions by the remuneration committee, the board of directors should specify the date of the board meeting, the term of the board, contents of agenda, resolutions of the board meeting, and handling of the opinions of the remuneration committee (should the level of remunerations passed by the board of directors be higher than that suggested by the remuneration committee, the extent of difference and reasons should be specified): nil

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

Note:

1. In case there is any member of the remuneration committee leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
2. In case there is reelection for the remuneration committee by the end of the year, information on both original and new members should be entered in the note column, including the distinction of previous, new, or continuing membership and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
3. The company's remuneration committee is composed of all independent directors, and has a remuneration committee organization rules. The functions of the committee are to assess the remuneration policies and systems of the directors and managers of the company in a professional and objective position, including (1) periodically reviewing the organization's procedures and submitting amendments. (2) Establish and regularly review the policies, systems, standards and structures of directors and managers for performance evaluation and compensation. (3) Regularly assess and stipulate the performance of the directors and managers' salary and other functions. The committee may invite the directors, relevant department managers, internal auditors, accountants, legal consultants or other personnel to attend the meeting and provide relevant information. And make recommendations to the board of directors for reference in their decision making.

（E）Status for fulfilling social responsibilities：

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
A.Materialization of corporate governance (1)Does the company declare its corporate social responsibility policy and examine the results of the implementation?	V		1.1In adherence to the guiding principles of "harmony, innovation, service, and dedication," the company has been striving to fulfill its social responsibilities, mainly in the directions of corporate governance, social harmony, environmental protection, and sustainable development, via various measures, including energy conservation, waste reduction, and upholding of product health and safety, requiring various units to cut power/steam consumption by 5% and water consumption by 20% a year, in addition to boosting energy recycling and reuse. 1.2The company's CEO gives talk every year, reviewing business performance of the past year, putting forth new year's working plan and objective, and delineating business outlook, so as to inspire all the employees to march toward sustainable development (reference to the talk of vice chairman in yearly CSR reports). 1.3The company has set up CSR committee consisting of representatives from various units and chaired by president Lee Ming-chang, to address issues concerned by stakeholders, including environmental protection, sustainable development, and social harmony. Unit in charge formulates various risk-management guidelines and mechanism, pushes CSR policy, and reviews execution efficacy regularly, in addition to production of annual CSR report for exhibition of the company's achievements in sustainable development in various aspects, including corporate governance, environmental protection, energy conservation/waste abatement, and social participation and giveback. 1.4 In order to link the company's development and the world, in addition to abidance with various indicators of GRI Standard, the company has gradually adopted 17 UN SDG (sustainable	Compliance with articles 6-10 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
(2)Does the company provide educational training on corporate social responsibility on a regular basis?			development goal) indicators since 2017, in conjunction with the company's sustainable development plan. 2.1In order to raise awareness of social responsibilities and environment protection among employees, the company encourages staffers in charge to engage in related seminars or training inside or outside the company. 2.2The company holds courses on labor safety/hygiene, prevention harassment, and gender equality every year and promotes environment-protection policy and public-service events.	
(3)Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?			3. The company's president Lee Ming-chang oversees the committee pushing CSR-related works, while the CSR consists of representatives from the President's Office, the Standard Section, the Engineering Division, the Safety and Hygiene Office, the Management Department, the Procurement Department, and the managerial offices of various business groups. The latter summons chiefs in charge to address issues concerned by stakeholders and formulate risk-management system and execution guidelines, with the executive secretary and other specialized staffers responsible for pushing various CSR works, production of reports on the works, as well as production of CSR report, for submission to the board of directors.	
(4)Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?			4.1 The company holds periodically related courses or employee education and training and has put in place clear-cut regulations on employees' promotion, evaluation, training, and awards/ punishment, such as monthly and yearly evaluation forms containing various items including job specifications, work performance, and improvement and innovation. Compensations for newcomers according to their education and experience and the expertise needed by their jobs. Afterwards, they are entitled to pay hikes and pay adjustment accompanying promotion, according to their performance.	

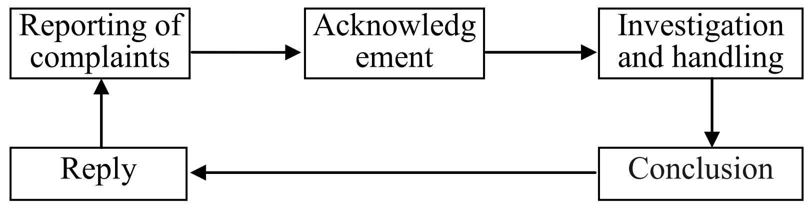
Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
			4.2 The company holds every year several awards/punishment meetings, as well as meetings of the boards of directors, the compensations committee, and other major meetings attended by directors, including, but not limited to, meetings on CSR, industrial safety, environmental protection, and education/training, whose resolutions are summarized and forwarded to various units. Minutes of monthly managerial meetings are publicized at various units. 4.3 Article 30 of the company's charter stipulates that should the company turn in profit in a specific year, provision should be made for bonus payout, equivalent to 0.05% to 0.5% of pretax profit, before deduction of compensations for employees and directors, for employees and up to 0.5% for directors. Such resolutions should be made, according to article 235 of the Company Act. 4.4Meanwhile, the company determines payout of year-end bonus for employees and scale of annual pay hike, according to its business performance.	
B.Development of sustainable environment (1)Does the company endeavor to utilize all resoutces more efficiently and use renewable materials which have low impact on the environment?	V		1.1In order to fulfill the responsibility of protecting the earth's environment, the company introduced water-free dyeing machine in April 2014 as part of its goal developing a production flow without any water emission. The company has renovated its equipment and process and planned to build a full green-energy dyeing plant, in quest of maximum benefits from water conservation, power conservation, steam conservation, and carbon abatement. 1.2In response to the urge of international textile product organizations, continuously push management of chemicals and ZDHC (zero discharge of hazardous chemicals) program. The company has employed recycled fiber from PET bottles, recycled fiber from coffee husks, fluorine-free water repellent,	1.The company's operation complie with and even surpasses the regulations of "Corporate Socia Responsibility Best Practice Principles for TWSE/TPEx Lis Companies, outperforming mos peers. 2.Compliance with articles 11-17 "Corporate Social Responsibilit Best Practice Principles for TWSE/TPEx Listed Companie

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
(2)Does the company establish proper environmental management systems based on the characteristics of their industries?			and biological moisture-catching agent in the production of functional textiles, with very good market reception. 1.3Application for purchase of reclaimed polyester long-fiber yarn jumped by 59.5% to 1,487 tons in 2018, coupled with yearly growth in the purchase of green products. 1.4The company has dedicated in long term to water conservation, energy conservation, carbon abatement, pollution prevention and improvement, office environmental protection, recycling of resources, green procurement, green packaging, and green building. 1.5The company regards highly customer health and safety during various stages of operation from purchase of raw materials to sales of products and has been shifting towards the production of products featuring non-toxic, environment friendliness, and green energy, in line with customer demands and market trend (for details, refer to pages 59~61 of the company's 2017 CSR report). 2.1Given the critical importance of continuous innovation for the sustainable development of enterprise, the company has been dedicated to the production of functional textiles and the cause of environmental protection, following the promotion and policy of international organizations and installing and renovating facilities for water conservation, power conservation, and emission reduction, as well as garbage sorting. For the sake of sustainable development, the company has also embraced green procurement, purchasing in priority products conducive to environmental protection and consumer safety and health, as well as green building, machinery, facilities, packaging, and raw materials. In essence, environmental protection and social responsibility have become part of the company's DNA (for various environment management system and measures, please refer to pages 41~45 of the company's 2017 CSR report).	3. The company embraces the five green principles of green procurement, green consumptio green production, green emissio and green recycling in the aspect of resources, environment, raw materials, emission, production, and green products. On the heels leading international brands, the company has stopped usage of some toxic chemicals since 2015 In fact, the company has outdon common industrial standards set the government, a performance which has won it various acknowledgements both in Taiw and abroad. The company will continue marching towards high standards in line with universal value and industrial practices in Western countries.

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
			2.2 Intensify cooperation with international green certification body Bluesign in developing environment-friendly healthful fabric featuring non-toxic dye. 2.3 In 2014, the company completed construction of several separate sewer systems at the head plant and the second plant premises and fully automated water-quality analyzer for discharged water at wastewater treatment plant, which is connected to municipal environmental protection bureau for instant inspection, in materialization of the company's zero pollutant discharge policy (for Bluesign and ZDHC plan in short-, medium-, and long-term, please refer to pages 54~55 of the company's 2017 CSR report).	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?			3.1 The company has set up the "committee for pushing inventory and voluntary emission reduction of greenhouse gases," in a cross-section initiative materializing various energy conservation and carbon abatement measures, which is planned to be extended to entire supply chain. 3.2 In response to the government's policy pushing circular economy and UN sustainable development objective, the company has commissioned SGS Taiwan carrying out greenhouse-gas inventory and certification annually since 2014, with figures of energy recycling and use, cases for improvement of energy conservation and emission reduction, and greenhouse-gas emission reduction listed below: 2014 completion of 52 cases of energy conservation and carbon abatement, with reduction of CO_2 emission reaching 11,616 tons; 2015 completion of 39 cases of energy conservation and carbon abatement, with reduction of CO_2 emission reaching 7,795 tons; 2016 completion of 48 cases of energy conservation and carbon abatement, with reduction of CO_2 emission reaching 9,209 tons;	

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
			2017 completion of 55 cases of energy conservation and carbon abatement, with reduction of CO_2 emission reaching 9,261 tons; 2018 completion of 72 cases of energy conservation and carbon abatement, with reduction of CO_2 emission reaching 4,530 tons; (for figures of greenhouse gases inventory and certification, refer to pages 49~50 of the company's 2017 CSR report). 3.3 To attain various energy-conservation and emission-reduction objectives, the business group convenes energy conservation meeting every month and sets the annual goals for cutting water consumption by 20%, power and steam consumption by 5%, total power consumption by 2%, thereby reducing total CO_2 emission by 2.5%. 3.4In line with municipal government's policy pushing reduction of air pollution, close burners RTO have been installed at processing plants from Nov. 2016, cutting air-pollutant emission by over 90%. 3.5Track and calculate figures of energy consumption, energy conservation, and carbon abatement every year and review extent of improvement, as basis for disclosure of information on environmental issues and execution efficacy of related measures in CSR report (for details of figures of energy consumption, energy conservation, and carbon abatement, refer to pages 41~52 of the company's 2017 CSR report).	
C. Maintain social welfare (1)Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill ot Human Rights?	V		1.1 In order to uphold the basic human rights of stakeholders, including employees and customers, the company abides by the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprise and Social Policy, in the formulation	Compliance with articles 18-27 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
(2)Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?			of personnel regulations and systems, providing employees relatively steady pays, board and lodging, promotion and other development system, and improved safety and hygiene, so as to protect employees' rights and help them develop multiple professional capabilities. 1.2 In line with the principles of UN Sustainable Development Goal Indicators and international labor rights convention, the company employs proper amount of foreign laborers in a legal manner and hire dormitory supervisors and interpreters to take good care of them, on top of arranging leisure activities and mutual communications. 2.1The company has formulated "measures governing complaints by internal and external stakeholders," protecting employees and stakeholders against improper or unfair treatment and providing them complaint channels, including opinion boxes and dedicated complaint phone lines and e-mails, which reach president's office directly, for instance assistance and handling. Meetings on employment award/punishment is chaired by vice president and employees can appeal the meetings' conclusions, in abidance with the principles of openness and transparency. 2.2In order to broaden reporting and complaint channels for external stakeholders, the company has formulated "measures governing handling of complaints by internal and external stakeholders," in place of original "measures governing handling of complaints by business staffers," specifying in written form handling procedure for proper handling, which makes regulations on reporting and complaints more complete (for details, refer to page 65 of the company's 2017 CSR report).	

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
			2.3 Complaint handling flow:  2.4For "measures governing handling of complaints by internal and external stakeholders," access the company's website at http://www.ftc.com.tw/newftc/regulations.php. After obtaining information on complaint channels, report complaints via dedicated phone line, dedicated e-mail address, or online transmission by accessing http://www.ftc.com.tw/newftc/reflect.htm.	
(3)Does the company has provided a healthful and safe working environment, and organize training on health and safety for its employees on a regular basis?			3.1Provide periodically physical exam and information on hygiene education and offer employees "manual for safety and hygiene works" and ""reminder car for dangerous operations," in addition to the provision of education/training and safety check, improving employees' operating safety, so as reduce job-related damage, injury, and risk. 3.2For a long time, the company has provided employees library, sports and leisure apparatuses, basketball and volleyball courts, entertainment and club events, medical room, and breastfeeding room. 3.3For measures on enhancing employee and workplace safety, refer to pages 69~76 of the company's 2017 CSR report.	
(4)Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may			4. With a workforce of several thousands, the company cannot convene meetings attended by all employees regularly. However, communications at units at various levels take place daily. However, related managerial chiefs attend quarterly meeting of the directors and supervisors of labor union and labor-management meetings, to listen to the opinions and feelings	

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
have an impact on them?			of employees, so as to address their problems and complaints timely, to avoid strike and go-slow (for details, refer to page 81 of the company's 2017 CSR report).	
(5)Does the company provide its employees with career development and training sessions?			5. When there vacancies resulting from regular job rotation or shortage or expansion of workforce at various units, employees can apply to attend exams for the positions, according to their interests and specialties. Unit chiefs would deliberately cultivate the expertise of employees via training and job rotation, according to their specialties, and help them obtain related professional certificates and carry out career planning, in addition to holding of seminars on various subjects and intensifying employees' human-rights and job-safety awareness.	
(6)Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?			6.1 Salespersons and chiefs at various levels can both channels for customer complaints, helping customers conduct return or change of goods and offer them discounts or compensation, via the use "customer complaint handling form." Customers can also seek after-sales services via the company's website. The oil product business division also offers dedicated phone lines for customer complaints concerning operations of gas stations. 6.2 Printed cloth is midstream semi-finished product and is subject to B2B trading mode, with larger trading value and volume. Its quality and quantity must be checked and confirmed repeatedly before shipment to downstream customers for processing, without the need of dealing with consumers directly, as in the case of B2C, but the company still regards highly opinions of users on product quality. 6.3 Plastic bag is made of degradable materials and is a end product, accounting for less than 1% of the company's sales, with less 1% from domestic business. The company has never received major customer complaint for the product. 6.4 The company's only B2C business is gas station operation, which is a retail service business, without processing work.	

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
			With gasoline and diesel oil in a tank having a uniform quality, without the issue of individual defective product, the company has focused on enhancing SOP service quality, in order to raise customer satisfaction.	
(7)Does the company advertise and label its goods and services according to relevant regulations and international standards?			7. Ninety nine percent of the company's products are semi-finished products and are exported according to a SOP, following customer needs and the requirements of foreign customs in labeling. As a B2B large-scale trade, buyers have rigorous demands for quality, which is measured with equipment, different from retail shopping or daily-life consumer goods, for which appearance and labeling is importance. Among the company's business items, only gas station involves B2C retail, with SOP labeling.	
(8)Doest the company evaluated the records of suppliers' impact on the environment and society before taking on business partnerships?			8.1 Ask business partners to conform to the demands of environmental protection, industrial safety, and human rights, forging a better trading environment jointly, and actively push green procurement, highlighting the environmental-protection concept of "high recycling, low pollution, low resources consumption, and degradability" and asking suppliers to employ non-toxic packaging, developing green materials, using highly repeatable packaging materials, cutting good-appearance demand, and reducing use of disposable materials. 8.2 Suppliers with better performance in environmental protection are granted higher priority in procurement, while those with negative record would be removed from supplier list, until improvement has been completed. For related evaluation standard, refer to pages 31-32 of the company's 2017 CSR report.	
(9)Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social			9.1 Suppliers or engineering contractors must abide by the company's industrial-safety and environmental regulations for entering or shipping goods to the company's factories, including submission of fireworks and betel nuts for keeping by guards and precautionary measures for dangerous aloft works, with	

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
responsibility policy and cause appreciable impact on the environment and society?			violators subject to fines or even revocation of contracts, a requirement which has been strictly enforced over the past years, despite occasional complaints or protest from contractors or some employees. 9.2 The company has been pushing "environmental-protection volunteer day" and other events, as well as attending local public-service events, to demonstrate its care for and keep good relationship with local communities.	
D.Enhancing Information disclosure (1)Whether or not the company has disclosed critical and reliable CSR-related information on its website and the Market Observation Post System?	V		1. The company has posted critical and reliable corporate information, including CSR-related information, on its website and Market Observation Post System according to the government's regulation and the company's needs. 2. The company regularly publishes CSR report every year, containing information and figures on environmental protection, corporate governance, and public social services and discloses on corporate website status of pushing various CSR-related works. For details, visit corporate website http://www.ftc.com.tw/newftc/index.php# (investors' section) and http://mops.twse.com.tw/mops/web/t05st03 (TWSE Market Observation Post System) which contain information on quarterly financial statements and annual report. 3. For ISO 14064-1 organizational greenhouse-gas verification, disclosure, inventory and registration of the carbon footprints of 24 functional woven fabrics, and certificates of various products featuring green process, refer to the company's website http://www.ftc.com.tw/newftc/certification.php.	Compliance with articles 28-30 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies."
E. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: Explanation: The company's board of directors passed on Nov. 7, 2014 the company's corporate-governance principles, which covers CSR, followed by set up of CSR committee on March 6, 2015, chaired by standing director-cum-vice chairman. On Aug. 7, 2015, the company approved the company's CSR principles, conforming in spirit to "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies," despite some revisions made according to the company's practical needs. Based on the former, the company has been				

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
striving to fulfill its social responsibilities in the three major aspects of corporate governance, environmental protection, and social benefits, outperforming peers, in quest for common benefits for the company, customer, society, environment, and the world. CSR has become part and parcel of the company's operation. For details of the company's CSR works, please refer to the company's annual CSR reports starting from 2014 and website.				
F. Other important information conducive to the understanding of the company's CSR operation (such as the company's systems and measures, as well as their execution, on environmental protection, communal participation, social contribution, social services, public services, consumer rights, human right, safety/hygiene, and CSR events): Status of the company's engagement in CSR and public-food works: (1)Policy on safety, hygiene, and environmental protection: It is a company's social responsibility to assure the safety of products, employees, contractors, factory premises, and community, which has become an essential element in corporate competitiveness. We believe any disaster and accident, big or small, is avoidable. Adhering to high-standard universal values, the company utilizes the power of organization and system to attain its objective, asking all unit chiefs to understand and take part in the initiative, providing promotion and education/training, and demanding faithful execution of system, and seeking constant improvement in performance figures. (2)The company has installed at factory premises detection and analytical instrument for the quality and quantity of discharged waste water, with upgrading of information on screen once every 15 seconds. The instrument is linked to the municipal environmental protection bureau for inspection, for joint prevention of water pollution. The company has also implemented by its own various energy-conservation and waste abatement measures, green procurement, resources recycling, employment of non-toxic chemicals, and decrease of packaging materials, in a continuing effort in materializing the vision of green factory. (3)Employ cutting-edge and energy conserving equipment in priority, either for new installation or replacement purpose. Throughout the company's factory premises, including whole set of machinery and facilities and small items such as lights and faucets, the company has adhered to the practices of energy conservation, consumption reduction, emission reduction, recycling, circular or repetitive use, toxin-free, and degradability. The company has strived to have all machinery equipment in factory to function and stop at the same time, so as to attain energy conservation and cut consumption via concentrated production, leading to cost reduction and environmental improvement in long run. (4)System and measures for communal participation and status of implementation: It is the company's policy to become a good neighbor of nearby communities, communicating friendly with their residents and giving them multiple assistances, upholding a good common environment jointly, taking part in various local public services, and helping take care of poor families and underprivileged groups, so as to build an emotional bond with neighboring communities. Meanwhile, employees have also organized by their own public-service clubs, to provide givebacks to neighboring communities, such as communal cleaning, manifesting human care and love and contributing to formation of a harmonious community. (5)System and measures for social contribution, social service, and social benefits and status of implementation: In line with the spirit of "diligence and down-to-earth style," the company has been pushing the management concept of "harmony, innovation, service, and dedication," as embodied in honest tax payment, high regard for environment protection and industrial safe, and care for employees, so as to uphold the				

Evaluation items	Status of operation (note 1)			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description (Note 2)	
company's corporate image and repute, give back to the society, and fulfill corporate social responsibilities. (6)All employees must constantly improve their specialties and take into account safety, hygiene, and environmental protection in any decision, thoroughly understand the spirit of system for faithful implementation, tackle root causes for problems, embrace SOP of international brands, and safeguard safety of oneself, colleagues, and neighbors, uphold natural environment, and protection corporate assets. Adhering to the concept of "co-existence of industrial development and environmental protection," the company believes that fulfillment of social responsibility is critical for sustainable development. (7)Vice chairman Hsie issued a sustainable development declaration in May 2013, covering the three major aspects of economy, society, and environment. In July 2013, chiefs of various units convened and passed major revisions on the corporate vision and common values, in addition to adoption of sustainable development policy/strategy and 10-year development matrix, highlighting the synergy of specialties and environmental protection, green innovation, and stakeholder relationship. The CSR committee was set up in March 2014 and the board of directors passed "CSR principles" in Aug. 2015, followed by addition of the narrative on common values in Oct. 2015, calling for compliance with universal values in operation. In 2018, linkage between the company's various management policies and UN SDG (sustainable development goal) indicators was intensified. The company has been continuously caring for the society, assisting the underprivileged, and taking part in public services, in the fields of education, industry, academia, and society: a. Education: Dated back to early stage of Taiwan's economic development, the company cooperated with "Dade vocational high," providing part-time job opportunities to students from poor families and enabling them to work at the company or seek advanced study after graduation, a program which lasted until 2009, due to the reduced need of the school. For decades, the company has run kindergarten, tuition free, to accommodate children of employees and neighboring residents. b. The company supports 19 employee clubs dedicated to healthful and social-benefits activities. c. Other social-benefits activities: continuously pushing and sponsoring various social-benefits activities, such as: (a) festivals and religious rites organized by nearby temples or shrines; (b) birthday parties and other healthful activities of the clubs of the elderly in nearby communities; (c) neighboring communal voluntary safety teams; (d) assistances to underprivileged groups in nearby communities; (e) relief and assistances for poor families in nearby communities; (f) sponsorship for specific public-service events of nearby schools and institutions; (g) sponsorship for specific environmental-protection events in nearby communities; (h) sponsorship for charitable activities in neighboring communities of overseas factory premises.				
G. Certifications of the company's products or CSR report, if any, by related certification bodies: Explanation: 1. The company published a "2012 GSD (global sustainable development) report" in 2013, which contains over related websites in over 100 countries worldwide, for use by stakeholders. Based on the guiding principles and structure for the core items of GRI G4, the company has been publishing annual CSR report since 2015, disclosing the company's major sustainability issues, strategy, objective,				

<table>
<tr><th rowspan="2">Evaluation items</th><th colspan="3">Status of operation (note 1)</th><th rowspan="2">Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description (Note 2)</th></tr>
<tr><td colspan="5">and measures, which is commissioned to SGS Taiwan for certification. In addition to GRI standard, the company has gradually adopted 17 UN SDG (sustainable development goal) indicators since 2018.

2.Certificates of Eco Products ＆ Production Processes of Formosa Taffeta Co. Ltd are listed below：
● 2015 Environment Management System (ISO 14001)
● 2007 Occupational Health and Safety Assessment Series (OHSAS 18001)
● 2015 Quality Management System (ISO 9001)
● Oeko-Tex ® Standard 100
● GOTS Organic Cotton (Control Union Certifications)
● OE Organic Cotton (Control Union Certifications)
● GRS Polyester Recycle Standards(Control Union Certifications)
● Taiwan Occupational Safety and Health Management System (CNS 15506：2011)
● ® Standard Certificate
● Greenhouse Gases Emissions Certification Opinion Statement(ISO 14064-1)
● Verification and registration of 24 carbon footprints of functional woven fabric
● Certification of recycled long-fiber polyester yarn for cradle-to-cradle product innovation by McDonough Braungart Design Chemistry （MBDC）
● 2018 Energy Management System (ISO 50001) for the company's energy management system
● Certification of 16949:2016 Automative Quality Management System Standard (IATF 16949:2016)</td></tr>
</table>

Note 1: Provide description in the summarized explanation column, regardless of checking "yes" or "no."

Note 2: If company has produced CSR report, explain in brief method for accessing the report: the report has been posted on corporate website and MOPS.

(F) Status for implementation of ethical management and measures

Status of for the implementation of ethical management

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summarized explanation	
A.Establishment of ethical management policy and program (1)Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		1. The company abides laws/regulations and follows ethical norms, including the requirement of honesty and truthfulness in the Company Act, the Securities and Exchange Act, and the Business Entity Accounting Act. Adhering to the "diligence and down-to-earth style" of the spirit of the corporate culture of Formosa Plastics Group and following the management concept of cleanness and integrity, openness and transparency, and self-discipline and responsibility, the various units of the corporate headquarters form a task force pushing corporate governance and ethical management, formulating multiple ethical norms and policies, and establish good business and risk management mechanism, in order to assure the company's sustainable development.	Compliance with articles 4 & 5 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(2)Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		2.1 The company's "work rules" lays out norms for ethical operation and the company has formulated "guidelines for ethical conducts" for directors, audit-committee members, and managerial staffers, for which please refer to the compan6y's website http://www.ftc.com.tw/newftc/integrity.phpor page of 165~166 the 2018 annual report. The board of directors and the management have also pledged to actively materialize and oversee the implementation of the policy of ethical management. 2.2 Formulate related award/penalty regulations. The company's managerial staffers, employees, or those with internal-control authority should pledge to abide by the company "key points of internal auditing and management for prevention of insider trading" (http://www.ftc.com.tw/newftc/internal_audit.php?id=6) and other related regulations, which forbid acceptance of any irregular benefits directly or indirectly or unethical or illegal behaviors or behaviors at odds the obligations of trust, so as to ward off self-	Compliance with articles 8 & 18 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summarized explanation	
			interests and corruption, embezzlement of company fund, bribery, divulgence of secrets, favoritism, false reports, or other unethical behaviors.	
(3)Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?	V		3. For business activities with higher risk for unethical behaviors, the company has regulated in "work rules" that employees responsible for business, procurement, subcontracting, work supervision or other jobs involving interests of business partners shall not accept invitation by business partners for dining or other socializing activities, nor shall they accept gifts of money, merchandises, or other benefits. Offenders would be dismissed, with their superiors also being penalized. Employees responsible for related works are subject to job rotation, to prevent irregularities.	Compliance with articles 2 and 10-14 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
B. fulfill operations integrity policy (1)Does the company evaluated business partners' ethical records and include ethics-related clauses in business contracts?	V		1. The company's contracts for business dealings all include article on ethical behavior. The company has also carried out credit check on customers, suppliers, and other stakeholders, including auditing, in order to prevent harm to the company's interests by unethical behaviors.	Compliance with article 9 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(2)Does the company estanlish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		2.1 The company's auditing committee and auditing office function independently, under the direct jurisdiction of the board of directors, and report to the board of directors, as described in 5.1 below. 2.2 The president's office, the financial department, the procurement department, the engineering division, and various business units jointly push the operation of ethical management. Monthly auditing report is forwarded to independent directors for perusal before being submitted to the board of directors.	Compliance with article 17 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(3)Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		3.1 In compliance with the "rules governing meetings of the board of directors" (for details refer to the company's website), the company's directors in a high self-discipline have to explain major contents of related interests on cases involving interests of their own or legal entities they represent on the agenda of the meetings of the board of directors which should exclude cases with possible harm to	Compliance with article 19 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summarized explanation	
			the company's interests. Directors with related interests should abstain from discussion and voting for such cases and should not commission other directors to exercise their voting rights. 3.2 The company has asked employees to follow the regulation of abstention from behaviors involving personal interests and report by their own conflict of interests, according to stipulations in the "personnel management rules" and "key points of internal auditing and management for prevention of insider trading," which also non-compete clause to avoid conflict of interests. 3.3 According to "measures governing handling of complaints by inside and outside stakeholders" the company provides channels for employees or inside or outside stakeholders to report or complain any illegal or improper behaviors.	
(4)has the company established effective systems for both accounting and internal control to facilitate ethical corporate management,and are they audited by either internal auditors or CPAs on a regular basis?	V		4. The company has established complete accounting system and internal control mechanism and has been pushing at full scale linkage between the six major management functions of personnel, finance, management, production, procurement, and engineering, to attain mutual check and conduct abnormality management. Meanwhile, the company has put in place an independent professional internal auditing structure, consisting of multiple aspects. The first aspect is executed by the auditing office under the board of directors; the second aspect is regular and specific auditing by the president's office of parent company Formosa Chemicals & Fibre Corp.; the third is regular auditing by the president's office; the fourth is auditing by the company's various units themselves; the fifth is mechanism for inside or outside reporting or complaints and tracking. As internal auditing is the responsibility of all employees, auditing operation of the fourth aspect involves regular business check by various units themselves (at interval of one month, one quarter, half a year, or a year, according to nature of different items), so as to extend the reach of internal control to every unit, every corner, and every individual. In addition, outside certified public accounts are engaged for regular spot check.	Compliance with article 20 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summarized explanation	
(5)Does the company regularly hold internal and external educational trainings on operational integrity?	V		5.1 In addition to the aforementioned implementation and check by various units, the company's auditing committee and auditing office must provide items and scope of annual supervision or auditing plan, case report, and statement. In addition to check of proofs and invoices, certified public account commissioned by the company must disclose regularly specifics of transaction items. Restrictions of non-compete clause on director cannot be removed without understanding and approval of the board of directors. 5.2 The company has instilled the corporate spirit of "diligence and down-to-earth style" among employees via timely promotion and education at various occasions and cultivate the concept and attitude of ethical management highlighting integrity, openness, self-discipline, and responsibility via various education and training courses inside and outside the company.	Compliance with article 22-2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
C.Operation of the company's reporting system (1)Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		The company has publicized complaint and appeal channels for any illegal or improper treatment received by employees or outside people because of their reporting. In the process, the identities of the complaining parties will be kept confidential and informants will be awarded properly for reporting in authentic name which benefits the company. The company's "work rules" calls for penalties for employees with unethical behaviors, including: 1.1 Provide mailbox, e-mail address, and fax line for reception of reporting, whose information is available via notice at the spot for clock in/clock out by employees. 1.2 Significant reward money is available for informants who provide clues for the company to prevent illegal, irregular, or improper behaviors and thereby uphold the company's benefits, with the amount of the reward set according to the value of possible loss of the company.	Compliance with article 23 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(2)Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		2. After reception of reporting, staffers of the president's office in charge will handle the cases according to the procedure of review, validation, investigation, and award/penalty.	

Evaluation items	Operating status (note 1)			Difference from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summarized explanation	
(3)Does the company provide proper whistleblower protecting informants from improper treatment?	V		3. Principle of confidentiality: During and after investigation of reporting, staffers in charge are strictly forbidden to reveal the contents of case and the name of informant to unrelated parties and their superiors at various levels also bear the responsibility of confidentiality. Related materials must be handled and filed as confidential documents, to protect informants from improper trouble or retribution.	
D.Strengthening of information disclosure Does the company disclosed its ethical corporate management principles and execution results on its website and the Market Observation Post System?	V		1. The company has disclosed information on ethical management on its website (http://www.ftc.com.tw/newftc/integrity.php) and in its annual report. 2. Designated staffers at related business unit are responsible for information collection and upgrading for posting on the company's website, in both Chinese- and English-language versions by staffers at the information center. Under the direction of spokesperson, designated staffer at the financial department is responsible for posting financial information and other key information on the Market Observation Post System. 3. Meanwhile, the company has provided handbook for shareholders' meeting, in both Chinese- and English-language versions, for use by domestic and foreign investors, foreign investors, investment trust companies, other institutional investors or individuals.	Compliance with article 25 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
E. For company with own ethical management principles, formulated according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," describe the operation of its own principles and the difference with the later: The company's board of directors approved revised ""corporate ethical management principles" on Nov. 7, 2014 and resolved to make further revision of the principles on June 23, 2017. The company's principles is in general similar to the official version but stresses more the nature of guidelines and integration, to accommodate the need of the company's survival and development.				
F. Other key information conducive to the understanding of the operation of the company's ethical management (such as how does the company revise its ethical management principles). The company arranges attendance of corporate-governance courses by directors and managerial staffers every year to augment their capabilities governing and supervising various businesses, in the hope of boosting governance efficacy and materializing ethical management.				

Note 1: Provide description in the summarized explanation column, regardless of checking "yes" or "no."

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

The company has formulated corporate governance best-practice princ8iples; please access the company's website at
http://www.ftc.com.tw/doc/ftc_govern_provision.pdf

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

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

The company will publish the latest "CSR report 2018" by the end of June 2019; for reference please access the company's website at
http://www.ftc.com.tw/doc/2018_FTC_CSR_Report.pdf。

(I) Execution status of internal control system

1. Statement on internal control system

Statement on internal control system by public companies

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

Formosa Taffeta Co., Ltd.
Statement on Internal Control System
March 15, 2019

Based on self review, the company makes the following statement on the company's internal control system in 2018:

1. The company is fully aware that establishment, execution, and maintenance of internal control system is the company's board of directors and managerial staffers, in order to provide reasonable assurance for the efficacy and efficiency of operation (including profitability, performance, and protection of the safety of assets), the reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
2. Internal control system has its inherent constraint, as it, no matter how perfect is its design, can only provide reasonable assurance for the attainment of the aforementioned three objectives. In addition, change in environment and status may affect the efficacy of internal control system. Therefore, the company's internal control system has a mechanism of self supervision, capable of locating defects for immediate rectification.
3. The company evaluates the efficacy of its internal control system, according to the evaluation items contained in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" ("regulations" in short hereafter), which divides internal control system into five constituents, according to the procedure of management control: 1. control environment, 2. risk management, 3. control activities, 4. information and communications, 5. monitoring activities, with each containing several items (refer to the stipulations of the "regulations."
4. The company has employed the aforementioned evaluation items in checking the efficacy of the design and execution of the internal control system.
5. Based on the aforementioned evaluation, the company believes that with reasonable assurance, the company's internal control system (including supervision and management of subsidiaries) as of Dec. 31, 2018 had been effective in both design and execution concerning understanding of the efficacy and efficiency of management, reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
6. The statement will be publicized, as a major part of the company's annual report and prospectus. Falsehood, concealment, and other illegalities in the aforementioned publicized contents would entail legal responsibilities, according to article 20, article 32, article 171, and article 174 of the Securities and Exchange Act.
7. The statement was approved by the company's board of directors on March 15, 2019, endorsed by all of the 11 directors in attendance, without any contrary opinion.

Wong Wen-yuan
Chairman
Signature

Lee Ming-chang
President
Signature

Formosa Taffeta Co., Ltd.

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

(J) Legal punishment for the company and its staffers or punishment of its staffers by the company for violation of regulations of internal control system, major defects, and situation of improvement: nil.

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

1. Shareholders' meeting on June 22, 2018

Directors in attendance: Wong,Wen-yuan, Hsie,Shih-ming, Huang,Dong-terng, Lee,Ming-chang, Tsai,Tien-shuan, Lee,Man-chun, Hsieh,Ming-der (attendees above are directors), Cheng,Yu, Wang,Kung, Kuo,Chia-chi (attendees above are independent directors), totaling 10 persons

(1) Acknowledged items

Case 1

Contents: Acknowledgement of the list of closing accounts for 2017 (put forth by the board of directors)

Resolution: The closing accounts were acknowledged with approval of 1,379,817,952 voting rights (1,225,356,390 of which cast electronically), 96.4% of the total owned by the shareholders in attendance, against 190,991 rights in opposition (all cast electronically), with no invalid vote and 50,967,857 which failed to The amount of approval rights exceeded the required amount for the acknowledgement.

Case 2

Contents: Acknowledgement of the distribution for 2017 earnings (put forth by the board of directors)

Resolution: The distribution was acknowledged with approval of 1,381,832,944 voting rights (1,227,371,382 of which cast electronically), 96.6% of the total owned by the shareholders in attendance, against 195,998 rights in opposition (all cast electronically), with no invalid vote and 48,947,858 which failed to vote. The amount of approval rights exceeded the required amount for the acknowledgement.

Status of execution: In line with the resolution of shareholders' meeting, the board of directors resolved in its third meeting on June 22, 2018 to issue NT$1.9 cash dividend per share, with July 24, 2018 as the base day, which was paid out starting Aug. 22.

(2) Items for discussion

Case 1

Contents: Revision of the company's "rules of procedures for shareholders' meeting" (put forth by the board of directors)

Resolution: The revised rules were approved with 1,381,825,357 voting rights (1,227,363,795 of which cast electronically), 96.6% of the total owned by the shareholders in attendance, against 201,586 rights in opposition (all cast electronically), with no invalid vote and 48,949,857 which failed to vote. The amount of approval rights exceeded the required amount for the passage of the proposal.

Status of execution: The rules were revised, in line with the resolution of shareholders' meeting, and then posted on the corporate website.

Case 2

Contents: Revision of the company's "procedure for acquisition or disposal of assets"

(put forth by the board of directors)

Resolution: The revised procedure was approved with 1,381,824,257 voting rights (1,227,362,695 of which cast electronically), 96.6% of the total owned by the shareholders in attendance, against 202,686 rights in opposition (all cast electronically), with no invalid vote and 48,949,857 which failed to vote. The amount of approval rights exceeded the required amount for the passage of the proposal.

Status of execution: The rules will be revised, in line with the resolution of shareholders' meeting, and then reported to the Market Observation Post System before being posted on the corporate website.

Case 3

Contents: Revision of the company's "procedure for engagement in the trading of derivatives"

(put forth by the board of directors)

Resolution: The revised procedure was approved with 1,381,824,256 voting rights (1,227,362,694 of which cast electronically), 96.6% of the total owned by the shareholders in attendance, against 202,686 rights in opposition (all cast electronically), with no invalid vote and 48,949,858 which failed to vote. The amount of approval rights exceeded the required amount for the passage of the proposal.

Status of execution: The rules will be revised, in line with the resolution of shareholders' meeting, and then reported to the Market Observation Post System before being on the corporate website.

Case 4

Contents: Revision of the company's "measures government provision of loans to others"

(put forth by the board of directors)

Resolution: The revised measures were approved with 1,381,823,944 voting rights (1,227,362,382 of which cast electronically), 96.6% of the total owned by the shareholders in attendance, against 202,997 rights in opposition (all cast electronically), with no invalid vote and 48,949,859 which failed to vote. The amount of approval rights exceeded the required amount for the passage of the proposal.

Status of execution: The rules will be revised, in line with the resolution of shareholders' meeting, and then reported to the Market Observation Post System before being posted on the corporate website.

Case 5

Contents: Revision of the company's "procedure for the provision of endorsement and guarantee"

(put forth by the board of directors)

Resolution: The revised procedure was approved with 1,380,523,257 voting rights (1,226,061,695 of which cast electronically), 96.5% of the total owned by the shareholders in attendance, against 1,503,686 rights in opposition (all cast electronically), with no invalid vote and 48,949,857 which failed to vote. The amount of approval rights exceeded the required amount for the passage of the proposal.

Status of execution: The rules will be revised, in line with the resolution of shareholders' meeting, and then reported to the Market Observation Post System before being posted on the corporate website.

(3) Extempore motion: nil

2. <u>First 2018 meeting of the board of directors on March 16</u>

Case 1

Contents:2017 compensations for employees and directors

(The secretariat reported that the compensations for directors have been agreed by the compensation committee)

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal, which was reported to 2018 shareholders' meeting.

Case 2

Contents:Production of list of 2017 closing accounts and formulation of 2018 business plan

(Chiefs of various business groups reported their respective 2017 business status and 2018 business plans)

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the closing accounts and business plan.

Case 3

Contents:Distribution of 2017 earnings

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal.

Case 4

Contents:Proposal for holding of 2018 shareholders' meeting on June 22, 2018

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal.

Case 5

Contents:production of the company's "statement on internal control system"

(put forth by the auditing committee)

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal.

Case 6

Contents:appointment of the company's new in-house auditing chief

(put forth by the auditing committee)

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal.

Case 7

Contents:plan to sell a plot of land in Tounan township of Yunli county to HMK, which is not a stakeholder

(put forth by the auditing committee)

Schedule for disposal	Transaction partner	Location of the land	Total space (square meters)	Total transaction value (NT$1,000)	Expected disposal benefit (NT$1,000)
2018/4	HMK	Three plots of land, with code numbers of 540, 543, and 543-1, in Beiming section of Dounan township of Yunlin county (A plot of land, code No. 543-2, owned by the company's subsidiary Formosa Development Co., Ltd., was included in the transaction.)	26,047 (correct figure based on the registered spaces after division)	401,841	237,074

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal.

3. Second 2018 meeting of the board of directors on May 4

Case 1:

Contents:revision of the company's stock affairs-related regulations

(put forth by the auditing committee)

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal.

Case 2

Contents:proposal for signing "contract for commissioning of construction work and execution of urban renewable project" with Formosa Construction Co., Ltd.

(put forth by the auditing committee)

(Hung Fu-yuan, in attendance, should abstain from voting on the case, as he is a director of Formosa Construction Co., Ltd.

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal, except Hung Fu-yuan who abstained from the case, due to involvement of related interest .

Case 3

Contents:sale of a plot of land in Dounan township of Yunlin county to Shih Hsiang Auto Parts Co., Ltd., which is not a stakeholder.

(put forth by the auditing committee)

Schedule for disposal	Transaction partner	Location of the land	Total space (square meters)	Total transaction value (NT$1,000)	Expected disposal benefit (NT$1,000)
2018/5	Shih Hsiang Auto Parts Co., Ltd.	The transaction covered eight plots of land, code numbers 514, 514-1, 536, 537, 538, 539, 540-2, and 543-6, located in Beiming section (five plots of land, code	51,533.3	810,514	498,523

Schedule for disposal	Transaction partner	Location of the land	Total space (square meters)	Total transaction value (NT$1,000)	Expected disposal benefit (NT$1,000)
		numbers 514, 514-1, 537, 538, and 539, owned by the company's subsidiary Formosa Development Co., Ltd. were included in the transaction.)			

Opinion of independent directors and handling situation: nil
Resolution:all the directors present approved the proposal.

4. **Third 2018 meeting of the board of directors on June 22, 2018**

Contents:designation of the base date and issuance date for the payout of cash dividends from 2017 earnings
Opinion of independent directors and handling situation: nil
Resolution:all the directors present approved the proposal.

5. **Fourth 2018 meeting (provisional) of the board of directors on July 20, 2018**

Contents:disposal of less than 84,022,000 shares of Formosa Advanced Technologies Co., Ltd., via block trading on centralized securities exchange market, mainly for sale to Nanya Technology Corp.
(put forth by the auditing committee)
(The vice chairman abstained from the case, as he is a director of Nanya Technology Corp. The vice chairman designated standing director Cheng Yu as the acting chairman of the meeting.)
Opinion of independent directors and handling situation: nil
Resolution:all the directors present approved the proposal, except the vice chairman who abstained from the case, due to involvement of related interest.)

6. **Fifth 2018 meeting of the board of directors on Aug. 9, 2018**
Case 1
Contents:2018 pay hike for managerial staffers at a scale similar to that for employees
(put forth by the compensation committee)
Opinion of independent directors and handling situation: nil
Resolution:all the directors present approved the proposal.

7. **Sixth 2018 meeting of the board of directors on Nov. 2, 2018**

Contents:appointment of the company's new financial and accounting chiefs
(put forth by the auditing committee)

(Cheng Hung-ning in attendance should abstain from the case, since he is a party in the personnel arrangement.)

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal.

8. 2018 meeting of the board of directors on Dec. 14, 2018

Case 1

Contents:formulation of the company's 2019 auditing plan

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal.

Case 2

Contents:provision of guarantee to Formosa Ha Tinh (Cayman), indirectly invested by the company, for bank loan

(put forth by the auditing committee)

(Director Hung Fu-yuan in attendance should abstain from the case, since he is a director of Formosa Ha Tinh (Cayman).)

Opinion of independent directors and handling situation: nil

Resolution:all the directors present approved the proposal, except Hung Fu-yuan who abstained from the case.

9. First meeting of the board of directors in 2019 on March 15

Case 1

Contents: Proposal for compensations for employees and directors for 2018.

(The secretariat reported that the proposed compensations for directors has been approved by the remuneration committee.)

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance before submission of report to 2019 shareholders' meeting.

Case 2

Contents: Production of 2018 final accounts and formulation of 2019 business plan

(Chiefs of various business groups reported their groups' 2018 business status and 2019 business plans.)

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance.

Case 3

Contents: Proposal for distribution of 2018 earnings

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance.

Case 4

Contents: Proposal for convening 2019 shareholders' meeting on June 20, 2019

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance.

Case 5

Contents: Production of the company's "statement on internal control system" (proposed by the auditing committee)

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance.

Case 6

Contents: Proposal to revise the company's "procedure for acquisition or disposal of assets," "procedure for engagement in transaction for derives," "measures governing loan extension to others," "procedure for provision of endorsement and guarantee." (proposed by the auditing committee)

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance before submission to 2019 shareholders' meeting for resolution.

Case 7

Contents: Proposal to increase investment in FG INC by US$4.5 million via investment structure

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance.

10. Second meeting of the board of directors in 2019 on May 3

Case 1

Contents: Proposal to revise the company's internal control system for stock affairs (proposed by the auditing committee)

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance.

Case 2

Contents: Proposal to revise the company's "corporate governance best practice principles"

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance.

Case 3

Contents: Proposal to institute the company's corporate-governance chief (abstention by Cheng Hung-ning in attendance as he is a party of interest)

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance.

Case 4

Contents: Formulation of the company's "standard operating procedure for handling demands by directors"

Situation for handling the opinions of independent directors: nil.

Resolution: approval by all the directors in attendance.

(L) Opinions of director or supervisor on record or in written statement different from major resolutions of the board of directors in the recent year and the current year as of the date of the publication of the annual report: nil

(M) Summary of resignation or dismissal of staffers related to financial report in the recent year and the current year as of the date of the publication of the annual report:

1. Summary table of the resignation or dismissal of related members of the company

Title	Name	Starting date of service	Date of dismissal	Reason for resignation or dismissal
Internal auditing chief	Huang Ming-tang	2007.03.29	2018.03.16	Adjustment of job
Financial chief	Lin Chen-nan	2009.04.01	2018.09.26	Retirement
Accounting chief	Cheng Hung-ning	2013.07.01	2018.11.02	Adjustment of job

Note: Related members of the company refer to chairman, president, accounting chief, financial chief, internal auditing chief, and R&D chief.

E. Information on professional fee for certified public accountants

Information on professional fees for certified public accountants

Name of accounting firm	Names of certified public accountants		Auditing period	Note
PwC Taiwan	Wu Han-chi	Chou Chien-hung	2018.01.01-2018.12.31	

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

Unit: NT$1,000

Fee brackets \ Fee items		Auditing fee	Non-auditing fee	Total
1	Less than NT$2,000,000			
2	NT$2,000,000 (inclusive)~NT$4,000,000			
3	NT$4,000,000 (inclusive)~NT$6,000,000	3,895	150	4,045
4	NT$6,000,000 (inclusive)~NT$8,000,000			
5	NT$8,000,000 (inclusive)~NT$10,000,000			
6	NT$10,000,000 and more			

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

Information on professional fees for CPAs

Unit: NT$1,000

Name of accounting firm	Names of certified public accountants	Auditing fee	Non-auditing fee					Auditing period of certified public accountants	Note
			System design	Company registration	Human resources	Others (note 2)	Subtotal		
PwC Taiwan	Wu Han-chi Chou Chien-hung	3,895	0	0	0	150	150	2018.01.01 | 2018.12.31	

Explanation: Non-auditing fee is the fee for transfer pricing report by certified public accountants in 2018.

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

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

(B) If accounting firm is replaced and auditing fee for the replacement year is less than that of the previous year, disclose auditing fees before and after the replacement and explain the reason: not applicable.

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

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

1. About original certified public accountants

<table>
<tr><td>Replacement dates</td><td colspan="3">March 20, 2015 and March 16, 2018</td></tr>
<tr><td>Replacement reason and explanation</td><td colspan="3">Job reshuffle of accounting firm</td></tr>
<tr><td rowspan="3">Explain whether the replacement is due to the termination of appointment by client or refusal to accept appointment by CPA</td><td>client
status</td><td>CPA</td><td>Client</td></tr>
<tr><td>Termination of appointment</td><td>ˇ</td><td>-</td></tr>
<tr><td>Refusal to accept (continue) appointment</td><td></td><td>-</td></tr>
<tr><td>Any reservation in auditing reports in recent two years and reason</td><td colspan="3">Nil</td></tr>
<tr><td rowspan="6">Any different opinion with issuer</td><td rowspan="4">Yes</td><td></td><td>Accounting principle or practice</td></tr>
<tr><td></td><td>Disclosure of financial repot</td></tr>
<tr><td></td><td>Auditing scope and procedure</td></tr>
<tr><td></td><td>Other</td></tr>
<tr><td>No</td><td colspan="2">ˇ</td></tr>
<tr><td colspan="3">Explanation: Nil</td></tr>
<tr><td>Other disclosure items (stipulated in item 1-4 through item 1-1 of section 6 of article 10 of the guideline)</td><td colspan="3">1. Financial report is unreliable, due to lack of sound internal control system, as shown by notice by previous CPA: nil
2. Previous CPA notifies the company expressing distrust of the company or unwillingness to have any association with the company's financial report: nil.
3. Previous CPA notifies the company demanding expansion of auditing scope and data show expansion of auditing scope may impair the credibility of financial report certified or going to be certified but the suggestion of scope expansion fails to be materialized, due to replacement of CPA or other reasons: nil.
4. Previous CPA notifies the company that data show possible impairment of the credibility of financial report certified or going to be certified but fails to rectify the problem, due to replacement of CPA or other reason: nil.</td></tr>
</table>

2.About succeeding original certified public accountants

Name of accounting firm	PwC Taiwan	
Names of certified public accountants	Chou Chien-hung, Juan Lu Man-yu	Wu Han-chao, Chou Chien-hung
Appointment date	March 20, 2015	March 16, 2018
Consultation before appointment on the accounting method and principle for specific transaction and opinions on financial reports going to be certified and result	Nil	
Written opinions of succeeding CPA differing from opinions of previous CPA	Nil	

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

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

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

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

Title (note 1)	Name	2018		2019, as of April 22	
		Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)	Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)
Chairman	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Wong,Wen-yuan	-	-	-	-
Vice Chairman	Keyford development Co., Ltd.	-	-	-	-
	Representative: Hsie,Shih-ming	-	(143,000)	-	-
Standing director (independent director)	Cheng,Yu	-	-	-	-
Independent director	Wang,Kung	-	-	-	-
Independent director	Kuo,Chia-chi	-	-	-	-
Director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Hong,Fu-yuan	-	-	-	-
Director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Huang,Dong-terng	-	-	-	-
Director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Lee,Ming-chang	-	-	-	-
Director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Tsai,Tien-shuan	-	-	-	-
Director	Lai Shu-wang Foundation	-	-	-	-
	Representative: Lee,Man-chun	-	-	-	-
Director	Hsieh,Ming-der	-	-	-	-
President	Lee,Ming-chang	-	-	-	-
Senior vice president	Tsai,Tien-shuan	-	-	-	-
Chief of financial division	Cheng,Hung-ning	-	-	-	-

Chief of accounting division	Lee,Shu-ming	-	-	-	-
Shareholder with over 10% shareholding	Formosa Chemicals & Fibre Corp.	-	-	-	-

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

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

(B) Information on share transfer: nil

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

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

Note 2: Fill in acquisition or disposal

(C) Information on mortgaged shares: nil

Name (note1)	Reason for change in mortgaged shares (note 2)	Date of change	Transaction partner	Relationship of transaction partner with the company, directors , and shareholders with over 10% shareholding	Amount of shares	Percentage of shareholding	Mortgage rate	Mortgaged (redeemed) value
–	–	–	–	–	–	–	–	–

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

Note 2: Fill in mortgaged or redeemed shares

I. Top 10 shareholders in terms of shareholding percentages and their interrelationship

April 22, 2019

Name (note 1)	Shareholding of shareholder		Shareholding of spouse and minor children		Shareholding in others' names		Name of spouse or relative within 2nd kinship who is also among the top 10 shareholders and their relationship (note 3)		Note
	shares	%	shares	%	shares	%	Title (or Name)	Relationship	
Formosa Chemicals & Fibre Corp. Representative: Wong Wen-yuan	630,022,431	37.40%	-	-	-	-	1.Chang Gung University, Chang Gung University of Science and Technology, Ming Chi University of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. A relative within 2nd kinship of chairman of Asia Pacific Investment Co., Ltd.	-
Chang Gung Medical Foundation Representative: Welfred Wang Jui-hui	97,599,254	5.79%	-	-	-	-	-	-	-
Yu Yuang Textile Co., Ltd. Representative: Hsieh Ming-der,	43,005,328	2.55%	-	-	-	-	-	-	-
Lai Ming-hsiung	41,332,277	2.45%	6,739,828	0.40%	-	-	-	-	-
Chang Gung University Representative: Wong Wen-yuan	37,130,116	2.20%	-	-	-	-	1. Formosa Chemicals & Fibre Corp., Chang Gung University, of Science and Technology,Ming Chi University of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. Chairman of Asia Pacific Co., Ltd. is a relative within 2nd kinship	-
Chang Gung University of Science and Technology Representative: Wong Wen-yuan	35,812,944	2.13%	-	-	-	-	1. Formosa Chemicals & Fibre Corp., Chang Gung University, Ming Chi University of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. Chairman of Asia Pacific Co., Ltd. is a relative within 2nd kinship	-

Name (note 1)	Shareholding of shareholder		Shareholding of spouse and minor children		Shareholding in others' names		Name of spouse or relative within 2nd kinship who is also among the top 10 shareholders and their relationship (note 3)		Note
	shares	%	shares	%	shares	%	Title (or Name)	Relationship	
Ming Chi Institute of Technology Representative: Wong Wen-yuan	31,427,255	1.87%	-	-	-	-	1. Formosa Chemicals & Fibre Corp., Chang Gung University, Chang Gung University of Science and Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. Chairman of Asia Pacific Co., Ltd. is a relative within 2nd kinship	-
Asia Pacific Investment Co., Ltd. Representative: Wong Wen-chao	24,134,415	1.43%	-	-	-	-	Formosa Chemicals & Fibre Corp., Chang Gung University, Chang Gung University of Science and Technology, Ming Chi University of Technology	Relative within 2nd kinship with the chairman of the aforementioned four juridical-person shareholders	-
Taiwan Life Insurance Representative: Huang Shih-kuo	21,222,000	1.26%	-	-	-	-	-	-	-
Nan Shan Life Insurance Representative: Tu Ying-tsung	20,946,000	1.24%	-	-	-	-	-	-	-

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

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

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

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

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

Unit: share; % 2018.12.31

Invested enterprises (note 1)	Investment by the company		Investment by the company's directors, managerial staffers, and directly or indirectly controlled enterprises		Total investment	
	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding
Formosa Advanced Technologies Co., Ltd.	206,442,472	46.68	5,375,252	1.22	211,817,724	47.90
Formosa Development Co., Ltd.	16,100,000	100.00	-	-	16,100,000	100.00
Quang Viet Enterprise Co., Ltd.	18,595,352	17.99	240,014	0.23	18,835,366	18.22
Formosa Taffeta (Hong Kong) Co., Ltd.	-	100.00	-	-	-	100.00
Schoeller FTC (Hong Kong) Co., Ltd.	-	50.00	-	-	-	50.00
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta (Zhongshan) Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta Vietnam Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Industries Co., Ltd.	-	10.00	-	42.50	-	52.50
Formosa Taffeta Dong Nai Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta (Changshu) Co., Ltd. (note 2)	-	100.00	-	-	-	100.00
Formosa Taffeta (Cayman) Co., Ltd. (note 2)	-	100.00	-	-	-	100.00
Public More International Company Ltd. (note 2)	-	100.00	-	-	-	100.00

Note 1: Long-term investment based on equity method

Note 2: Company invested by subsidiary

IV. Fund raising

A. Capital and shares

(A) Source of share capital

Month/ year	Per Value (NT$)	Approved share capital		Paid-in capital		Note		
		share	Amount (dollars)	share	Amount (dollars)	Sources of capital	Capital Increased by Assets Other than Cash	Other
July 2006	10	1,684,664,637	16,846,646,370	Same as left column	Same as left column	Capital increment with earnings	Nil	Note

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

April 22, 2019 Unit: share

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

Note: all listed shares on the stock market

Information on self registration: not applicable

(B) Shareholder structure

April 22, 2019

Shareholder structure / Amount	Government agencies	Financial institution	Other juridical person	Individual	Foreign institution and foreigners	Total
Number of shareholders	3	18	198	44,092	494	44,805
Shareholding (shares)	8,934,039	110,019,000	957,850,660	288,613,371	319,247,567	1,684,664,637
Shareholding ratio	0.530%	6.531%	56.857%	17.132%	18.950%	100.00%

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

(C) Shareholding distribution status

April 22, 2019

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Share)	Shareholding ratio
1~999	22,556	5,319,188	0.31%
1,000~5,000	15,041	33,594,277	1.99%
5,001~10,000	3,192	24,225,644	1.44%
10,001~15,000	1,130	14,113,426	0.84%
15,001~20,000	671	12,119,570	0.72%
20,001~30,000	655	16,497,450	0.98%
30,001~50,000	532	21,160,271	1.26%
50,001~100,000	430	30,878,851	1.83%
100,001~200,000	243	34,542,938	2.05%
200,001~400,000	144	40,843,009	2.42%
400,001~600,000	52	25,754,196	1.53%
600,001~800,000	32	22,168,014	1.32%
800,001~1,000,000	19	17,321,818	1.03%
1,000,001 or over	108	1,386,125,985	82.28%
Total	44,805	1,684,664,637	100.00%

(D)List of Major Shareholders

April 22, 2019

Share / Major Shareholders	Shareholding (Share)	Shareholding ratio
Formosa Chemicals & Fibre Corp.	630,022,431	37.40%
Chang Gung Medical Foundation	97,599,254	5.79%
Yu Yuang Textile Co., Ltd.	43,005,328	2.55%
Lai Ming-hsiung	41,332,277	2.45%
Chang Gung University	37,130,116	2.20%
Chang Gung University of Science and Technology	35,812,944	2.13%
Ming Chi Institute of Technology	31,427,255	1.87%
Asia Pacific Investment Co., Ltd.	24,134,415	1.43%
Taiwan Life Insurance Co., Ltd.	21,222,000	1.26%
Nan Shan Life Insurance Co., Ltd.	20,946,000	1.24%

Note: Shareholders ratio for the top ten shareholders

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

Unit: NT$, share

<table>
<tr><th colspan="3">Item \ Year</th><th>2017</th><th>2018</th><th>Current year as of March 31, 2019 (note 8)</th></tr>
<tr><td rowspan="3">Market share price (note1)</td><td colspan="2">Highest</td><td>33.60</td><td>37.95</td><td>37.35</td></tr>
<tr><td colspan="2">Lowest</td><td>29.25</td><td>30.05</td><td>33.60</td></tr>
<tr><td colspan="2">Average</td><td>30.92</td><td>33.35</td><td>35.53</td></tr>
<tr><td rowspan="2">Net worth per share (note2)</td><td colspan="2">Before distribution</td><td>43.44</td><td>44.50</td><td>46.43</td></tr>
<tr><td colspan="2">After distribution</td><td>41.54</td><td>42.40</td><td>-</td></tr>
<tr><td rowspan="3">Earnings per share</td><td colspan="2">Weighted average number of shares</td><td>1,684,664,637</td><td>1,684,664,637</td><td>1,684,664,637</td></tr>
<tr><td rowspan="2">Earnings per share (note 3)</td><td>Before adjustment</td><td>2.54</td><td>2.82</td><td>0.25</td></tr>
<tr><td>After adjustment</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="4">Dividend per share</td><td colspan="2">Cash dividend (note 9)</td><td>1.9</td><td>2.1</td><td>-</td></tr>
<tr><td rowspan="2">Grant Stock</td><td>Stock grant with earnings</td><td>0</td><td>0</td><td>-</td></tr>
<tr><td>Stock grant with capital reserve</td><td>0</td><td>0</td><td>-</td></tr>
<tr><td colspan="2">Accrued dividend (note 4)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Return on investment</td><td colspan="2">Price earnings ratio (note 5)</td><td>12.17</td><td>11.83</td><td>-</td></tr>
<tr><td colspan="2">Price dividend ratio (note 6)</td><td>16.27</td><td>15.88</td><td>-</td></tr>
<tr><td colspan="2">Yield rate of cash dividend (note 7)</td><td>6.14</td><td>6.30</td><td>-</td></tr>
</table>

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

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

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

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

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

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

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

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

Note 9: NT$2.1 cash dividend and no stock dividend for distribution of 2018 earnings is a proposal, which needs passage at the 2019 shareholders' meeting.

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

1. Dividend policy

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

2. Proposal for dividend payout at the shareholders' meeting

   The proposed dividend distribution for this shareholder meeting is NT$2.1 per share, all in cash.

3. Expected major change in dividend policy: nil.

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

(H) Compensations for employees and directors:

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

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

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

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

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

   The company's board of directors passed the following resolution on March 15, 2019:

   (1) Cash payout of NT$10,543, 152 for employee compensation and NT$5,271,576 for compensations for directors.

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

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

Status of execution of payout approved by shareholders' meeting of the company on June 22, 2018:

(1) Actual bonus payout in cash for employees reaches NT$8,993,823 and NT$4,496,911 for compensations for directors, with no stock payout;

(2) actual bonus payout for employees in the form of stock is zero, with share in capital increment with earnings being zero;

(3) after deduction of aforementioned payouts, earnings per share is imputed at NT$2.54.

(4) there is no difference between the aforementioned actual payout and the payout plan approved by the board of directors.

(I) Share buyback by the company: nil.

B. Issuance of corporate bonds: nil

C. Issuance of special shares: nil

D. Issuance of overseas depository receipts: nil

E. Issuance of employee stock option certificates: nil

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

G. Issuance of restricted stock awards: nil

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

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

J. Status for the execution of fund utilization plan

(A) Contents of plan

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

(B) Execution status

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

V. Business Status

A. Business contents

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

1. The company's major business items are:

(1)production and sale of nylon fabric and polyester fabric;

(2)production and sale of the alveolar bone of umbrella rib and tyre cord;

(3)manufacturing, processing, and sale of polymers and related products;

(4)traditional combed cotton yarn, blended yarn, new functional yarn, special protective yarn, and woven fabric;

(5)production and sale of protective textile devices, including: [1] bulletproof vest, jacket, helmet, shield, mask; abrasion-resistance fabric, and products with composite materials (sports devices, fishing gear); [2] industrial work clothes, including clothes with acid-, alkaline-, fire-, and high temperature endurance and reprocessed products using such textiles, including fire-fighting coat, anti-heat clothes for working in boiler room, and chemical-industry work clothes; [3] clean-room wares (sterilized clothes, surgical gown, medical wrapping cloth, anti-static electricity clothes), and sterilized clothes;

(6)Information software and service and design, manufacturing, and sale of communications software/hardware and components;

(7)management of recreational area, children's amusement park, park, camping ground, swimming pool, skating rink, zoo, and general sports ground and lease of gear for water recreational activities and yacht;

(8)management of hotel and affiliated restaurant;

(9)transactions in staples, artifacts, groceries, general merchandise, and apparels;

(10)agency and production of domestic and foreign artistic and performing-art events;

(11)running of gas stations for sale of gasoline, diesel oil, kerosene, and petroleum products in small package, plus lubricant oil for autos and motorcycle, as well as simple maintenance, car washing, auto and motorcycle products, convenience store, parking lot, operation of automatic vending machine, and entrusted operation of regular auto inspection;

(12)other businesses except those forbidden or restricted by law/regulation.

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

2. 2018 Revenue distribution

Unit: NT$1,000

Major products	Unit	Quantity	Amount	%
Oil products	Kiloliter	463,812	12,144,072	27.26
Polyamine/Polyester	1,000 yards	295,981	14,016,859	31.47
Tire Cord	Metric ton	53,324	7,664,363	17.21
Assembly	1,000 grains	930,102	4,740,224	10.64
Testing	1,000 grains	1,010,186	3,436,413	7.71
Special textile	1,000 yards	4,551	885,063	1.99
PE bags	Metric tons	6,339	450,142	1.01
Number of yarn	Pieces	23,206	430,760	0.97
Module	1,000 units	4,294	608,888	1.37
Cotton fabric	1,000 yards	939	81,245	0.18
Land development			34,155	0.08
Business recruitment			34,274	0.08
Commission income			18,595	0.04
Total			44,545,053	100.00

3. The company's existing products:
Long-fiber PU/polyester woven fabric, short-fiber woven fabric, long- and short-fiber interwoven fabric, dyed check, PU/polyester tire cord, PE bag, combed cotton yarn, blended yarn, new functional yarn, special protective yarn and textile, bullet-proof fabric, composite-material textile, gas-station service, daily-life products, and car-washing service.

4. New products planned to be developed:
Environment-protection materials, biomedicine products, textiles for senior citizens, development and application of nano-level materials, fluorine-free water-repellant fabric, smart temperature-control fabric, waterless dyeing technology, bluesign® PU textile featuring chemical-free processing, protective clothes for servicemen and policemen, firefighting clothes, composite-material auto and 3C products.

(B) Industry status

1.Polyamine/polyester long-fiber dyed fabric

In 2018, with inventory adjustment coming to an end, apparel market expanded at a steady but slow pace. In 2019, consumption on the apparel market in North America has picked up further, inducing influx of orders from branded customers. A major growth driver is sportswear featuring comfort, functionality, and casual style tinged with some flavor of fashion, as a result of which orders from major sports brands in the first quarter grew over a year earlier. In order to shorten delivery time and lower costs, branded customers tend to concentrate supply chain. In response, the company will continue transferring their orders to overseas plants in Vietnam and China. The Taiwanese plant will focus on the development of differentiated products and environment-friendly materials, consolidating its role for product development and innovation and coordination for execution of projects of branded customers, so as to strengthen the existing global supplying network and sustain growth of orders.

In 2019, in response to the development trend crossing fashion and sportswear among international brands, the company will increase the shares of niche, environment-friendly, and differentiated products in various kinds of textiles. In the aspect of long-fiber textile, the R&D team will add fashion flavor to core products and the marketing team will tap high-end market. In general, the company will utilize the advantages of low production cost and regional preferential tariffs, as part of the division of labor among the company's five plants in Taiwan, China, and Vietnam, so as to materialize the benefit of synergy.

In 2019, given uncertain global economy, although orders from branded customers on the long-fiber woven-fabric market will still grow, it is important to consolidate supply chain and solicit new customers, strengthening partnership with major brands and alliance with apparel suppliers designated by brands, so as to assure attainment of the target for the year.

2. Cotton spun yarn

(1)Industry status and development: Due to acute competition and contracted domestic market, some short-fiber spun yarn firms shrank their business scale in 2018, while some shifted to the small-volume, large-variety niche markets.

(2)Association among the upstream, midstream, and downstream sectors of the industry: Based on the demands of branded end customers, seek upstream suppliers of special fiber materials, cooperate with specialized weaving, dyeing, and processing plants in the medium and downstream sectors, and develop customized end products via vertical integration, thereby boosting the overall margin of yarn plants.

(3)Product development trend: The company has renovated and installed multi-function special spinning machines since 2018, for the production of long- and short-fiber special composite yarns with high added value, which are supplied mainly to sportswear brands. Via vertical integration with fabric firms and weaving and dyeing plants, the company has establish a product lineup differentiated from traditional market, thereby giving our yarn plants a robust growth momentum and high margin.

3. Special fabric, carbon-fiber fabric

3.1 Special fabric

(1) Industry status and development: Demands in advanced markets, including Europe, the U.S., and Japan, grow slightly, compared with faster growth in Southeast Asia and flat demands in the Middle East, China, and India.

(2) Association among upstream, midstream, and downstream sectors of the industry: Situated in the midstream sector of the industry, the company engages in yarn

spinning, fabric weaving, and dyeing and finishing, plus production of some finished products, while obtaining fiber from upstream suppliers in Europe, the U.S., Japan, China, and South Korea and selling products to apparel plants in the downstream sector.

(3) Development trend and competitive status of various products: In view the trend for low-cost and comfortable blended yarn for low- and medium-tier fire-proof fabric, the company will develop high-performance fabric for clothes of servicemen, policemen, and firefighters; meanwhile, faced with price competition from China-made products for anti-static cloth in Southeast Asia and Taiwan, the company will develop highly comfortable fabric for use in foodstuff and spray-painting works, as well as fabric for medical use.

3.2 Carbon-fiber fabric

(1) Industry status and development: Supply mainly flat fabric, twilled fabric, epoxy-resin prepreg, and carbon-fiber flat and multi-axial and -layer fabric, for sale to domestic and overseas carbon-fiber composite-material plants, mainly for production of bicycle frame, rim, sports gear, robotic arm, footwear material, ship, construction reinforcement, and auto parts.

(2) Association among upstream, midstream, and downstream sectors of the industry: Carbon-fiber fabric and prepreg belong to secondary processing, with materials supplied by Tairylan Division of Formosa Plastics Co., Ltd. and noted Japanese firms, mainly for supply to bicycle component and part plants, sports gear plants, shipbuilders, composite-material molding plants, and pipeline material plants, construction reinforcement firms, and drone manufacturers.

(3) Development trend and competitive status: The company has a complete secondary carbon-fiber processing product line, covering 1.5 K, 3 K, and 12 K flat fabric, twilled fabric, epoxy-resin prepreg, and carbon-fiber flat and multi-axial and -layer fabric, suitable for thermosetting and thermoplastic molding. In conjunction with upstream and downstream sectors, the company has been development thermoplastic/thermosetting cases for 3C products, auto parts and components, and robotic arms, among others. In addition, the company has joined hands with reinforced materials supplies, both in Taiwan and abroad, in bidding for civil-engineering projects, so as to increase the magnitude of products. Major competitors are three leading Japanese firms.

4. Tire cord

(1) Industry status and development: Combined tire-cord capacity of the company's Taiwanese and Vietnamese plants hits 5,600 tons/month, including 3,600 tons/month in Taiwan, 21% of which for domestic sales and 79% for shipment to Southeast Asia, India, Sri Lanka, the U.S., China, Japan, South Korea, and Europe, and 2,000 tons/month in Vietnam, 43% for domestic sales and 57% for exports. The company has been faced with acute price competition, due to oversupply on the international market, which is aggravated by higher tariffs for exports from Taiwan.

(2) Association among upstream, midstream, and downstream sectors of the industry: Major materials of tire cord are high-strength yarns, including PU 6, PU 66, and polyester, which are supplied mainly by affiliates of Formosa Plastics Group and tire-cord yarn plants in China. With sufficient capacity, the company suppliers tire cord to tire manufacturers, both in Taiwan and abroad.

(3) Development trend and competitive status: Due to lower technology threshold, price competition on the international market, and higher tariffs for exports from Taiwan to major outlets, production of bulk tire cord has been shifted to Vietnamese plants gradually, while the head plant in Taiwan has stepped up investments in equipment for high-tier products with higher added value.

5. PE bags

(1) Industry status and development: Under chronic price competition, the company has focused on the Japanese market, due to its demands for quality products with higher prices, which now accounts for 77% of the company's sales of PE bags, leaving 22% for shipment to America and 1% for domestic sales.

(2) Association among upstream, midstream, and downstream sectors of the industry: Main material PE is supplied by Formosa Plastics Corporation. The company engages in blowing of membrane, printing, and bag making and supplies PE bags to supermarkets, mass merchandise stores, convenience stores, and other retailers. Products include t-shire bags, purchasing sacks, and garbage bags.

(3) Development trend and competitive status: Despite price competition on the international market, the company has enjoyed steady sales for PE bags, which are a consumption product, thanks to better quality, enabling the company to secure orders from convenience-store and supermarket chains in Japan and South American customers. In recent years, the company has been endeavoring to develop preservation and environment-friendly materials.

6. Formosa Taffeta gas station (106 stations)

(1) Industry status and development: There were 2,483 gas stations in Taiwan as of the end of 2018 (source: the Bureau of Energy, the Ministry of Economic Affairs), including 603 owned by CPC Corp., Taiwan directly, with the remainder being gas stations run by private enterprises, franchised stations, and independent stations.

(2) Association among upstream, midstream, and downstream sectors of the industry: Gas stations are situated at the end of the channel of oil-product market, with oil products supplied by CPC Corp., Taiwan and Formosa Petrochemical Corp. mostly, as import volume is very low.

(3) Development trend and competitive status: Multiple services are essential for the operation of gas stations in Taiwan, which is a mature market with acute competition. For the sake of differentiated quality, Formosa Petrochemical Corp. has rolled out 95 + Plus gasoline, which enables steady, oil-saving, strong driving, plus fast acceleration and reduction of carbon deposits in engine and pollutant emission.

Gasoline accounts for 70% of sales and diesel oil 30%.

(4) In 2018, due to joint output reduction by OPEC members and tension in the Middle East, crude-oil price jumped to US$83.9 per barrel in Oct., up from original US$60, before crash to US$49.5 in fourth quarter, due to dispute between the U.S. and major trade partners over chronic huge trade imbalance, the effect of prolonged talk on the energy purchase policies of various countries, UN sanction against Iran, and increased output of oil producing countries. In 2019, oil prices are predicted to fluctuate in the medium-high range, which will be favorable to the company in the valuation of oil in stockpile. Another uncertain factor is longstanding geopolitical disputes in Northeast Asia, the Middle East, and South China Sea.

(5) Engaged in the running of gas stations, retail of oil products, plus some auto and daily-life goods, and car-washing business, the company is not an oil-product producer, raking in income from sale of oil products. Therefore, the company has focused on the management of gas stations, including quality of services, personnel deployment, promotion of by-products, and car washing.

(C) The State of Technology and Research & Development

Year	Expense in R & D(NT$)	Result
2018	271,143,122	1. Wicking/ Air leaking textiles. 2. New air textured yarn. 3. Thermal/cooling comfort functional textiles. 4. Double layers & sandwhichs textiles. 5. Ultralight Polyamide 6.6(15D↓). 6. New conductive textiles. 7. Functional waterproof and breathable laminated textiles. 8. Eco-friendly printing products. 9. Wearable smart clothing textiles. 10 Textiles federation information cooperation. 11. Resin for carbon framed tyre bicycle tyre rim Tg(210°c). 12. Resin for no white dots high translucent 3K carbon prepreg. 13. Bicycle fork high resistance prepreg.
2019 Q1	62,416,112	1. Wearable smart thermal clothing. 2. High resistance fluorine free water repllent finish. 3. Nomex camouflage prints. 4. New double weave baffle textiles. 5. Improvement for the resin of flame retarted 3C carbon fiber.

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

1. Polyamine/polyester long-fiber woven & dyed fabric

1.1 Short term

(1) Expand supply of product mix featuring highly differentiated niche products and environment-friendly materials.

(2) Tap business of emerging brands, flexibly adjust the interaction between orders and capacity, and assure stability of order sources.

(3) In line with the trend of orders with short-delivery time among Chinese customers, offer customized service covering product recommendation throughout product development to specific customers, to solicit their orders.

(4) Overseas factories must dedicate to enhancement of competitiveness, via R&D/equipment/quality/delivery time/service.

(5) In response to CSR current, actively seek treatment of discharged water, including separate sewer, regeneration, and recycling, to attain the goal of volume reduction, supply reduction, and consumption reduction.

1.2 Long term

(1) Intensify market information collection, strengthen strategic partnership with branded customers, consolidate supply chain, and raise full-purchase rates of branded customers.

(2) Tap multiple terminal markets, in the four categories of outdoor apparel, functional sportswear, fashion and leisure, and umbrellas for both sunny and rainy days.

(3) Materialize the benefit of KPI (key performance indicators) and assure rapid and

punctual delivery of goods, so as to meet customer demands.

(4) Form strategic alliance with apparel suppliers designated by branded firms, develop and promote products with material suppliers, apparel firms, and design houses jointly, and take lead in production and sale.

(5) In response to the request of branded firms to cut energy and water consumption in process, Formosa Taffeta's various plant premises plan to complete various environment-protection projects according to schedule, so as to enhance CSR competitiveness.

2. Cotton spun yarn

2.1 Short term

(1) Collect various new fibers, alongside development of new products and new channels by the company's special textile factory.

(2) Continue forming strategic alliance with upstream material suppliers in the development of new type and new usage, so as to lengthen product line.

(3) In conjunction with branded customers, the company purchased multi-function special spinning machines for the production of long- and short-fiber composite yarns in 2018, to boost the added value of fabrics, as well as production of yarns using silver-coated fiber and alginate fiber supplied by branded customers.

2.2 Long term

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

3. Special textile

3.1 Short term

Develop low-cost fireproof blended fabric to meet market needs, actively tap the high-end markets of fabric with digital camouflage pattern and laminating fabric in Australia, the U.S., Taiwan, and Southeast Asia, develop anti-static fabric for use in work clothes for paint spraying and foodstuff works, and develop industry-use fabric and anti-stabbing fabric.

3.2 Long term

Develop differentiated products with different materials, to meet the plural needs of emerging markets, and intensify the development of customized products.

4. Tire cord

4.1 Short term

(1) Polyamine 6 tire cord of Taiwan plant: To offset reduced purchase by Indian customers, caused by tariff factor, strive to expand shipments to Taiwan, the U.S., India, Sri Lanka, Southeast Asia, and Europe, 2019 We taking advantage of customers' business growth and the company's R&D results, in addition to soliciting orders for fine denier used in tires of high-end bicycles. Meanwhile, orders for low-price bulk common products in Taiwan plant will be shifted to Vietnam plant, which has lost competitiveness for such products.

(2) Polyamine 66 tire cord of tire cord: Focus in 2019 will be expansion of shipments to Taiwan, U.S., India, Sri Lanka, Southeast Asia, and Europe.

(3) Polyester tire cord and fabric: Solicit more orders from specific customers in Taiwan, Serbia, Sri Lanka, and Indonesia; join hands with THC of Japan in tapping Japan's polyester tire cord market; increase orders from second-tier tire manufacturers in Taiwan; solicit orders from South Korea for SR4 filament, developed by Nan Ya Plastics and strive for certification of SR5 filament by specific customers in South Korea, the U.S., and Malaysia and seek orders from them.

(4) Other products with high added value: Increase orders for anti-rubbing fabric and promote fine denier and anti-stabbing fabric for bike tires, and other products with high added value.

(5) Vietnam plant: Inauguration of new capacities, including 1,700 tons/month for weaving and 2,000 tons/month for impregnation, has greatly boosted the competitiveness of Vietnam plant, thanks to economy of scale and more complete product lineup. In addition, taking advantage of the advantages of Vietnam plant, in terms of cost and zero tariff for ASEAN market, flexibly adjust the division of labor between Vietnam and Taiwan plants, in terms of capacities, equipment, product mix, and production/sales.

4.2 Long term

Offset the impact of changes in overall environment, via division of labor between Taiwan plant and Vietnam plant, in terms of production and sales. In recent years, Taiwan plant has suffered significant loss in order to low-cost common tire cord, due to adverse tariff, expansion of peers, price competition, and oversupply in Asia. The situation has been aggravated by higher U.S. tariff, a result of U.S. policy to address huge deficit with major trade partners, and slackened demands of downstream tire manufacturers, prompting Taiwan plant to adopt various measures for turnaround, via soliciting new orders from the world's 10 tire brands and develop differentiated products with high added value. In 2018, Vietnam plant racked up average sales of 1,455 tons/month, thanks to preferential tariff treatment on international and regional markets and successful inroads into the markets of Vietnam, ASEAN, China, South Korea, Japan, India, Europe, and the U.S.

5. PE bag

5.1 Short term

Sustain sales growth via retention of existing customers and soliciting new customers, cut production cost further, and intensify cost control, via flexible adjustment of stocks of raw materials and finished products, according price fluctuation of raw materials.

5.2 Long term

Pay attention to the development of packaging materials and develop related new products, such as products featuring environment-friendly biomass materials, so as to facilitate business transformation and sustainable development.

6. Formosa Taffeta gas stations (106 stations)

6.1 Short term

(1) Solicit bulk oil-consumption customers in the fields of agricultural machines and industries, so as to boost oil sales.

(2) Push plural payment instruments and intensify sales promotion, so as to stabilize and enhance oil sales.

(3) Offer sophisticated car-washing service, to increase revenue.

(4) Adjust stocks, in line with price fluctuation.

(5) Enhance corporate image, via engagement in public service.

(6) In line with increasingly strict supervision of gas stations by municipal governments, in terms of inspection of safety, equipment, and environmental protection, the company carried out online management of all the 106 stations, improving report of defects, reducing penalties, strengthening environmental protection, and assuring communal safety.

6.2 Long term

(1) Phase out stations with lackluster performance, taking into account lease length and locations, so as to boost overall profits of gas station operation.

(2) To save manpower and meet customer demands, increase installation of self-service filling equipment, as part of the effort to fully automate the operation of gas stations.

(3) Push co-brand card and membership card, to increase non-oil revenue and raise customer loyalty.

(4) Pluralize revenue sources, including installation of vehicle inspection station, battery swap station, and mini convenience stores, to achieve full land usage.

(5) With electric motorcycles have produced moderate effect on the operation of gas stations, cautiously consider long-term countermeasures for the trend of electric vehicles and driverless cars.

B. Market and production/sale status

(A) Market analysis

1. Major outlets and market shares

The company produces textile products, which are common daily-life goods, for which there are a multitude of suppliers worldwide, a far cry from oligopolistic markets for many electronic lines or rare products. Given wide variety of products and materials, lack of clear categorization and statistics on demands, absence of dominant suppliers, market share is hard to calculate and irrelevant. The company focuses on the quest for improvement of product quality and growth of sales volume, continuing orders and full-purchase rate of long-fiber woven fabric customers, in addition to penetration of emerging markets.

(1) Polyamine/Polyester long-fiber dyed fabric

Formosa Taffeta's textile products are shipped mainly to four end markets: outdoor functional wear with 35.8%, sportswear with 40.2%, casual wear with 16.3%, and umbrella with 7.7%. Major customers are international renowned brands, with which the company has entered into strategic alliance, forming a tight supply chain along with apparel manufacturer customs, which covers product design, joint development of materials, fabric design, dyeing and finishing, and apparel. The company's fabric is supplied mainly to apparel plants in China, Hong Kong, Northeast Asia (South Korea, Japan), Southeast Asia (Vietnam, Indonesia, Thailand, Laos, Burma). Customers' continuing purchase volume and full purchase rates fluctuate along with performance for sales to branded customers.

(2) Cotton yarn:

1) Sales outlets: ratio between domestic sales and export and areas are shown in the following table:

Area	Year	Taiwan	Southeast Asia	South America	Others	Total
Sales share (%)	2017	78	17	3	2	100
	2018	82	12	4	2	100
Explanation	Calculation on yearly basis					

2) Traditional yarn accounted for 68.6% of the sales volume of the cotton weaving plant in 2018, with the remaining 31.4% for functional yarn, but in terms of sales amounts the share of Traditional yarn was 35.4%, functional yarn was 64.6%, which underscores the high added amounts of the latter.

3) Traditional yarn business is clouded by sluggish trading in yarn counts, as orders received by downstream textile firms drop under the strong competition from imported apparel and foreign brands.

4) Strengthen R&D on functional and high-price industrial yarn, develop in the direction of small volume/large variety products, and focus on the production functional yarn, in concerted effort with upstream and downstream firms, so as to boost market competitiveness.

5) In line with the needs of downstream fabric and apparel plants, accelerate development via strategic alliance of differentiated products and environment-friendly products, so as to avoid red-sea competition and augment product competiveness.

(3) Special fabric

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

Area	Year	Taiwan	Europe & the U.S.	Asia Pacific	Total
Sales share (%)	2017	12	37	51	100
	2018	26	55	19	100
Explanation	Calculation on yearly basis				

2)Fire-proof fabric is shipped mainly to Southeast Asia, Taiwan, the Middle East, Japan, and Australia and is aimed at U.S. and European markets and the market of servicemen, policemen, and fire fighters.

3) Anti-static electricity fabric is shipped mainly to the European market and is aimed at the markets of foodstuff industry in Southeast Asia and paint-spraying work clothes in Europe.

(4) Tire cord, PE bag

1) Tire cord: Sales outlets: Major outlets with shares (Taiwan plant + Dong Nai plant) are shown in the following table:

Area	Year	Taiwan	India	South east Asia	North east Asia	China	The U.S.	Others	Total
Sales share (%)	2017	22	26	20	13	8	5	6	100
	2018	20	21	32	11	6	4	6	100
Explanation	Calculation on yearly basis (Taiwan plant + Dong Nai plant)								

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

2) PE bag: Japan was the largest outlet for the company's PE bags, boasting 77%, followed by America with 22% and Taiwan with 1%. On the basis of existing niche, the company has been actively developing new customer sources, in order to raise market share. The company has been substituting new equipment for old ones, in order to meet the growth of demands from increasing convenience store outlets in Japan, achieve energy conservation and cut carbon emission, lower production cost, develop differentiated and environment-friendly products, improve product mix, and enhance product competiveness. Meanwhile, in line with Japanese government's policy restricting plastic products and cutting carbon emission in 2019, the company has developed biomass bags.

(5) Formosa Taffeta gas stations:

1) Market share: There were 106 Formosa Taffeta gas stations in 2018, whose oil supply volume per station was slightly lower the industry average, with market share reaching 4.3%. Taiwan's gas stations are divided into three groups, stations directly owned by CPC Taiwan (603 stations for 24.4% share); sub-groups of stations run by Formosa Taffeta, Formosa Oil, NPC, Uni-President Smile, Taiwan Sugar, and Shan-loong (each with 70-120 stations); and small-chain or individual stations.

2) Outlook for supply and demand and growth potential on the market: Under the oligopoly of CPC Taiwan and Formosa Petrochemical Corp., supply on the domestic oil-product market is not a problem. Different from the situation in 2018 when international oil prices rose before drop, oil prices are expected to fluctuate in a medium range in 2019, which is favorable to gas stations in inventory pricing.

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

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

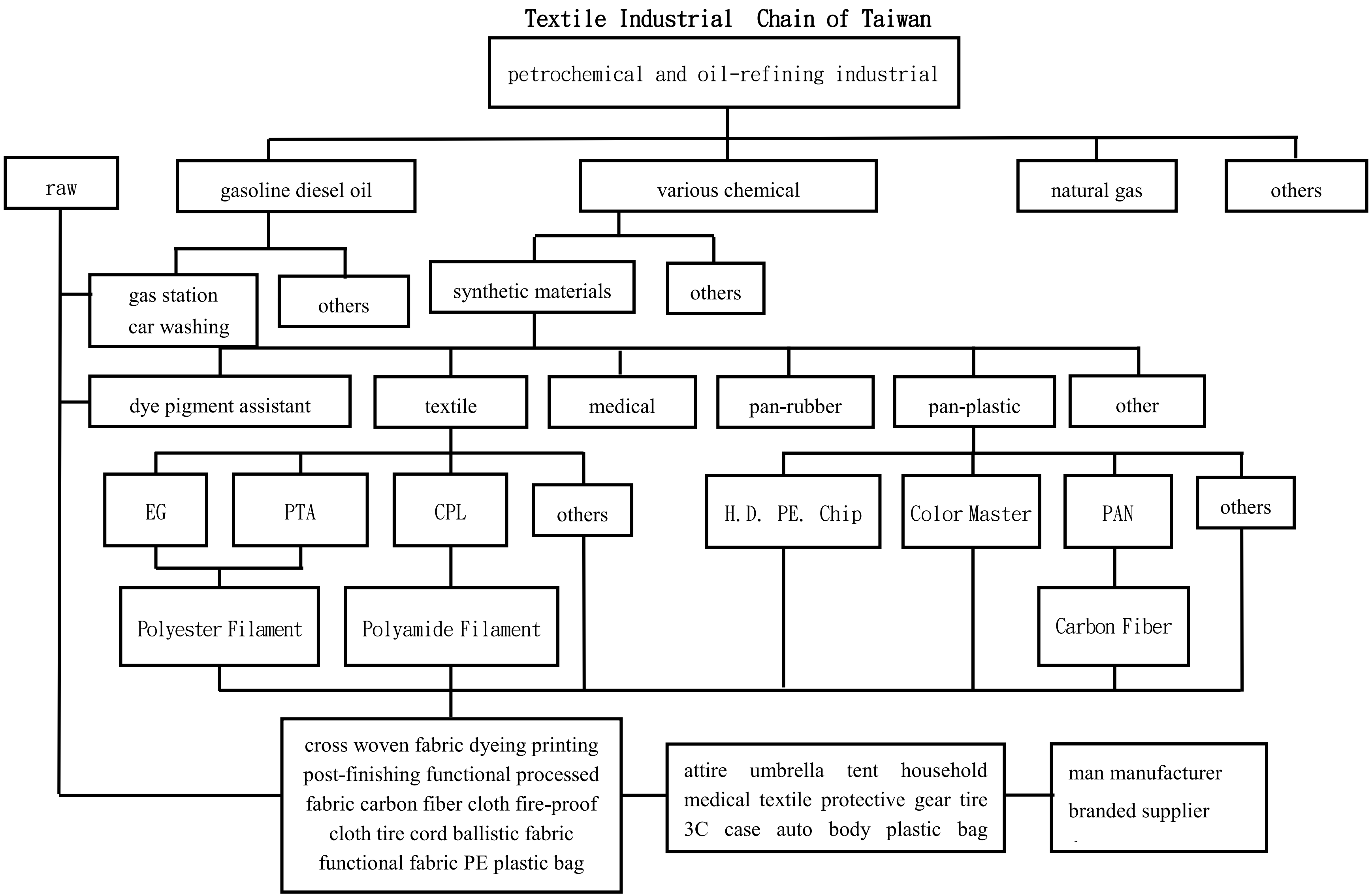
3. Market competitive status and countermeasure

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

4. Linkage of supply chain

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

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



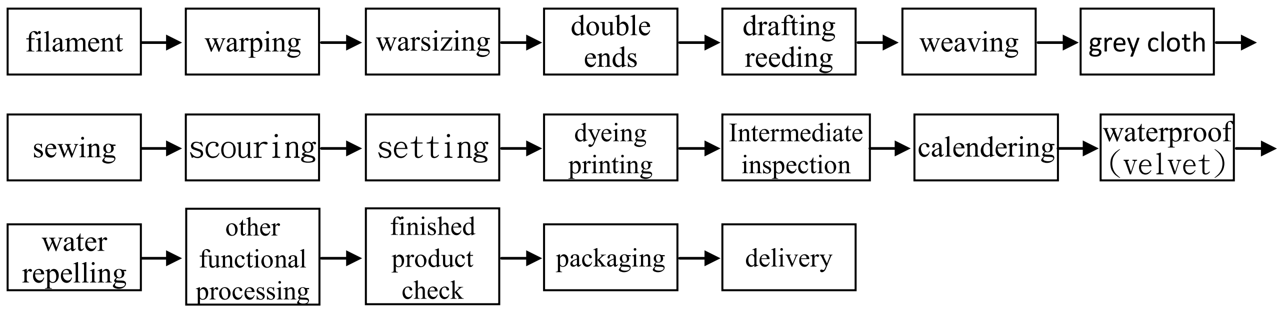
(B) Major purposes and production processes of various products

1. Major purposes of various products

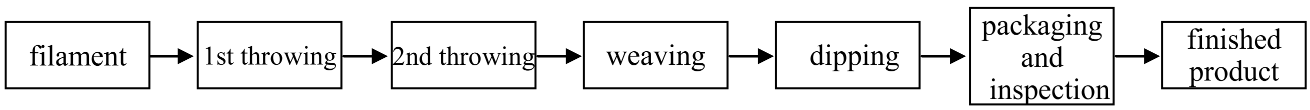
Product name	Major purposes
Polyamine fabric	Air-permeable raincoat, water-proof air-permeable snow coat, jackets, smart temperature-controlled clothes, sleeping bag, down jackets, sportswear, hunting jacket, hat, tent, air mattress, golf umbrella, beach umbrella, wind sail, gloves, and anti-magnetic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

2. Production process of major products

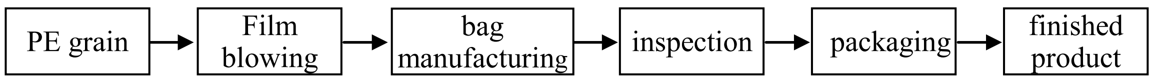
(1) filament fabric：



(2) Tire cord:

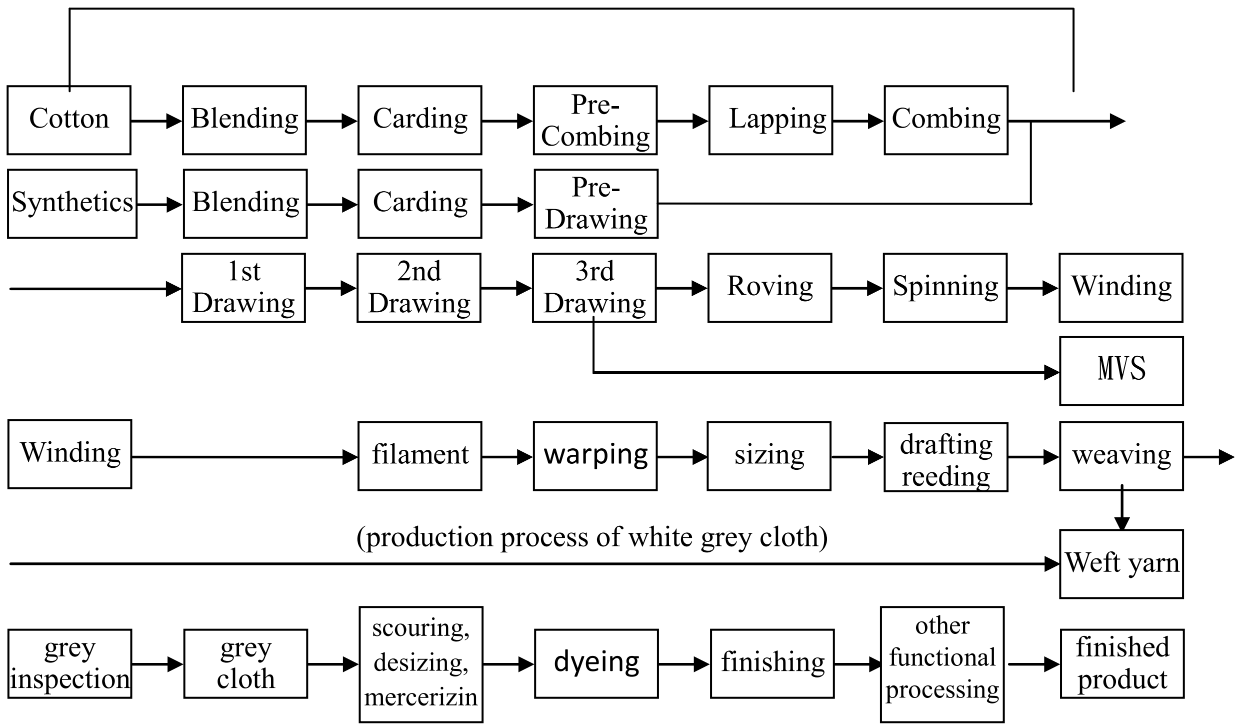


(3) PE bag:



(4) spun fabric:

Spinning Manufacture Process



(C) Supply status of major raw materials

Dec. 31, 2018 unit: NT$1,000

Kinds of raw materials	Unit	Quantity	Amount	Major suppliers
Tire-cord filament	Metric ton	34,941	3,695,299	Formosa Chemicals & Fibre Corp., Sheepon Company
Polyamine filament	Metric ton	11,289	1,331,261	Formosa Chemicals & Fibre Corp., Formosa Industries Corp., Far Eastern New Century
Polyester filament	Metric ton	12,333	961,850	Nan Ya Plastics Corp.,Lealea Enterprise, Toray Industries, Sinkong Textile
Assistant	Metric ton	29,242	1,848,009	Farsmart Co., Ltd., Huntsman, Global Shine Corp.
Substrate	1,000 units	711,274	1,008,223	T08150, Nan Ya Printed Circuit Board Corp. (Kunshan), Nan Ya Printed Circuit Board Corp., J05331, J05384, 、
Polyester tire-core filament	Metric ton	6,170	372,591	Nan Ya Plastics Corp., New Site Industries
IC	1,000 units	1,846	96,681	N12274
Gold thread	1,000 meters	68,632	432,666	J05353,J05349
Cotton, polyester staple fiber	Metric ton	7,637	348,782	Formosa Chemicals & Fibre Corp., Nan Ya Plastics Corp.,Tsaiyi
Dye	Metric ton	2,956	592,673	Jinhuang, Taifeng, Xiejing
Lead frame	1,000 units	109,224	111,750	J05178,T08150
Grey cloth	1,000 yards	15,095	239,607	Qinjiashang, Suzhou Xinjincheng
Alkene	Metric ton	6,035	253,716	Formosa Plastics Corp.
PCB	1,000 units	3,517	105,477	T08237,T03165
Dressing compound	Metric ton	6,115	172,924	Lisong, Jinmeng, Wenhao, Juhe
Resin	Kilo	225,362	137,139	T05285

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

1. Names of major suppliers for procurements

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

Unit: NT$1,000

Item	2017				2018				2019 as of 1st quarter (note 2)			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	Formosa Petrochemical Corp.	9,606,981	30.64	Stakeholder	Formosa Petrochemical Corp.	10,916,187	29.15	Stakeholder	Formosa Petrochemical Corp.	2,671,489	30.13	Stakeholder
2	Others	21,747,633	69.36	-	Others	26,526,845	70.85	-	Others	6,193,877	69.87	-
3	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
Net procurement value		31,354,614	100	-	-	37,443,032	100	-	-	8,865,366	100	-

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

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

2. Names of major customers

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

Unit: NT$1,000

Item	2017				2018				2019 as of 1st quarter (note 2)			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	Nanya Technology Corporation	5,295,339	13.00	Stakeholder	Nanya Technology Corporation	6,161,227	13.83	Stakeholder	Nanya Technology Corporation	1,625,320	13.87	Stakeholder
2	Others	35,410,325	87.00	-	Others	38,383,826	86.17	-	Others	10,093,527	86.13	-
3	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
Net sales value		40,705,664	100	-	-	44,545,053	100	-	-	11,718,847	100	-

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

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

(E) Output Quantity and amount in recent two years

Unit: NT$1,000

Major products \ Year / Output	Units	2018			2017		
		Capacity	Output Quantity	Output Amount	Capacity	Output Quantity	Output Amount
Polyamine/polyester fabric	yards	340,000,000	308,405,000	13,725,237	330,000,000	282,682,000	13,415,852
Polyamine/polyester tire cord	metric tons	64,400	57,111	8,148,909	64,400	54,088	7,397,243
PE bag	metric tons	8,040	6,259	444,469	8,040	6,021	408,575
Yarn count	pieces	26,400	24,713	471,927	26,400	25,332	514,598
Cotton fabric	yards	6,000,000	1,786,000	153,083	6,000,000	2,440,000	213,281
Special fabric	yards	3,481,000	4,459,000	977,955	3,481,000	4,871,000	450,972
Alveolar bone	metric ton	-	-	-	6,000	3,361	80,056
Packaging	units	1,031,495,000	938,660,000	4,801,942	1,018,870,000	896,606,000	4,552,826
Testing	units	1,094,420,000	1,025,472,000	3,460,515	981,879,000	898,419,000	2,790,324
Module	units	5,273,000	4,392,000	605,469	4,724,000	3,609,000	559,360
Total		-	-	44,933,578	-	-	41,054,887

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

(F) Sales Quantity and amount in recent two years

Unit: NT$1,000

Year / Sales / Major products	Units	2018				2017			
		Domestic sales		Exports		Domestic sales		Exports	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Polyamine/ Polyester fabric	yards	40,407,000	1,449,212	255,574,000	12,567,647	50,172,000	1,670,212	225,208,000	10,539,034
Polyamine/ Polyester tire cord	metric tons	8,516	1,498,881	44,808	6,165,482	8,925	1,441,386	48,879	6,532,330
PE bag	metric tons	1,327	73,458	5,012	376,684	1,142	59,651	4,952	353,847
Yarn count	pieces	21,168	407,882	2,038	22,878	23,670	474,974	260	4,417
Cotton fabric	yards	558,000	39,415	381,000	41,830	1,031,000	83,602	575,000	62,581
Special fabric	yards	3,137,000	557,580	1,414,000	327,483	3,783,000	567,899	1,098,000	223,391
Petroleum product	kiloliters	463,812	12,144,072	-	-	467,609	10,671,800	-	-
Alveolar bone	metric ton	-	-	-	-	3,361	80,056	-	-
Packaging	units	925,997,000	4,679,790	4,105,000	60,434	913,391,000	4,485,782	4,858,000	75,536
Testing	units	1,009,930,000	3,434,643	256,000	1,770	919,773,000	2,784,144	281,000	2,995
Module	units	3,644,000	559,931	650,000	48,957	3,626,000	539,986	6,000	51
Land development		-	34,155	-	-	-	21,043	-	-
Business Solicitation income		-	0	-	34,274	-	-	-	30,947
Commission income		-	8,107	-	10,488	-	-	-	-
Total		-	24,887,126	-	19,657,927	-	22,880,535	-	17,825,129

C. Human Resources

Year		2017	2018	Current year as of March 31, 2019
Number of employees	Male	2,009	1,877	1,854
	Female	905	846	850
	Total	2,914	2,723	2,704
Average age		43.90	44.62	44.73
Average length of service		19.6	20.3	19.32
Distribution of Education %	Ph.D.	0	0	0
	Master	1.50	1.50	1.53
	Bachelor	36.96	37.71	38.55
	Senior High School	54.51	54.32	53.44
	Below Senior High School	7.03	6.47	6.48
Note	1. Additional employment of 483 foreign laborers, 201 contract laborers, and 1,135 gas-station workers in 2017. 2. Additional employment of 599 foreign laborers, 233 contract laborers, and 1,143 gas-station workers in 2018. 3. Additional employment of 603 foreign laborers, 221 contract laborers, and 1,134 gas-station workers in 2019, as of March 31.			

D. Information on environmental-protection outlay

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

Year / Item	2018	As of April 30, 2019
Compensation recipient or handling unit	Competent authority	Environmental Protection Bureau, Yunlin County
Compensation value or handling status	NT$922,000	NT$6,000
Other loss	0	0
Explanation	Fine of NT$18,000 for violating the regulation on waste disposal. Fine of NT$784,000 for violating regulation on waste-water disposal. Fine of NT$120,000 for three job-related injuries of employees.	

(B) Future countermeasures and possible outlays

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

Item \ Year	2018	As of April 30, 2019
Planned installation of pollution-abatement equipment or contents of outlays	1. Installation of 3,000-ton uf waste-water recycling equipment at the head plant. 2. Installation of 2,600-ton waste-water recycling equipment at the second plant. 3. Renovation of one sludge dewatering equipment.	1. Installation of one RO equipment for recycling printing and dyeing waste water. 2. Renovation of one water softener.
Expected improvement	1. Water-conserving engineering capable of reducing fresh-water consumption. 2. Water-conserving engineering capable of reducing fresh-water consumption. 3. Waste-water treatment to assure compliance of discharge with standard.	1. Water-conserving engineering capable of reducing fresh-water consumption. 2. Assuring normal supply in water treatment to meet production need.。
Value	NT$14,000,000	NT$43,500,000

2. Water pollution abatement management measures

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

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

(1) Source management for waste water

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

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

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

(2) Management of waste-water treatment facilities:

a. Management of waste-water quality and quantity:

a) setup of dedicated unit for managing waste-water treatment facilities;

b) application of permission for waste-water discharge and periodic declaration;

c) self management via in-house and outside auditing units;

d) commissioning outside unit for help with various application documents and execution of periodic water-quality inspection;

e) Measures for installation and maintenance of autonomous CWMS continuous water-quality monitoring system for discharged waste water;

f) intensification of the management and control of separated discharge of rainwater and sewage and dismantling of aberrational pipelines by deadline.

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

a).regulation on the operation of waste-water treatment;

b).regulation on the discharge of waste water;

c).recording of waste-water treatment and online declaration;

d).declaration for water-pollution fee;

e).sludge treatment;

f).abnormality reporting;

g).monitoring of waste-water discharge and online connection.

c. Rainwater management: Inspection, maintenance, and operation of rainwater discharge pipe and rainwater channel and lock gate in public area and installation of separate sewer systems at head plant and second plant.

3. Measures for reducing greenhouse-gas emission

Dedicated unit conducts inventory and registration of greenhouse-gas emission and supports pushing of energy conservation and carbon abatement, decreasing CO2 emission, in line with global environmental-protection trend. In 2018, 72 cases of energy conservation and carbon abatement were completed, reducing CO2 emission by 4,529 tons/year.

4. Measures governing air-pollution abatement:

(1) Reduce pollutants of boilers and process equipment, such as Sox, Nox, VOCs, and dust and install new and effective recycling equipment, to raise pollutant-removal efficiency.

(2) Install air-pollution abatement equipment for boiler and process, including static-electricity dust collector, wet-type flue gas desulfurization column, SCR smoke-exhaust denitriding equipment, active-carbon and condensation-nucleus recycling absorber, and heat-storage incinerator.

(3) Conduct eriodic calibration and inspection of autonomous boiler smoke detection equipment and declaration of air-pollution fee.

(4) The company invested NT$19.5 million for installation of RTO heat-storage incinerators during 2016-2018, boosting treatment rate for VOCs (volatile organic compounds) to over 90%, plus spending of NT$84 million for purchase of SCR denitrification equipment, slashing Nox emission by 72%. For substitution of natural gas for naphtha cracking fuel oil as the fuel for impregnation drying equipment at second plant premises, the company has also invested NT$30.38 million in renovating equipment heating system and installing natural gas pipelines, cutting Sox emission by 83%.

5. Waste management measures:

For recycling and reuse of resources, it is necessary to control waste disposal and reduce and classify waste in process before outsourcing waste disposal legally, with major management measures listed below:

(1) Waste classification and storage:

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

(2) Waste disposal and treatment:

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

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

b. set up data on waste-disposal contractors;

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

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

E. Labor-management relationship

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

1. Employee benefit measures

(1) Leave benefit

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

(2) Insurance benefit

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

(3) Retirement benefit

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

(4) Marriage and child-rearing benefits

a. Gift of cash for marriage or death of employees or relatives and subsidies for managerial staffers for the provision of such gift of cash.

b. Installation of nursery room, for breastfeeding by employees during work time

c. Provision of leave of absence for baby care, available for application by employees

(5) Health-care benefit

a. Regular physical examination for certain employees mandated by law every year

b. For factory workers exposed to noise and other hazards to health, arrange special physical examination and carry out graded health management. The participation rate for the examination has been 100% in past years.

c. Subsidies for employees and relatives receiving treatment at Chang Gung Memorial Hospital, which also offers discounts for employees and relatives taking physical examination there, provision of health and hygiene information irregularly, and organization of lectures on health issues in factory premise

d. Establishment of medical room and full-time medical care staffers in the factory premises, and organization of health-care events irregularly, including health and weight management, promotion of quitting smoke, cancer screening, and disease prevention and health care.

(6) Daily-life benefits

a. Provision of gift of cash for birthday, Labor Day, and Mid-Autumn Festival

b. Planning and subsidy for such activities as employee travel and year-end dinnery party

c. Installation of employee restaurant, dormitory for singles, and convenience stores in factory premises

d. Provision of scholarship for employees' children

e. Arrangement of designated stores where discounts are available

f. Setup of corporate kindergarten

(7) Employee restaurant

a. Subsidy for employees' meals daily

b. Two times of extra dishes every month and employees on duty during Spring Festival

(8) Promotion of employee relationship

a. Subsidy for activities of employee associations

b. Organization of sports contents to encourage sports hobbies among employees

c. Awarding staffers with excellent performance with citation certificates or prizes

(9) Personal and family care

a. Provision of work clothing or money for work clothing every year.

b. Setup of employee mutual assistance committee, with regular corporate contribution, providing grants to employees for marriage, death, disablement, child birth, and medical treatment, as well as death, medical treatment, marriage of family members, and education loans for children, according to measures of the committee.

c. Compensation for death of employee according to death compensation measures.

2. Employee study and training

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

3. Retirement system

(1) Application for retirement

a. Age 55 or higher with over 15 years of service

b. Over 25 years of service, regardless of age

c. Age 60 or higher with over 10 years of service

(2) Mandatory retirement

a. Age 65 or over

b. Unsuited to job, due to mental or physical disability

(3) Options for retirement payment

a. Employees with the starting year of service before June 30 2005 has the option of choosing the retirement payment, calculated according to the "Labor Standards Act." For those who chose the retirement payment calculated according to the "Labor Pension Act" before June 30, 2010, the retirement payment for the portion of service years covered by the act will be calculated according to the stipulations of the act, with the retirement payment for the previous service years still being calculated according to the "Labor Standards Act." For service years covered by the "Labor Pension Act," the "Labor Standards Act" is not applicable.

b. Employees joining the company after July 1, 2005 are all subject to the stipulations on retirement payment of the "Labor Pension Act."

(4) Calculation criteria for retirement payment

a. Retirement payment is calculated by multiplying the average pay in the six months before retirement with base number, at maximum of 45, calculated according to article 55 of the "Labor Standards Act."

b. Employees mandated to retire due to job-induced mental or physical disability are entitled to 20% markup on retirement payment calculated according to "Labor Standards Act."

c. For employees covered by the Labor Pension Act," the company would appropriate 6% of their monthly pays for deposits into their personal labor-retirement accounts, to be withdrawn by them at age 60 via application with the Bureau of Labor Insurance, according to article 24 of the act.

(5) Application method for retirement

a. Retirement applications must fill out two copies of "voluntary (mandatory) retirement application form," to be submitted, along with proof documents, to superiors for approval.

b. For mandatory retirees, the retirement application form would be filled out by the human-resource department.

4. Status of the execution of employee benefit measures and retirement system: good

The aforementioned employee-related measures have been executed faithfully, with good results. In addition to regular provisions for new and old retirement funds every month, the company examines the balance in the account of labor retirement reserve fund at the end of every year, to assure the amount is sufficient to cover retirement payments in the coming year. The number of retirees in 2018 reaches 143.

5. Status of labor-management agreement: good

(1) Labor-management meeting has been convened periodically, when labor and management representatives would discuss a wide range of issues, including labor-management relationship, promotion of labor-management cooperation, improvement of labor conditions, planning for labor benefits, and improvement of work efficiency.

(2) Formulate work rule and personnel management rule, setting definite regulations on the rights and obligations of laborers and management, to help employees understand and uphold their rights and interests.

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

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

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

(1) Formulate labor conditions according related labor laws/regulations.

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

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

1. Status of labor-management disputes

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

2. Value of loss: nil

3. Anticipated loss in the future

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

4. Countermeasures:

   Given increasing labor-right awareness, plus respect for labor dignity, confrontation can only be removed via intensified communication. As a result, the company has been striving to understand the opinions and needs of employees various methods and channels. To ward off possible disputes, in case of revision of law/regulation and government policy, the company has communicated and coordinated with labor union, to attain consensus, in addition to revising corporate regulations accordingly.

F. important contracts: nil

VI. Financial status

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

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

1. Brief balance sheet of consolidated financial report

Unit: NT$1,000

Item \ Year		Financial data in recent five years					Financial data of current as of March 31, 2019
		2014 (note1)	2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)	
Current assets		20,817,013	22,927,207	23,210,986	23,982,143	23,771,559	24,755,709
Property, plant, and equipment		17,846,148	17,311,841	16,644,213	17,022,278	18,770,958	18,818,618
Intangible assets		-	-	-	-	-	-
Other assets		36,241,819	39,816,007	52,174,897	53,698,614	50,483,976	53,868,092
Total assets		74,904,980	80,055,055	92,030,096	94,703,035	93,026,493	97,442,419
Current liabilities	Before distribution	10,523,012	10,690,001	9,293,527	9,413,895	9,191,230	9,561,972
	After distribution	12,881,542	12,630,599	11,820,524	12,614,758	12,729,026	-
Non-current liabilities		12,155,305	13,377,324	12,456,669	12,106,570	8,866,573	9,664,942
Total liabilities	Before distribution	22,678,317	23,986,325	21,750,196	21,520,465	18,057,803	19,226,914
	After distribution (note 2)	25,036,847	26,007,923	24,277,193	24,721,328	21,595,599	-
Equity attributable to shareholders of the parent		49,017,509	52,699,135	66,748,150	69,379,395	68,913,204	71,929,528
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital reserve		38,348	20,791	266,458	274,343	1,268,860	1,268,860
Retained earnings	Before distribution	11,437,719	11,701,373	13,330,120	14,752,410	19,525,220	19,949,665
	After distribution (note 2)	9,079,189	9,688,755	10,803,123	11,551,547	15,987,424	-
Other components of equity		20,717,519	24,143,610	36,326,427	37,525,951	31,291,978	33,883,857
Treasury stock		(22,723)	(22,285)	(21,501)	(19,935)	(19,500)	(19,500)
Non-controlling interest		3,209,154	3,369,595	3,531,750	3,803,175	6,055,486	6,285,977
Total equity	Before distribution	52,226,663	56,068,730	70,279,900	73,182,570	74,968,690	78,215,505
	After distribution (note 2)	49,868,133	54,047,132	67,752,903	69,981,707	71,430,894	-

Note 1: 1. Financial data of 2014 were adjusted according to 2013 IFRS (International Financial Reporting Standards) and audited and certified by certified public accountants.

2. 2018 financial data were audited and certified by certified public accountants and 2019 Q1 financial data were reviewed by certified public accountants.

Note 2: After-distribution data of 2018 were estimation based on earnings distribution passed by the board of directors on March 15, 2019.

2. Comprehensive income statement of consolidated financial report

Unit: NT$1,000

Item \ Year	Financial data in recent five years					Current year as of March 31, 2019 (note 1)
	2014 (note1)	2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)	
Operating revenue	48,191,112	42,872,570	39,848,986	40,705,664	44,545,053	11,718,847
Operating gross Profit	5,739,762	6,139,631	5,494,107	5,138,771	5,281,046	1,419,653
Operating Income	2,896,575	3,332,500	2,772,232	2,461,490	2,458,729	707,882
Non-operating revenueand expenses	1,275,395	428,797	1,702,567	2,814,994	3,821,632	25,248
Income before tax	4,171,970	3,761,297	4,474,799	5,276,484	6,280,361	733,130
Current net profit of continuing operations	3,819,675	3,223,952	3,840,500	4,760,016	5,320,700	561,393
Loss of discontinued operations	-	-	-	-	-	-
Current net Income (loss)	3,819,675	3,223,952	3,840,500	4,760,016	5,320,700	561,393
Other Comprehensive income (Income after tax)	(3,922,525)	3,222,562	12,457,558	971,444	(3,151,652)	2,685,422
Total current comprehensive income	(102,850)	6,446,514	16,298,058	5,731,460	2,169,048	3,246,815
Net income attributed to shareholders of the parent company	3,518,325	2,828,679	3,481,285	4,279,871	4,737,406	424,445
Net income attributed to non-controlling interests	301,350	395,273	359,215	480,145	583,294	136,948
Comprehensive income attributed to shareholders of the parent company	(414,483)	6,057,275	15,824,162	5,148,811	1,730,196	3,016,324
Comprehensive income attributed to non-controlling interests	311,633	389,239	473,896	582,649	438,852	230,491
Earnings per share (NT$)	2.09	1.68	2.07	2.54	2.82	0.25

Note 1: 1. Financial data of 2014 were adjusted according to 2013 IFRS (International Financial Reporting Standards) and audited and certified by certified public accountants.

2. 2018 financial data were audited and certified by certified public accountants and 2019 Q1 financial data were reviewed by certified public accountants.

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

1. Brief balance sheet of individual financial report

Unit: NT$1,000

Item \ Year		Financial data in recent five years				
		2014 (note1)	2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)
Current assets		9,914,603	10,052,856	10,347,343	10,750,378	11,099,040
Property, plant, and equipment		7,787,140	7,874,806	7,614,649	7,432,389	6,785,900
Intangible assets		-	-	-	-	-
Other assets		48,864,669	52,995,345	65,055,570	67,321,393	62,614,563
Total assets		66,566,412	70,923,007	83,017,562	85,504,160	80,499,503
Current liabilities	Before distribution	5,773,826	5,292,875	4,240,651	4,408,906	2,953,605
	After distribution (note 2)	8,132,356	7,314,473	6,767,648	7,609,769	6,491,401
Non-current liabilities		11,775,077	12,930,997	12,028,761	11,715,859	8,632,694
Total liabilities	Before distribution	17,548,903	18,223,872	16,269,412	16,124,765	11,586,299
	After distribution (note 2)	19,907,433	20,245,470	18,796,409	19,325,628	15,124,095
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital reserve		38,348	20,791	266,458	274,323	1,268,860
Retained earnings	Before distribution	11,437,719	11,710,373	13,330,120	14,752,410	19,525,220
	After distribution (note 2)	9,079,189	9,688,775	10,803,123	11,551,547	15,987,424
Other components of equity		20,717,519	24,143,610	36,326,427	37,525,951	31,291,978
Treasury stock		(22,723)	(22,285)	(21,501)	(19,935)	(19,500)
Total equity	Before distribution	49,017,509	52,699,135	66,748,150	69,379,395	68,913,204
	After distribution (note 2)	46,658,979	50,677,537	64,221,153	66,178,532	65,375,408

Note 1: 1. Financial data of 2014 were adjusted according to 2013 IFRS (International Financial Reporting Standards) and audited and certified by certified public accountants.

2. 2018 financial data were audited and certified by certified public accountants.

Note 2: After-distribution data of 2018 were estimation based on earnings distribution passed by the board of directors on March 15, 2019.

2. Comprehensive income statement of individual financial report

Unit: NT$1,000

Item \ Year	Financial data in recent five years				
	2014 (note1)	2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)
Operating revenue	32,842,284	27,761,888	24,595,183	25,713,839	27,593,484
Operating gross profit	3,598,189	3,282,044	2,773,594	2,498,379	2,150,618
Operating income	1,475,687	1,236,500	840,838	604,472	223,793
Non-operating revenue and expenses	2,099,020	1,802,467	2,927,147	3,878,948	5,031,969
Income before tax	3,574,707	3,038,967	3,767,985	4,483,420	5,255,762
Current net profit of continuing operations	3,518,325	2,828,679	3,481,285	4,279,871	4,737,406
Loss of discontinued operations	-	-	-	-	-
Current net profit (loss)	3,518,325	2,828,679	3,481,285	4,279,871	4,737,406
Other comprehensive income (Income after tax)	(3,932,808)	3,228,596	12,342,877	868,940	(3,007,210)
Total current comprehensive income	(414,483)	6,057,275	15,824,162	5,148,811	1,730,196
Earnings per share (NT$)	2.09	1.68	2.07	2.54	2.82

Note 1: Financial data of 2014 were adjusted according to 2013 IFRS (International Financial Reporting Standards) and audited and certified by certified public accountants.

2. 2018 financial data were audited and certified by certified public accountants

(C) Names of certified public accountants and auditing opinions

Year	CPA for certification	Auditing opinion
2014	Wu Han-chi, Juan Lu Man-yu	Modified unqualified opinion
2015	Chou Chien-hung, Juan Lu Man-yu	Modified unqualified opinion
2016	Chou Chien-hung, Juan Lu Man-yu	Unqualified opinion
2017	Chou Chien-hung, Juan Lu Man-yu	Unqualified opinion
2018	Wu Han-chi, Chou Chien-hung	Unqualified opinion

Note: 1. In line with change in the organization and job positions of PwC, CPA Juan Lu Man-yu has been replaced by CPA Wu Han-chi for the certification for the company's financial statements since Q1, 2018.

B. Analysis of finance in recent five years

(A) Analysis of consolidated financial report

Unit: NT$1,000

Analysis items (note 2) \ Year		2014 (note1)	2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)	Current year as of March 31, 2019 (note 1)
		Financial data in recent five years					
Financial structure	Liabilities to assets ratio (%)	30.28	29.96	23.63	22.72	19.41	19.73
	Long-term fund to property, plant, and equipment ratio (%)	360.76	401.15	497.09	501.04	446.62	466.99
Debt repayment ability	Current ratio	197.82	216.11	249.75	254.75	258.63	258.90
	Quick ratio (%)	118.53	132.99	156.09	159.45	158.90	162.18
	Times interest earned	20.39	19.89	23.92	27.14	28.93	12.77
Operating performance	Average collection turnover (times)	9.20	8.02	7.91	8.25	8.59	7.93
	Average collection days	39.67	45.51	46.14	44.24	42.49	46.02
	Average turnover (times)	5.54	4.66	4.38	4.36	4.58	4.74
	Average payable turnover (times)	14.73	12.72	11.19	11.38	13.24	14.01
	Average days of sales	65.88	78.33	83.33	83.71	79.69	77.00
	Turnover of property, plant, and equipment	2.61	2.44	2.35	2.42	2.49	2.49
	Total assets turnover (times)	0.64	0.55	0.46	0.44	0.47	0.49
Earnings power	Return on assets (%)	5.27	4.36	4.63	5.26	5.86	2.56
	Return on equity (%)	7.18	5.95	6.08	6.64	7.18	2.93
	Pretax net profit to paid-in capital ratio(%)	24.76	22.33	26.56	31.32	37.28	17.41
	Net profit rate (%)	7.93	7.52	9.64	11.69	11.94	4.79
	Earnings per share (NT$)	2.09	1.68	2.07	2.54	2.82	1.01
Cash flow	Cash flow ratio（%）	56.07	56.58	52.77	67.30	60.57	0.99
	Cash flow adequacy ratio (%)	144.25	147.51	152.21	123.49	102.23	92.97
	Cash flow reinvestment ratio (%)	3.76	3.10	2.19	2.84	1.78	0.07
Leverage	Operating leverage	3.81	3.32	3.74	3.89	3.95	3.89
	Financial leverage	1.08	1.06	1.07	1.08	1.09	1.09

Note 1: 1. Financial data of 2014 were adjusted according to 2013 IFRS (International Financial Reporting Standards) and audited and certified by certified public accountants.

2. 2018 financial data were audited and certified by certified public accountants.

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

1. Change in cash flow reinvestment ratio: mainly due to decrease by NT$1,442,351,000 in the balance after deduction of cash dividends from operating net cash flow in 2018 from the 2017 level.

(B) Analysis of individual financial report

Analysis item		2014 (note1)	2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)
Year		Financial data in recent five years				
Financial structure	Liabilities to assets ratio (%)	26.36	25.70	19.60	18.86	14.39
	Long-term fund to property, plant, and equipment ratio (%)	780.65	833.42	1034.54	1091.11	1142.75
Debt repayment ability	Current ratio (%)	171.72	189.93	244	243.83	375.78
	Quick ratio (%)	94.34	95.93	130.05	127.86	206.97
	Times interest earned	26.80	23.16	32.84	38.16	50.51
Operating performance	Average collection turnover (times)	12.13	10.90	10.69	11.34	11.66
	Average collection days	30.09	33.49	34.14	32.19	31.30
	Inventory turnover (times)	6.82	5.70	5.06	4.98	5.16
	Average payable turnover (times)	13.71	11.51	9.80	10.57	12.62
	Average days of sales	53.52	64.04	72.13	73.29	70.74
	Turnover of property, plant, and equipment	4.22	3.53	3.23	3.46	4.07
	Total assets turnover (times)	0.49	0.39	0.30	0.30	0.34
Earnings power	Return on assets (%)	5.38	4.27	4.65	5.19	5.81
	Return on equity (%)	7.02	5.56	5.83	6.29	6.85
	Pretax net profit to paid-in capital ratio (%)	21.22	18.04	22.37	26.61	31.20
	Net profit rate (%)純	10.71	10.19	14.15	16.64	17.17
	Earnings per share (NT$)	2.09	1.68	2.07	2.54	2.82
Cash flow	Cash flow ratio（%）	58.79	54.39	48.69	85.22	135.38
	Cash flow adequacy ratio (%)	137.71	123.70	118.44	103.31	100.92
	Cash flow reinvestment ratio (%)	2.11	0.61	0.04	1.22	0.81
Leverage	Operating leverage	5.04	5.75	7.66	10.06	25.26
	Financial leverage	1.10	1.12	1.16	1.24	1.86

Notes 1:1. Financial data of 2014 were adjusted according to 2013 IFRS (International Financial Reporting Standards) and audited and certified by certified public accountants.

2. 2018 financial data were audited and certified by certified public accountants and 2019 Q1 financial data were reviewed by certified public accountants.

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

1. Reason for change in liabilities to assets ratio: mainly due to decrease of NT$4,538,466,000 in total liabilities in 2018 from the 2017 level.
2. Reason for change in current ratio: mainly due to decrease of NT$1,455,301,000 in current liabilities in 2018 from the 2017 level.
3. Reason for change in quick ratio: mainly due to decrease of NT$1,455,301,,000 in current liabilities in 2018 from the 2017 level.
4. Reason for change in times interest earned: mainly due to increase of NT$772,342,000 in total pre-tax net profit in 2018 from the 2017 level.
5. Reason for change in cash flow ratio: mainly due to decrease of NT$1,455,301,000 in current liabilities in 2018 from the 2017 level.

6. Reason for change in cash flow reinvestment ratio: mainly due to net decrease of NT$6,048,259,000 in long-term investments and current liabilities in 2018 from the 2017 level.
7. Reason for change in operating leverage: mainly due to decrease of NT$380,679,000 in operating income in 2018 from the 2017 level.
8. Reason for change in financial leverage: mainly due to decrease of NT$380,679,000 in operating income in 2018 from the 2017 level.

Note 3: Calculation formulas for various financial ratio follow:

1. Financial structure
   (1) liabilities to assets ratio = total liabilities/total assets
   (2) Long-term fund to property, plant, and equipment ration = (shareholders' equity + non-current liabilities)/net value of plant, plant, and equipment.
2. Debt-repayment ability
   (1) Current ratio = Current assets/current liabilities
   (2) Quick ratio = (Current assets - inventories - prepaid expenses)/current liabilities
   (3) Times interest earned = Earnings before interest and taxes/interest expenses
3. Operating performance
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Earnings power
   (1) Return on Total Assets = (Net Income + Interest Expenses (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = After-tax income/average total equity
   (3) Net Margin = Net Income / Net Sales
   (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (note 4)
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend）
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/ (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (note 5)
6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (note 6)
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

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

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

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

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

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

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

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

The Company's 2018 Business Report, Financial Statements, including Consolidated and Parent Company Only ones, and Earnings Distribution Proposal have been prepared by the Board of Directors. An audit of the Financial Statements was conducted by the CPAs of PricewaterhouseCoopers Taiwan (PwC), and the audit reports were issued by PwC. The Audit Committee members of Formosa Taffeta Co., Ltd. reviewed the Business Report, Financial Statements, and Earnings Distribution Proposal and determined the information to be correct and accurate. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

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

Cheng, Yu

March 15, 2019

D. Consolidated financial report of parent company and subsidiaries of the recent year audited and certified by certified account er (for details refer to page 167 - 272)

E. Individual financial report of the recent year audited and certified by certified accountanter (for details refer to page 273 - 361)

F. Effect of financial problem, if any, of the company and affiliates on the company's financial status in the recent year and the current year as of the date of the publication of the annual report: nil

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

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

Unit: NT$1,000

Item \ Year	2018	2017	Difference		
			Amount	%	Explanation
Current assets	23,771,559	23,982,143	(210,584)	(0.88)	-
Non-Current assets	69,254,934	70,720,892	(1,465,958)	(2.07)	-
Total assets	**93,026,493**	**94,703,035**	**(1,676,542)**	**(1.77)**	-
Current liabilities	9,191,230	9,413,895	(222,665)	(2.37)	-
Non-Current liabilities	8,866,573	12,106,570	(3,239,997)	(26.76)	1.
Paid-in capital	**18,057,803**	**21,520,465**	**(3,462,662)**	**(16.09)**	-
Capital stock	16,846,646	16,846,646	0	0.00	-
capital surplus	1,268,860	274,323	994,537	362.54	2.
Retained earnings	19,525,220	14,752,410	4,772,810	32.35	3.
Other equity	31,291,978	37,525,951	(6,233,973)	(16.61)	-
Treasury stock	(19,500)	(19,935)	435	2.18	-
Equity ownership of parent company	68,913,204	69,379,395	(466,191)	(0.67)	-
Non-controlling equity	6,055,486	3,803,175	2,252,311	59.22	4.
Total equity	**74,968,690**	**73,182,570**	**1,786,120**	**2.44**	-

Explanation:
1. Current liabilities in 2018 decreased by NT$3,239,997,000 from the 2017 level: mainly due to decrease of long-term loans by NT$3,061,273,000.
2. Capital reserve in 2018 increased by NT$994,537,000 over the 2017 level: mainly due to disposal of shares of Formosa Advanced Technologies Co., Ltd. The difference between price and book value increased by NT$980,948,000.
3. Retained earnings in 2018 increased by NT$4,772,810,000 over the 2017 level: mainly due to the undistributed earnings increased by NT$4,344,823,000.
4. Non-controlling interest in 2018 increased by NT$2,252,311,000 over the 2017 level: mainly due to decrease in shareholding in Formosa Advanced Technologies Co., Ltd., which drops by NT$2,177,716,000 in value.

B. Review and analysis of management performance

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

Unit: NT$1,000

Item \ Year	2018	2017	Increase (decrease)	Change (%)
Operating revenue	44,545,053	40,705,664	3,839,389	9.43
Gross profit	5,281,046	5,138,771	142,275	2.77
Operating expenses	2,822,317	2,677,281	145,036	5.42
Operating income	2,458,729	2,461,490	(2,761)	(0.11)
Non-operating revenue and expenses	3,821,632	2,814,994	1,006,638	35.76
Income before Tax	6,280,361	5,276,484	1,003,877	19.03
Other current comprehensive income	(3,151,652)	971,444	(4,123,096)	(424.43)
Total current comprehensive income	2,169,048	5,731,460	(3,562,412)	(62.16)

Explanation for analysis of change in share:

1. Non-operating revenue and expenses in 2018 increased by NT$1,006,638,000 over the 2017 level, Due to the disposal of land, factory building, and equipment revenues of NT$864,338,000 and NT$209,792,000 of income from foreign-currency exchange.
2. Other current comprehensive income in 2018 decreased by NT$4,123,096,000 from the 2017 level: due mainly to decrease of NT$5,705,300,000 in the unrealized valuation gain in investment in equity instrument, evaluated with fair value, increase of NT$482,984,000 in reassessed value of defined benefit plans, and increase of NT$910,311,000 from the difference in exchange rate from conversion in the financial statements of overseas operating units.
3. Total current comprehensive income in 2018 decreased by NT$3,562,412,000 from the 2017 level: due mainly to decrease of NT$5,705,300,000 in the unrealized valuation gain in investment in equity instrument, evaluated with fair value, increase of NT$560,684,000 in current net profit, increase of NT$482,984,000 in reassessed value of defined benefit plans, and increase of NT$910,311,000 from the difference in exchange rate from conversion in the financial statements of overseas operating units

(B) Analysis of change in operating gross profit: no need.

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

Unit: NT$1,000

Cash balance beginning of year	Net cash flow from Operating in the year	Cash outflow in the year	Cash balance (shortfall)	Remedy for cash shortfall	
				Investment plan	Financing plan
4,942,919	5,567,339	7,118,362	3,391,896	-	-

1. Analysis of cash flow in the year:
   (1) Business activities: Net cash inflow from operating activities in the year reached NT$5,567 million, mainly due to NT$8,382 million from operating income(excluding depreciation and investment gains based on equity-method recognition), NT$260 million of cash dividend (inflow), based on equity method, NT$900 million of income (outflow) from disposal of realties, factory buildings, and equipment, increase of NT$300 million from contract assets (outflow), NT$580 million of accounts receivable (outflow), increase of NT$650 million in inventory (outflow), decrease of NT$130 million in other liabilities (outflow), and NT$530 million for payment of income tax (outflow).
   (2) Investment activities: There was NT$3,052 million of net cash outflow for investment activities in the year, mainly due to expenditure of NT$4,564 million for purchase of realty, factory building, and equipment (outflow) and NT$1,398 million of proceeds from acquisition and disposal of available-for-sale financial assets (inflow).
   (3) Fund raising: There was NT$4,041 million of cash outflow from fund raising in the year, mainly due to NT$4,633 million repayment for long-term loans (outflow), decrease of NT$1,300 million in short-term notes and bills payable, NT$3,581 million of cash-dividend payout (outflow), increase of NT$830 million in short-term loans (inflow), NT$860 million from disposal of stake in subsidies (inflow), NT$1,600 million in long-term loans (inflow), and increase of NT$2,178 million from change in non-controlling equity (inflow).

2. Remedy for cash shortfall and analysis of Currentity: not applicable.

3. Analysis of cash flow in the coming one year

Unit: NT$1,000

Cash balance beginning of year (1)	Expected Net cash flow from Operating in the year (2)	Expected cash outflow in the year (3)	Expected cash balance (shortfall) (1)+(2)-(3)	Remedy for expected cash shortfall	
				Investment plan	Financing plan
3,391,896	6,803,305	6,272,195	3,923,006	-	-

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

(A) Status of major capital outlays and funding sources

Unit: NT$1,000

Projects	Actual or planned source of capital	Actual or planned date of completion	Total capital in need	Actual or anticipated fund utilization							
				2018	2019	2020	2021	2022	2023	2024	2025
Replacement of old machines with new ones from 2018	Cash and income generated from the company's operation, with the remainder from banking loans	2019.12.31	133,462	108,262	25,200	-	-	-	-	-	-
Replacement of old machines with new ones and setup of new gas stations from 2019	Cash and income generated from the company's operation, with the remainder from banking loans	2020.12.31	208,866	-	169,266	39,600	-	-	-	-	-

(B) Anticipated benefits

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

NT$1,000

Year	Item	Production volume	Sales volume	Amount of Sales	Gross profit
2019	Count of yarn	4,176 pieces 件	-	48,602	2,171
2020	Tire cord	1,169 tons	-	170,587	27,919
	1.5 K carbon-fiber textile	90,000 square meters	-	36,000	1,800
	Environment-friendly shopping bags	1,260 tons	-	94,500	6,300
	Sales of gasoline	-	1663 kiloliters	41,575	4,004

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

For information on businesses invested by the company, refer to description of 2018/2019 section and the description of waste-water and air-pollution treatment in the company's history, as well as financial statements.

The company has been investing in equipment continuously at the company's five plan premises, including those in Douliu, Taiwan (head plant), in China,. and Vietnam, focusing on equipment updating, process improvement, removal of bottlenecks, automated transport, inspection and testing devices, big-data analysis, innovative processing machines, new high-performance machines, small-volume high-variety machines, and waste-discharge and air-pollution abatement equipment, thereby boosting labor productivity and product value. Meanwhile, in order to fill the increasing short-delivery orders from branded customers, the

The company has expanded the production capacity of dyed and finished fabrics of Vietnam's Longan subsidiary to 12 million yards/year, and continued to replace the equipment in 2018 and 2019. Those investments were funded by banking loans. In 2018, the head plant in Taiwan installed RTO (regenerative thermal oxidizer), desulphurization equipment, two cogeneration units, and renovation of pipelines, in order cut emission of VOC (volatile organic compound) and sulfur oxide, on top of execution of various environment-protection projects at domestic and overseas plants, including separate sewer system and recycling and regeneration of ultra-filtration water. Consequently, the company managed to attain the object of cutting water consumption by 20% in 2018.

In the cultivation of IT manpower, the company has been actively pushing education and training for manpower related to Industry 4.0, in many cases via cooperation with outside units, such as the 160-hour course on Industry 4.0 PLC (programming local controller/HMI (human-machine interface), held in cooperation with National Yunlin University of Science and Technology, in April 2015, which was attended by 60 staffers. Another example is Industry 4.0-related AI project on big-data collection and analysis for one-time success rate for dyeing, launched in May 2018, in cooperation with LEOSYS Co., Ltd. After passing entrance exam, eight staffers attended the AI technology leadership cultivation course held by the Taichung branch of Taiwan AI Academy, completing 384 hours/person training, during Aug. through Dec. 2018.

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

F. Risk items

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

1. Interest rate:

   In order to hedge the risk of interest-rate fluctuation on the company's long-term liabilities with floating interest rates, the company would cautiously evaluate the situation and financial market and sign interest-swap contracts when interest rate is at low level, so as to keep interest rate lower than the forecast funding cost in investment plan.

2. Change of exchange rate:

   The company would purchase spot or forward foreign exchange when market exchange rates are favorable, to fill the shortfall in foreign currency-denominated funds for operation, and sign contracts for forward forex buying or exchange-rate swap at relatively low exchange rate for the sake long-term forex-denominated liabilities, so as to minimize exchange-rate fluctuation on the company's profit.

3. Inflation

According to the Cabinet-level Directorate General of Budget, Accounting, and Statistics, annual increase of Taiwan's consumer price index reached 1.35% in 2018, with core consumer prices rising by 1.22%. The low inflation risk poses no influence on the company's profit.

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

1. High-risk, high-leveraged investments:

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

2. Loan extension

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

3. Endorsement and guarantee:

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

4. Trading in derivates:

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

(C) Future R&D plan and expected R&D expenses (2019)

R&D items and new R&D equipment	Expected input for R&D (NT$1,000)
1. Wearable smart thermal clothing (continue)	60,000
2. Execution of A+ Industrial Innovation R&D Program	50,000
3. Development of recycled polyester/nylon (ocean/fishing net/blanket recycling) fabric and enhancement of dyeing and finishing technology	80,000
4. Application of thermoplastic carbon fiber in 3C products	50,000
5. Development of new thermal retention fabric	20,000
6. Development of technology for recycling and zero emission of fluorine water repellant	50,000
7. Development of Eco-friendly Dope Dyed HCR fabric	30,000
8. Development of special cross-section, wind-proof and down-proof differentiated functional fabric	50,000
9. Development of ultra-light high-strength outdoor/sports fabric	50,000
10. Development of Nomex camouflage stealth fabric	30,000
11. Development of uni-directional conductive fabric with special totem	20,000
12. Cooperative program with Taiwan Textile Federation	6,000
Total	496,000

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

The company has constantly kept a close eye on political and economic situations, formulation of major policies, and legal changes, both in Taiwan and abroad, and has staffers take professional courses and training, when necessary. Major legal changes related to the company's finance and business, in 2018 and as of Feb. 28, 2019, follow:

1. According to the revised Company Act, promulgated by the President on Aug. 1, 2018, shareholders with over 50% shareholding for over three months continuously can hold provisional shareholders' meeting; earnings can be distributed once every quarter or every half a year, according to corporate charter; proposals for capital reduction and permission for directors to engage in competitive business cannot be put forth at shareholders' meeting as extempore motion; with the agreement of all the directors, meetings of the board of directors of private companies can be carried out in written form; it's mandatory to report information on directors, supervisors, managerial staffers, and shareholders with over 10% shareholding every year. The company will comply with the legal revision, which is meant to strengthen corporate governance and doesn't have much influence on the company's operation.

2. Scheduled to become effective in 2019, International Financial Reporting Standards (IFRS) 16 will not have much influence on the company's financial reports, according to the evaluation of certified public account.
3. Revision of the "Individual Income Law of the People's Republic of China," passed by the National People's Congress on Aug. 31, 2018, and the subsequent revision of the enforcement rules of the law by the State Council on Dec. 18 are meant to tighten the standards for determination of tax-paying citizens, establish individual income tax regime, and continue exemption period for expatriates. Accordingly, the company will calculate and adjust the income taxes for the wages and salaries of staffers dispatched to subsidiaries and invested companies in China. Other policy and legal changes have not much influence on the company's finance and business.

(E) Influence of technological and industrial changes on the company's finance and business and countermeasures: There is no technological changes with major influence on the company, since the company belongs to an industry with mature technology.

(F) Influence of change in corporate image on corporate crisis management and countermeasures: Adhering to the management concept of "diligence and down-to-earth style, quest for perfection, sustainable development, and contribution to society," the company has established a good corporate image and will insist on the concept for further progress, in order to make even bigger contribution to the society.

(G) Expected benefits from acquisition, possible risk, and countermeasures: nil.

(H) Expected benefits from factory expansion, possible risk, and countermeasures: Evaluation shows that there is no major risk for factory expansion.

(I) Risk for concentration of purchase or sale and countermeasures:

1. Purchase: The company's major raw materials, including tire-cord filament, PU filament, and polyester filament are supply mainly by affiliates Formosa Chemicals & Fibre Corporation and Nan Ya Plastics Corp. in abundant volume, with any risk of shortage.
2. Sales: In 2018, the ratio between domestic sale and export of the company was 55.87% and 44.13%. Major exported products are long- and short-fiber fabric, tire cord, and PE bag, shipped mainly to contracted customers in Southeast Asia, Hong Kong, China, India, Japan, and South Korea, while major products for domestic sales are long- and short-fiber fabric, tire cord, special fabric, and oil products. Given diversification in markets and customers, related risk is low.

(J) Influence and risk of massive share transfer by directors, supervisors, and major shareholders with over 10% shareholding and countermeasures: nil.

(K) Influence and risk of change in management right and countermeasures: nil.

(L) List major litigations, non-contentious cases, administrative litigations, including those with settled ruling or still in progress, involving the company and the company's directors, supervisors, president, actual responsible person, major shareholders with over 10%

shareholding, and subordinated companies, whose outcomes may have major influence on shareholders' equity or security prices. Disclose the facts of the contentions, values of targets, starting dates of litigations, major parties involved, and status of handling as of the date of the publication of the annual report: nil.

(M) Management of operating risk:

The company's computer information system is developed by itself entirely and is tailor-made, according to the company's organization and various functional systems, stressing division of labor and check and balance, such as independent operation and articulation of procurement, contract work, fund maneuvering, and financial management, so as to avoid operating risk. The company's management system for computerized operation includes personnel management, business management, production management, engineering management, procurement management, and financial and accounting management, which are interlinked. After being keyed in, data can be transmitted and applied at multiple levels, to avoid mistakes. Various functional management reports are used as reference in decision making and operational improvement. Therefore, in addition to management purpose, the company's operating management also has the function of risk management.

(N) Othe4r major risks and countermeasures: information-safety risk

1. In order to assure the safety and stability of information safety, prevent abnormality and disaster of information systems and damage of computer information files, and strengthen protection of personal data, the company has set up related management measures and handling guidelines, plus multi-layer control and protection mechanisms, so as to effectively manage risks of corporate information systems and uphold continuing operation of the company. In order assure safety of information utilization and establish a reliable environment for information usage, the company has embraced the following information-safety policy:

   (1) comply with legal requirements and arouse information-safety awareness;

   (2) stress risk management and protection data safety;

   (3) full employee participation and seek continuous improvement.

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

   (1) Establish firewall to ward off outside attacks and Websense Internet access filtration mechanism for employees, to screen malicious websites and continuous advanced attack on the defense system, in addition to forbid unnecessary Internet access by employees and make backup copies for e-mails.

(2) Establish access control, identity verification for access to application system, password control, access authorization, and regular scanning for vulnerable spots, plus installation of antivirus software, renovation of built-in safety patch program, control of USB access, and setup of back-up copy mechanism.

(3) Hold information-safety education, training, and testing for employees every year, to strengthen employees' awareness of information-safety risk.

(4) Review information-system protection measures and systems every year and concern about information-safety issues and formulate contingency plan, to assure their propriety and efficacy.

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

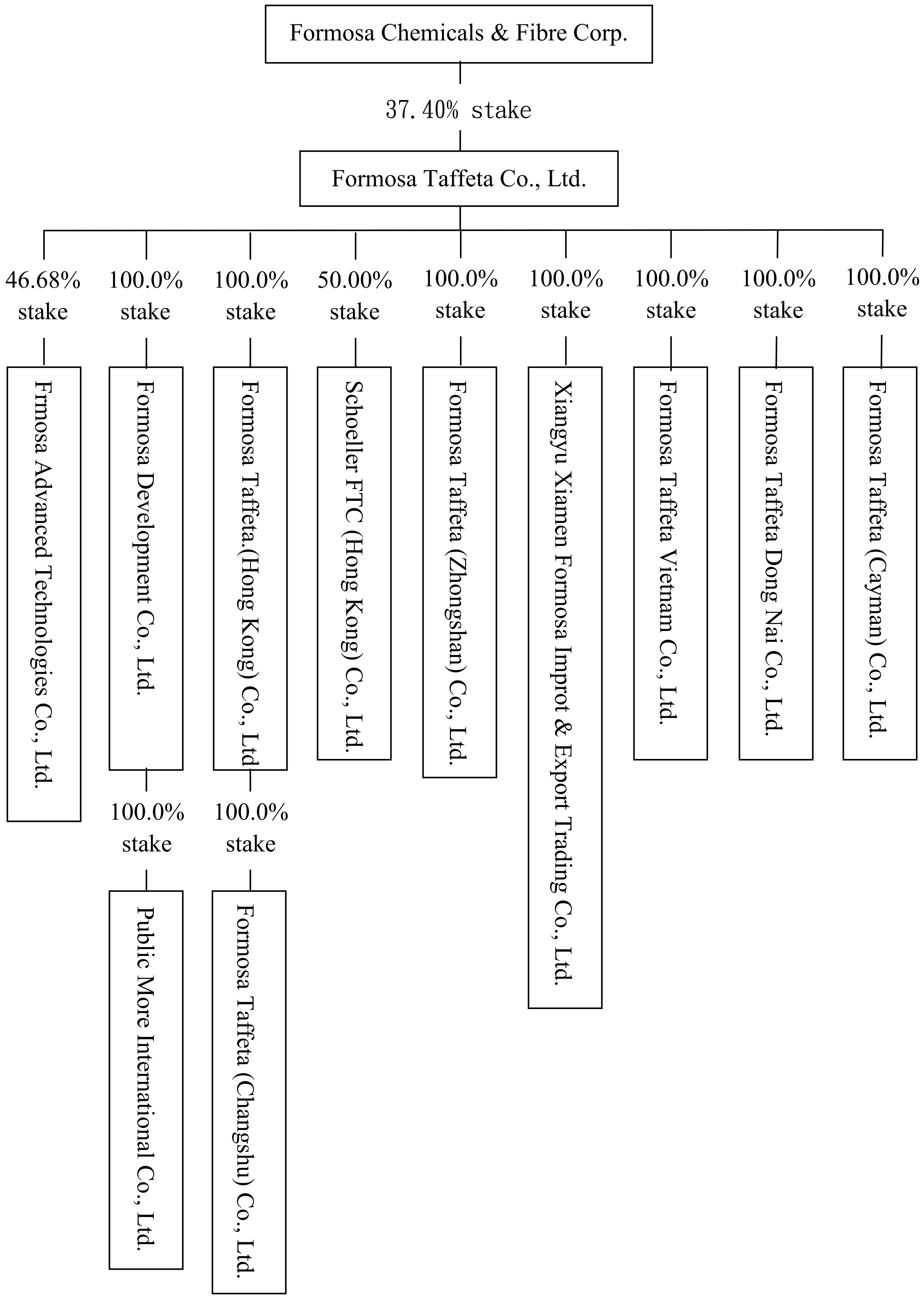
G. Other important items: nil.

VIII. Items with special registration

A. Data on affiliates

(A) Consolidated business report with affiliates

1. Organizational chart of affiliates



2.Basic data on affiliates

unit: NT$1,000

Company name	Date of incorporation	Address (the address on corporate license)	Paid-in capital	Major business items
Formosa Advanced Technologies Co., Ltd.	1990.9.11	329, Henan Street, Liuchung Li., Touliou 640, Yunlin, Taiwan	4,422,222	IC assembly, testing, and module
Formosa Development Co., Ltd.	1990.9.20	29, Lane 224, Shuliou RD., Touliou 640, Yunlin, Taiwan	161,000	Urban land consolidation and development and lease of residences, office buildings, and factories
Formosa Taffeta (Hong Kong) Co., Ltd.	1989.4.11	Room 1606, Tower 6, China Hong Kong City, 33 Canton RD., Tsimshatsui, Kowloon, Hong Kong	1,356,822	Sale of filament fabric and spun fabric
Formosa Taffeta (Zhong shan) Co., Ltd.	1992.12.3	167, S. Shenwan Avenue, Shenwan Town, Zhongshan City, Guangdong Province 528462, China	1,402,085	Chemical long fiber polyamine fabric, polyester fabric
Xiamen Xiangyu Formosa import & export Trading Co., Ltd.	1994.8.24	B5, 7th fl., No. 22, Xiangxing 4th Rd, Modern Logistics Park, Xiamen	15,273	Export/import business, transshipment business, closed
Formosa Taffeta Vietnam Co., Ltd.	1999.6.16 Acquisition and reorganization	Sec.1, Nhat Chanh, Com, Ben Luc Dist., Long An Province, Vietnam	2,342,353	Production and processing ofchemical-fiber fabric, dyeing and finishing, finished fabric
Formosa Taffeta Dong Nai Co., Ltd.	2004.6.25	Nhon Trach 3 Ind. Zone, Hiep Phuoc Com, Nhon Trach Dist., Dong Nai Prov, Vietnam (branch factory premises of Formosa Industries Corp.)	2,590,434	Production, processing, and sale of various chemical-fiber fabrics, dyeing and finishing, and tire cord
Formosa Taffeta (Changshu) Co., Ltd.	2005.4.4	15, Peng-Hu RD., Dongnan Street, Changshu City, Jiangsu Province, 215500 CHINA	1,302,019	Engagement in dyeing and finishing of high-end fabric; lease of facilities; property management
Formosa Taffeta (Cayman) Co., Ltd.	2014.3.12	Cassia Court, Suite 716,10 Market Street, Camana Bay, Grand Cayman, Island KYI-9006	5,284,775	Investment

Schoeller FTC (Hong Kong) Co., Ltd.	2001.10.31	Room 1606, Tower 6, China Hong Kong City, 33 Canton RD., Tsimshatsui,Kowloon, Hong Kong	6,879	Textile trading
Public more International Co., Ltd.	2017.2.15	27, Lane 224, Shuliou RD., Touliou 640, Yunlin, Taiwan	5,000	Employment service, temporary help service, manpower brokerage

3. Inferred as having a control-subordination relationship: omitted

4. Overview of businesses engaged by affiliates:
   (1) Formosa Advanced Technologies engages in IC assembly, testing, and module, as well as contract production for flash memory card and LED chips.
   (2) Formosa Development engages mainly in urban land consolidation.
   (3) Formosa Taffeta (Hong Kong) Co., Ltd. engages in export and import of filament fabric and spun fabric.
   (4) Formosa Taffeta (Zhongshan) Co., Ltd. engages in production and sale of polyretyane fabric and polyester fabric, plus weaving, dyeing, and finishing of high-end fabric.
   (5) Xiamen Xiangyu Formosa import & export Trading Co., Ltd. engages in transshipment of fabric in bonded area, closed.
   (6) Formosa Taffeta Vietnam Co., Ltd. engages in the production and sale of chemical-fiber woven fabric and dyeing and finishing.
   (7) Formosa Taffeta Dong Nai Co., Ltd. engages in production and sale of chemical-fiber woven fabric and tire cord, plus dyeing and finishing.
   (8) Formosa Taffeta (Changshu) Co., Ltd. engages in dyeing and finishing of high-end fabric.
   (9) Formosa Taffeta (Cayman) Limited. engages in investment activities.
   (10) Schoeller FTC (Hong Kong) engages in textile trading.
   (11) Public more International Co., Ltd. engages in employment service, temporary help service, and manpower brokerage.

5. Names of the directors, supervisors, and presidents of affiliates and their shareholdings or contributions

Information on the directors, supervisors, and presidents of affiliate

Unit: share

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Advanced Technologies Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	206,442,472	46.68%
	Vice Chairman	Representative of Formosa Taffeta Co., Ltd. : Hsie,Shih-ming (president)	206,442,472	46.68%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hong,Fu-yuan	206,442,472	46.68%
	Director	Representative of Formosa Taffeta Co., Ltd. : Su,Lin-ching	206,442,472	46.68%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang	206,442,472	46.68%
	Director	Solomon Chang	139,983	0.03%
	Director	Chen,Wen-Tsai	247,669	0.06%

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
	Director	Huang,Chun-Ming	100,000	0.02%
	Independent director	Cheng,Yu	0	0.00%
	Independent director	Shen,Hui-Ya	0	0.00%
	Independent director	Kuo,Chia-chi	0	0.00%
	Supervisor	Representative of Yu Yuang Textile: Lin,Chen-nan	1,600,851	0.36%
	Supervisor	Chen,Chiu-ming	0	0.00%
	Supervisor	Hsieh,Ming-ta	766,750	0.17%
	Supervisor	Hou,Bo-lie	0	0.00%
Formosa Development Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hsie,Shih-ming	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Tseng,Ching-pin (president)	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chang,Yung-chiao	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chang,Hsien-tang	16,100,000	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Lee,Kuo-yi	16,100,000	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Lin,Chen-nan	16,100,000	100.00%
Formosa Taffeta (Hong Kong) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	–	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang	–	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Cheng,Hung-ning	–	100.00%
	President	Chen,Jui-mao	–	–
Formosa Taffeta (Zhong Shan) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	–	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang (president)	–	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu,Li-jen	–	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng,Hung-ning	–	100.00%
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	–	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hsie,Shih-ming (president)	–	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang	–	100.00%
Formosa Taffeta Vietnam Co.,Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang	–	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	–	100.00%

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Kuo-yi	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Chien-kuan (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chang,Jin-long	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng,Hung-ning	—	100.00%
Formosa Taffeta Dong Nai Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Huang,Ming-tang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Tsai,Tien-shuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Kuo-yi	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Chien-kuan (president)	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng,Hung-ning	—	100.00%
Formosa Taffeta (Changshu) Co., Ltd.	Chairman	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wong,Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Hong,Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Lee,Ming-chang (president)	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Lee,Kuo-yi	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Lin,Chen-nan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wu,Li-jen	—	100.00%
	Supervisor	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Cheng,Hung-ning	—	100.00%
Formosa Taffeta (Cayman) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	—	100.00%
Schoeller FTC (Hong Kong) Co., Ltd.	Chairman	Schoeller Textil AG representative：Hans Jurgen Hubner	702,000	45.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang	780,000	50.00%
	Director	Schoeller Textil AG representative：Christine Jenni	702,000	45.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chen,Jui-mao (president)	780,000	50.00%
Public More International Company Ltd.	Director	Representative of Formosa Development Co., Ltd. : Tseng,Ching-pin	500,000	100.00%

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

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

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

1. Director Wong,Wen-yuan is chairman of Formosa Chemicals & Fibre Corp. and Formosa Taffeta Co., Ltd.; 2. director Hsie,Shih-ming is vice chairman of Formosa Taffeta Co., Ltd.; 3. director Hong,Fu-yuan is vice chairman of Formosa Chemicals & Fibre Corp.; 4. director Su, Lin-ching is senior vice president of Nanya Technology Corp.; 5. director Lee,Ming-chang is president of Formosa Taffeta Co., Ltd.; 6. director Tsai,Tien-shuan is senior vice president of the second business segment of Formosa Taffeta Co., Ltd.; 7. director Huang,Ming-tang is consultant to General Management Divisions of Formosa Taffeta Co., Ltd.; 8. supervisor Lin,Chen-nan is former acting special assistant of General Management Divisions of Formosa Taffeta Co., Ltd.; 9. director Tseng,Ching-pin is president of Formosa Development Co.,Ltd.; 10. director Chang,Yung-chiao is manager of engineering division of Formosa Taffeta Co., Ltd.; 11. director Chang,Hsien-tang is deputy senior specialist of Formosa Development Co.,Ltd; 12. director Lee,Kuo-yi is assistant vice president of dyeing and finishing division of Formosa Taffeta Co., Ltd.; 13. director Lee,Chien-kuan is manager of dyeing and finishing division of Formosa Taffeta Co., Ltd.; 14. director Chang,Jin-long is assistan senior administrator of dyeing and finishing division of Formosa Taffeta Co., Ltd.; 15. director Lin,Chen-nan is assistant vice president of dyeing and finishing division (as well as acting vice president of first business segment) of Formosa Taffeta Co., Ltd.; 16.director Wu,Li-jen is manager of dyeing and finishing division of Formosa Taffeta Co., Ltd.; 17. director Cheng,Hung-ning is manager of General Management Divisions (as well as acting vice president of General Management Divisions) of Formosa Taffeta Co., Ltd.; 18. director Chen,Jui-mao is senior administrator of Formosa Taffeta Co., Ltd.

6. Operating status of affiliates

Unit: NT$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit/loss (after tax)	Earnings per share (NT$) (after tax)
Formosa Advanced Technologies Co., Ltd.	4,422,222	12,674,574	1,318,095	11,356,479	8,785,525	1,512,935	1,420,293	3.21
Formosa Development Co., Ltd.	161,000	308,066	17,968	290,098	34,155	9,770	18,065	1.12
Formosa Taffeta (Hong Kong) Co., Ltd.	1,356,822	1,841,166	706,927	1,134,239	1,332,572	83,249	60,477	
Formosa Taffeta (Zhongshan) Co., Ltd.	1,402,085	2,174,432	478,580	1,695,852	1,653,691	112,959	94,273	
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	15,273	16,176	3,022	13,154	0	-1,263	7,203	
Formosa Taffeta Vietnam Co., Ltd.	2,340,866	2,657,085	685,433	1,971,652	2,552,725	199,851	139,974	
Formosa Taffeta Dong Nai Co., Ltd.	2,590,434	6,248,437	3,915,025	2,333,412	4,387,611	162,214	-5,943	
Formosa Taffeta (Changshu) Co., Ltd.	1,302,019	1,707,463	691,183	1,016,280	1,322,082	84,271	60,688	
Schoeller FTC (Hong Kong) Co., Ltd.	6,879	56,953	40,489	16,464	153,960	7,090	6,206	
Formosa Taffeta (Cayman) Co., Ltd.	5,284,775	5,524,284	0	5,524,284	0	-	-	
Public More International Company Ltd.	5,000	14,016	4,022	9,994	28,074	6,125	4,834	

(B) Consolidated financial statement of affiliated enterprises

Declaration

We hereby declare that the company's consolidated parent company-subsidiary financial report for fiscal 2018 (Jan. 1, 2018, through Dec. 31, 2018), IFRS (International Financial Reporting Standards) 10, covers parent company and subsidiaries, the same as the stipulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and has disclosed information required by the latter. Therefore, the company will not compile a separate consolidated financial statement of affiliated enterprises.

Company Name: Formosa Taffeta Co.,Ltd. & Subsidiary
Responsible person: Wong Wen-yuan

March 15, 2019

(C) Affiliation Report

Formosa Taffeta Co., Ltd.

Review report on affiliation report by certified public accountant

No. 18008780

To Formosa Taffeta Co., Ltd.

The 2018 affiliation report compiled by Formosa Taffeta Co., Ltd. on March 15, 2019 is based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," disclosing information without much aberration from related information disclosed in the notes of the financial statement covering the aforementioned period.

The certified public account has found no major aberration in the notes of the 2018 affiliation report of Formosa Taffeta Co., Ltd. from the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," after comparing the two documents.

Wu Han-chi, PwC Taiwan

Chou Chien-hung certified public accountant

March 15, 2019

Formosa Taffeta Co., Ltd.
2018 Affiliation Report

1 Status of relationship between subordinate company and controlling company

Unit: share; %

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

2. Transactions between subordinate company and controlling company

(1) Status of purchase and sale

Unit: NT$1,000

Transactions with controlling company					Conditions for transactions with controlling company	Common transaction conditions		Reasons for difference	Note receivable (payable) and account receivable (payable)		Overdue Account receivable			Notes
Purchase (sale)	Amount	Share inb total purchase (sale) %	Gross margin for sale	Unit Price (NT$))	Credit period	Unit price	Credit period		Balance	Share in total note receivable (payable) or account receivable (payable) %	Handling value	Handling method	Value of allowance for bad debts	
Sale	565	0.00	(72)	Common list price	Payment collection via mail transfer 60 days after delivery of goods	Common list price	45-120 days after sale	-	Account receivable 98	0.00	-	-	-	
Purchase	1,978,969	8.56	-	-	Two-month promissory note after acceptance	-	15-60 days after purchase	-	Note payable 331,826 Account payable 312,250	72.23 21.54	-	-	-	

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

(2) Property transaction: nil

(3) Loan extension: nil

(4) Lease of assets: nil

(5) Other important transactions: nil

3. Endorsement and guarantee: nil

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

Chairman: Wong Wen-yuan Managerial staffer: Lee Ming-chang Accounting chief: Lee Shu-ming

B. Disclose the status of securities issuance via private placement in 2018 and 2019 as of the publication of the annual report, including date and amount approved by shareholders' meeting or the board of directors, basis and reasonableness for the setting of issuance price, method for the selection of specific persons, necessity for the private share placement, targets and qualifications of the private share placement, their subscription amounts, relationship with the company, participation in the company's management, actual subscription (or conversion) prices, difference between actual subscription prices and reference prices, effect of private share placement on shareholders' equity, utilization of the fund collected from private share placement during the interval before formulation of utilization plan for the fund, status for the utilization of the fund, progress for the execution of the fund utilization plan, and manifested result: nil.

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

Unit: NT$1,000; share; %

Name of subsidiary (note 1)	Stock capital collected	fund Source	Percentage of shareholding by the company	Date of share acquisition of disposal	shares and amount of acquisition (note 2)	Volume and value of share disposal (note 2)	Investment income/loss	Volume and value of shareholding as of the date of the publication of the annual report (note 3))	Setting of pledge	Value of guarantee and endorsement undertaken by the company for subsidiary	Loans extended by the company to subsidiaries
Formosa Development Co., Ltd.	161,000	Own fund	100.00	2018	-	shares: 50,000 amount: 1,839	1,041	shares:2,243,228 amount: 77,504	Nil	Nil	Nil
				2019 as of the annual report date	-	Nil	Nil	shares:2,243,228 amount: 83,560	Nil	Nil	Nil

Note 1: List the situation of subsidiaries separately.

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

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

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

D. Other necessary supplementary explanations: nil

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

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

revised by the board of directors on June 23, 2017

Chapter 1 General rules

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

Chapter 2 Norms for ethical conducts

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

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

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

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

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

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

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

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

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

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

Chapter 3 Procedure foe exemption

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

Chapter 4 Method for information disclosure

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

Chapter 5 Supplementary provision

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Valuation of allowance for uncollectible accounts

<u>Description</u>

Refer to Note 4(10) for accounting policy on impairment of financial assets, Note 5(3) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2018, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT$4,110,277 thousand and NT$71,033 thousand, respectively.

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

<u>How our audit addressed the matter</u>

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

A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward-looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently

applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and

C. Testing collections after balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventory

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5(4) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation loss. As of December 31, 2018, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$9,394,237 thousand and NT$684,200 thousand, respectively.

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

How our audit addressed the matter

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

A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realizable value;

B. Understanding the inventory management procedures, examining and participating in annual physical count and assessing the effectiveness of inventory management and inventory classification determined by management; and

C. Checking the method in calculating the net realizable value of inventory and assessing the reasonableness of allowance for valuation loss.

Other matter – Audits of other independent accountants

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using equity method) of NT$11,856,625 thousand and NT$10,614,122 thousand, constituting 13% and 11% of consolidated total assets as of December 31, 2018 and 2017, respectively, and operating income of NT$6,050,124 thousand and NT$5,125,079 thousand, constituting 14% and 13% of consolidated total operating income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiary and investees, is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Taffeta Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Han-Chi   Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2019

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

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,391,896	4	$ 4,942,919	5
1110	Financial assets at fair value through profit or loss - current	6(2)	479,490	1	630,396	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	3,674,217	4	-	-
1125	Available-for-sale financial assets - current		-	-	3,649,141	4
1140	Current contract assets	6(19)	788,643	1	-	-
1150	Notes receivable, net	6(4)	116,511	-	164,311	-
1160	Notes receivable - related parties	7	4,429	-	13,007	-
1170	Accounts receivable, net	6(4)	4,110,277	4	3,567,731	4
1180	Accounts receivable - related parties	7	1,228,428	1	1,168,315	1
1200	Other receivables	7	326,802	-	449,044	-
130X	Inventory	6(5) and 8	8,710,037	9	8,452,053	9
1410	Prepayments		457,003	1	519,506	1
1470	Other current assets		483,826	1	425,720	-
11XX	**Total current assets**		23,771,559	26	23,982,143	25
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	46,512,701	50	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	43,994,286	47
1543	Financial assets carried at cost - non-current	7 and 12(4)	-	-	5,786,870	6
1550	Investments accounted for under equity method	6(6)	3,216,506	3	3,123,456	3
1600	Property, plant and equipment	6(7) and 8	18,770,958	20	17,022,278	18
1840	Deferred income tax assets	6(25)	93,797	-	140,445	-
1900	Other non-current assets	6(8)	660,972	1	653,557	1
15XX	**Total non-current assets**		69,254,934	74	70,720,892	75
1XXX	**Total assets**		$ 93,026,493	100	$ 94,703,035	100

(Continued)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9) and 8	$ 3,638,538	4	$ 2,805,690	3
2110	Short-term notes and bills payable	6(10)	-	-	1,299,806	2
2120	Financial liabilities at fair value through profit or loss - current	6(11)	774	-	-	-
2150	Notes payable		251,576	-	199,518	-
2160	Notes payable - related parties	7	335,830	-	239,553	-
2170	Accounts payable		1,312,601	2	1,446,070	2
2180	Accounts payable - related parties	7	996,011	1	1,147,976	1
2200	Other payables	6(12) and 7	1,949,497	2	1,811,607	2
2230	Current income tax liabilities	6(25)	391,662	1	198,319	-
2300	Other current liabilities	6(13)	314,741	-	265,356	-
21XX	**Total current liabilities**		9,191,230	10	9,413,895	10
	Non-current liabilities					
2540	Long-term borrowings	6(13)	8,022,299	9	11,083,572	12
2570	Deferred income tax liabilities	6(25)	292,165	-	170,798	-
2600	Other non-current liabilities	6(14)	552,109	-	852,200	1
25XX	**Total non-current liabilities**		8,866,573	9	12,106,570	13
2XXX	**Total liabilities**		18,057,803	19	21,520,465	23
	Equity attributable to owners of parent					
	Share capital	6(15)				
3110	Share capital - common stock		16,846,646	18	16,846,646	18
	Capital surplus	6(16)				
3200	Capital surplus		1,268,860	1	274,323	-
	Retained earnings	6(17)				
3310	Legal reserve		7,567,594	8	7,139,607	7
3320	Special reserve		2,214,578	2	2,214,578	2
3350	Unappropriated retained earnings		9,743,048	11	5,398,225	6
	Other equity interest	6(18)				
3400	Other equity interest		31,291,978	34	37,525,951	40
3500	**Treasury stocks**	6(15)	(19,500)	-	(19,935)	-
31XX	**Equity attributable to owners of the parent**		68,913,204	74	69,379,395	73
36XX	**Non-controlling interest**	6(18)	6,055,486	7	3,803,175	4
3XXX	**Total equity**		74,968,690	81	73,182,570	77
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 93,026,493	100	$ 94,703,035	100

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
			Years ended December 31			
4000	**Sales revenue**	6(19) and 7	$ 44,545,053	100	$ 40,705,664	100
5000	**Operating costs**	6(5)(22)(23) and 7	(39,264,007)	(88)	(35,566,893)	(87)
5900	**Net operating margin**		5,281,046	12	5,138,771	13
	Operating expenses	6(22)(23) and 7				
6100	Selling expenses		(1,774,767)	(4)	(1,727,181)	(5)
6200	General and administrative expenses		(966,574)	(2)	(890,287)	(2)
6300	Research and development expenses		(80,976)	(1)	(59,813)	-
6000	**Total operating expenses**		(2,822,317)	(7)	(2,677,281)	(7)
6900	**Operating profit**		2,458,729	5	2,461,490	6
	Non-operating income and expenses					
7010	Other income	6(20) and 7	2,908,802	6	2,697,364	7
7020	Other gains and losses	6(21)	885,932	2	108,885	-
7050	Finance costs	6(24)	(211,415)	-	(185,189)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	238,313	1	193,934	-
7000	**Total non-operating income and expenses**		3,821,632	9	2,814,994	7
7900	**Profit before income tax**		6,280,361	14	5,276,484	13
7950	Income tax expense	6(25)	(959,661)	(2)	(516,468)	(1)
8200	**Profit for the year**		$ 5,320,700	12	$ 4,760,016	12

(Continued)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
			Years ended December 31			
	Other comprehensive income	6(18)				
	Components of other comprehensive income that will not be reclassified to profit or loss	6(3)				
8311	Actuarial gains (losses) on defined benefit plans		$ 150,329	1	($ 332,655)	(1)
8316	Unrealized gain on valuation of financial assets at fair value through other comprehensive income		(3,472,754)	(8)	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss		1,071	-	-	-
8310	**Other comprehensive income that will not be reclassified to profit or loss**		(3,321,354)	(7)	(332,655)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		154,788	-	(755,543)	(2)
8362	Unrealized gain on valuation of available-for-sale financial assets		-	-	2,232,546	5
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss		14,914	-	(172,904)	-
8360	**Other comprehensive income that will be reclassified to profit or loss**		169,702	-	1,304,099	3
8300	**Total other comprehensive (loss) income for the year**		($ 3,151,652)	(7)	$ 971,444	2
8500	**Total comprehensive income for the year**		$ 2,169,048	5	$ 5,731,460	14
	Profit attributable to:					
8610	Owners of the parent		$ 4,737,406	11	$ 4,279,871	11
8620	Non-controlling interest		583,294	1	480,145	1
			$ 5,320,700	12	$ 4,760,016	12
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 1,730,196	4	$ 5,148,811	13
8720	Non-controlling interest		438,852	1	582,649	1
			$ 2,169,048	5	$ 5,731,460	14

	Items	Notes	2018 Before Tax	2018 After Tax	2017 Before Tax	2017 After Tax
	Basic and diluted earnings per share (in dollars)	6(26)				
9710	Profit for the year from continuing operations		$ 3.73	$ 3.17	$ 3.13	$ 2.83
	Non-controlling interest		(0.61)	(0.35)	(0.47	(0.29)
9750	Profit attributable to common shareholders of the parent		$ 3.12	$ 2.82	$ 2.66	$ 2.54
	Assuming shares held by subsidiaries are not deemed as treasury stock:					
	Profit for the year from continuing operations		$ 3.73	$ 3.16	$ 3.13	$ 2.83
	Non-controlling interest		(0.61)	(0.35)	(0.47)	(0.29)
	Profit attributable to common shareholders of the parent		$ 3.12	$ 2.81	$ 2.66	$ 2.54

Year ended December 31,2017													
Balance at January 1, 2017		$ 16,846,646	$ 266,458	$ 6,791,478	$ 1,708,542	$ 4,830,100	$ 13,387	$ -	$ 36,313,040	($ 21,501)	$ 66,748,150	$ 3,531,750	$ 70,279,900
Profit for the year		-	-	-	-	4,279,871	-	-	-	-	4,279,871	480,145	4,760,016
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	(330,584)	(927,654)	-	2,127,178	-	868,940	102,504	971,444
Total comprehensive income (loss)		-	-	-	-	3,949,287	(927,654)	-	2,127,178	-	5,148,811	582,649	5,731,460
Appropriations of 2016 earnings	6(17)												
Legal reserve		-	-	348,129	-	(348,129)	-	-	-	-	-	-	-
Special reserve		-	-	-	506,036	(506,036)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,526,997)	-	-	-	-	(2,526,997)	-	(2,526,997)
Disposal of treasury stock	6(15)(16)	-	2,891	-	-	-	-	-	-	1,566	4,457	-	4,457
Changes in the net interest of associates recognized under the equity method	6(16)	-	33	-	-	-	-	-	-	-	33	18	51
Adjustment of cash dividends paid to consolidated subsidiaries	6(16)	-	3,439	-	-	-	-	-	-	-	3,439	-	3,439
Expired cash dividends transferred to capital surplus	6(16)	-	1,502	-	-	-	-	-	-	-	1,502	-	1,502
Cash dividends paid by consolidated subsidiaries	6(18)	-	-	-	-	-	-	-	-	-	-	(311,242)	(311,242)
Balance at December 31, 2017		$ 16,846,646	$ 274,323	$ 7,139,607	$ 2,214,578	$ 5,398,225	($ 914,267)	$ -	$ 38,440,218	($ 19,935)	$ 69,379,395	$ 3,803,175	$ 73,182,570
Year ended December 31, 2018													
Balance at January 1, 2018		$ 16,846,646	$ 274,323	$ 7,139,607	$ 2,214,578	$ 5,398,225	($ 914,267)	$ -	$ 38,440,218	($ 19,935)	$ 69,379,395	$ 3,803,175	$ 73,182,570
Retrospective adjustments		-	-	-	-	4,890,917	-	33,680,146	(38,440,218)	-	130,845	33,939	164,784
Balance at January 1 after adjustments		16,846,646	274,323	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)	69,510,240	3,837,114	73,347,354
Profit for the year		-	-	-	-	4,737,406	-	-	-	-	4,737,406	583,294	5,320,700
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	153,145	169,421	(3,329,776)	-	-	(3,007,210)	(144,442)	(3,151,652)
Total comprehensive income		-	-	-	-	4,890,551	169,421	(3,329,776)	-	-	1,730,196	438,852	2,169,048
Appropriations of 2017 earnings	6(17)												
Legal reserve		-	-	427,987	-	(427,987)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,200,863)	-	-	-	-	(3,200,863)	-	(3,200,863)
Disposal of treasury stock	6(15)(16)	-	1,041	-	-	-	-	-	-	435	1,476	-	1,476
Changes in the net interest of associates recognized under the equity method	6(16)(18)	-	5,264	-	-	1,562	-	(1,562)	-	-	5,264	-	5,264
Changes in share of consolidated subsidiaries		-	-	-	-	4,347	-	(3,804)	-	-	543	(20,129)	(19,586)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(16)	-	982,053	-	-	-	-	(118,806)	-	-	863,247	(1,105)	862,142
Adjustment of cash dividends paid to consolidated subsidiaries	6(16)	-	4,357	-	-	-	-	-	-	-	4,357	-	4,357
Expired cash dividends transferred to capital surplus	6(16)	-	1,822	-	-	-	-	-	-	-	1,822	-	1,822
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	(1,813,704)	-	1,810,626	-	-	(3,078)	3,114	36
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(380,089)	(380,089)
Increase in non-controlling interest	6(18)	-	-	-	-	-	-	-	-	-	-	2,177,729	2,177,729
Balance at December 31, 2018		$ 16,846,646	$ 1,268,860	$ 7,567,594	$ 2,214,578	$ 9,743,048	($ 744,846)	$ 32,036,824	$ -	($ 19,500)	$ 68,913,204	$ 6,055,486	$ 74,968,690

CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 6,280,361	$ 5,276,484
Adjustments			
Adjustments to reconcile profit (loss)			
(Reversal of impairment) provision for bad debts expense		-	(2,223)
Reversal of expected credit loss		(5,090)	-
Depreciation	6(7)(22)	2,340,290	2,177,955
Interest expense	6(24)	211,415	185,189
Interest income	6(20)	(26,553)	(26,315)
Dividend income	6(20)	(2,677,904)	(2,411,958)
Gain on disposal of investments	6(21)	-	(275,611)
Gain on valuation of financial assets	6(2)(21)	(2,283)	(2,774)
Loss (gain) on valuation of financial liabilities	6(12)(21)	774	(1,381)
Share of profit of associates and joint ventures accounted for under equity method	6(6)	(238,313)	(193,934)
Cash dividends from investments accounted for under equity method		255,669	232,953
Gain on disposal and scrap of property, plant and equipment	6(21)	(903,034)	(38,696)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(297,011)	-
Notes receivable		47,800	26,783
Notes receivable - related parties		8,578	(1,364)
Accounts receivable, net		(537,456)	(1,118)
Accounts receivable - related parties		(60,113)	24,854
Other receivables		(36,846)	97,196
Inventory		(650,204)	(595,626)
Prepayments		62,503	329,103
Other current assets		(58,106)	(23,442)
Changes in operating liabilities			
Notes payable		52,058	2,648
Notes payable - related parties		96,277	109,847
Accounts payable		(133,469)	(315,440)
Accounts payable - related parties		(151,965)	20,210
Other payables		168,607	218,519
Other current liabilities		17,984	(6,045)
Other non-current liabilities		(151,084)	(335,181)
Cash inflow generated from operations		3,612,885	4,470,633
Interest received		25,972	24,509
Cash dividends received		2,672,387	2,411,958
Interest paid		(216,169)	(199,036)
Income tax paid		(527,736)	(372,240)
Net cash flows from operating activities		5,567,339	6,335,824

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		($ 766,058)	$ -
Acquisition of available-for-sale financial assets		-	(934,669)
Proceeds from disposal of available-for-sale financial assets		-	524,055
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	769,609	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		5,780	-
Acquisition of financial assets carried at cost		-	(785,138)
Proceeds from capital reduction of financial assets carried at cost		-	23,549
Acquisition of property, plant and equipment	6(27)	(4,563,815)	(2,845,591)
Proceeds from disposal of property, plant and equipment		1,397,713	90,034
(Increase) decrease in other non-current assets		(48,202)	10,284
Proceeds from disposal of financial assets at fair value through profit or loss		153,189	-
Net cash flows used in investing activities		(3,051,784)	(3,917,476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	6(28)	832,848	(183,693)
(Decrease) increase in short-term notes and bills payable	6(28)	(1,299,806)	299,979
Payment of long-term borrowings		(4,633,083)	(11,314,825)
Increase in long-term borrowings		1,600,000	10,942,085
Cash dividends paid- non-controlling interest		(380,089)	(311,242)
Cash dividends paid	6(17)	(3,200,863)	(2,526,997)
Change in share of consolidated subsidiaries		862,142	-
Change in non-controlling interest		2,177,729	-
Net cash flows used in financing activities		(4,041,122)	(3,094,693)
Effect of foreign exchange rate		(25,456)	(34,590)
Net decrease in cash and cash equivalents		(1,551,023)	(710,935)
Cash and cash equivalents at beginning of year	6(1)	4,942,919	5,653,854
Cash and cash equivalents at end of year	6(1)	$ 3,391,896	$ 4,942,919

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

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

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

(3) As of December 31, 2018, the Company and its subsidiaries (collectively referred herein as the "Group") had 10,228 employees.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 15, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

Based on the Group’s assessment, significant impacts to the Group’s financial condition and financial performance of the above standards and interpretations are as follows:

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The

Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

(d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

B. IFRS 15, 'Revenue from contracts with customers' and amendments

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

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

(b) The Group has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarized below:

Consolidated balance sheet

Affected items	Book value under previous revenue standard	Adjustment for initial application of IFRS 15	Adjusted amount after IFRS 15 adoption	Remark
January 1, 2018				
Contract assets	$ -	$ 491,632	$ 491,632	
Inventory	826,956	(392,220)	434,736	
Retained earnings	3,566,041	99,412	3,665,453	

Revenue recognition of customised products

Formosa Advanced Technologies Co., Ltd. provides assembly and testing services of various integrated circuits based on the specifications as required by the customers. The revenue is recognized when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon acceptance. Considering that the highly customised products have no alternative use to Formosa Advanced Technologies Co., Ltd. and Formosa Advanced Technologies Co., Ltd. has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized based on the percentage of completion under the new revenue standard. As a result, retained earnings and non-controlling interest will have to be increased by $65,924 and $34,118, respectively, inventory decreased by $392,220 and contract assets increased by $491,632 with the application of the new standard.

C. Amendments to IAS 7, ‘Disclosure initiative’

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

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, ‘Leases’

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

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the “modified retrospective approach”). On January 1, 2019, it is expected that ‘right-of-use asset’ and lease liability will be increased by $1,048,552 (including reclassified from long-term prepaid rent) and $787,655, respectively.

(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 IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 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, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with 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.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2018	December 31, 2017	Description
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	46.68	65.68	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residences and buildings, and development of new community and specialised zones	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100.00	100.00	
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	50.00	50.00	
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Dong Nai Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding company	100.00	100.00	
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100.00	100.00	

Note 1: The Company sold shares of Formosa Advanced Technologies Co., Ltd. to Nan Ya Technology Corp. in July, 2018. The Company owns more than half of the seats in the Board of Directors of Formosa Advanced Technologies Co., Ltd. and has substantive control over the company.

Except for the subsidiaries, Formosa Taffeta Vietnam Co., Ltd., Xiamen Xiangyu Formosa Import

& Export Trading Co., Ltd., Formosa Taffeta Dong Nai Co., Ltd. and Schoeller F.T.C. (Hong Kong) Co., Ltd. whose financial statements were audited by other independent accountants, the financial statements of other subsidiaries were audited by the parent company's auditors.

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

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

E. Significant restrictions: None.

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

As of December 31, 2018 and 2017, the non-controlling interest amounted to $6,055,486 and $3,803,175, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
Name of subsidiary	Principal place of business	December 31, 2018 Amount	December 31, 2018 Ownership (%)	December 31, 2017 Amount	December 31, 2017 Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	$ 6,055,275	53.32	$ 3,803,168	34.32

Summarized financial information on the subsidiaries:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 6,792,443	$ 8,283,373
Non-current assets	5,882,131	3,891,808
Current liabilities	(1,231,815)	(1,010,778)
Non-current liabilities	(86,280)	(82,910)
Total net assets	$ 11,356,479	$ 11,081,493

Statements of comprehensive income

	Formosa Advanced Technologies Co., Ltd. Years ended December 31,	
	2018	2017
Revenue	$ 8,785,525	$ 7,888,494
Profit before income tax	1,750,953	1,585,566
Income tax expense	(330,660)	(192,480)
Profit for the year	1,420,293	1,393,086
Other comprehensive (loss) income, net of tax	(138,670)	302,131
Total comprehensive income for the year	$ 1,281,623	$ 1,695,217
Comprehensive income attributable to non-controlling interest	$ 541,315	$ 581,798

Statements of cash flows

	Formosa Advanced Technologies Co., Ltd. Years ended December 31,	
	2018	2017
Net cash provided by operating activities	$ 2,266,218	$ 2,358,444
Net cash used in investing activities	(3,372,679)	(1,949,538)
Net cash used in financing activities	(1,105,556)	(884,444)
Decrease in cash and cash equivalents	(2,212,017)	(475,538)
Cash and cash equivalents, beginning of year	3,479,352	3,954,890
Cash and cash equivalents, end of year	$ 1,267,335	$ 3,479,352

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

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

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

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

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

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(15) Impairment of non-financial assets

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

(16) Borrowings

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

(17) Notes and accounts payable

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

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

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

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

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

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) Financial guarantee contracts

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.

ii. Remeaurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and recoreded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

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

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

(23) 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 realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or 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.

(24) Share capital

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

(25) Dividends

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

(26) Revenue recognition

A. The Group manufactures and sells various fabrics and IC products, and renders services as an oil distributor. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

D. Formosa Advanced Technologies Co., Ltd. renders IC packaging and testing services. Considering that the highly customized products have no alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized in the reporting period in which the services are delivered to the customers. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the costs incurred relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(27) Operating segments

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

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

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

(1) Revenue recognition

For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected costs.

(2) Impairment assessment of investments accounted for using equity method

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

(3) Impairment assessment of accounts receivable

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

(4) Evaluation of inventories

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

As of December 31, 2018, the carrying amount of inventories was $8,710,037.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 156,022	$ 131,912
Checking accounts and demand deposits	1,797,743	1,524,572
Time deposits	419,938	318,588
Commercial paper	1,018,193	2,967,847
	$ 3,391,896	$ 4,942,919

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The rate range of time deposit on December 31, 2018 and 2017 are 2.75%~5.47% and 1.55%~7.40%, respectively.

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

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

Items	December 31, 2018	December 31, 2017
Current items:		
Beneficiary certificates	$ 466,353	$ 619,504
Forward foreign exchange contracts	-	398
	466,353	619,902
Valuation adjustment	13,137	10,494
	$ 479,490	$ 630,396

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

	Years ended December 31, 2018	Years ended December 31, 2017
Beneficiary certificates	$ 2,681	$ 2,376
Forward foreign exchange contracts	(398)	398
	$ 2,283	$ 2,774

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative Instruments	December 31, 2017 Contract Amount (Notional Principal)		December 31, 2017 Contract Period
Current items:			
Forward foreign exchange contracts			
Taipei Fubon Bank	JPY	192,020	2017.11~2018.02

The Group had no financial assets held for trading on December 31,2018.

The forward exchange contracts are buy and sell to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Effective 2018

Items	December 31, 2018
Current items:	
Equity instruments	
Listed stocks	$ 2,482,503
Unlisted stocks	100,000
	2,582,503
Valuation adjustment	1,091,714
	$ 3,674,217
Non-current items:	
Equity instruments	
Listed stocks	$ 8,739,607
Unlisted stocks	6,747,554
	15,487,161
Valuation adjustment	31,025,540
	$ 46,512,701

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 $50,186,918 as at December 31, 2018.

B. Aiming to satisfy the operating capital needs, the Group sold its equity investment in Nan Ya Technology Corp. at fair value of $772,686 which resulted in loss on disposal (including the portion attributable to non-controlling interests) of ($1,804,708) during the year ended December 31, 2018 which was reclassified to retained earnings.

C. 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:

	Year ended December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognized in other comprehensive income	($ 3,471,683)
Cumulative losses reclassified to retained earnings due to derecognition (including the portion attributable to non-controlling interest)	($ 1,813,704)

D. As at December 31, 2018, 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 was $50,186,918.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 116,511	$ 164,311
Accounts receivable	$ 4,181,310	$ 3,644,252
Less: Allowance for uncollectible accounts	(71,033)	(76,521)
	$ 4,110,277	$ 3,567,731

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

	December 31, 2018	December 31, 2017
Not past due	$ 4,092,982	$ 3,618,474
Up to 30 days	154,591	146,964
31 to 90 days	45,066	32,878
Over 90 days	5,182	10,247
	$ 4,297,821	$ 3,808,563

The above ageing analysis was based on past due date.

B. As at December 31, 2018 and 2017, 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 $4,297,821 and $3,808,563, respectively.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,762,233	($ 94,897)	$ 1,667,336
Supplies	212,154	(3,968)	208,186
Work in process	2,866,411	(6,643)	2,859,768
Finished goods	3,789,718	(578,621)	3,211,097
Merchandise inventory	159,786	-	159,786
Materials in transit	348,702	-	348,702
Outsourced processed materials	216,874	(71)	216,803
Construction in progress	16,135	-	16,135
Land for construction	22,224	-	22,224
	$ 9,394,237	($ 684,200)	$ 8,710,037

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,595,346	($ 92,680)	$ 1,502,666
Supplies	230,935	(8,023)	222,912
Work in process	2,581,319	(6,731)	2,574,588
Finished goods	3,629,029	(413,191)	3,215,838
Merchandise inventory	286,276	-	286,276
Materials in transit	414,289	-	414,289
Outsourced processed materials	190,085	(109)	189,976
Construction in progress	23,284	-	23,284
Land for construction	22,224	-	22,224
	$ 8,972,787	($ 520,734)	$ 8,452,053

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 year:

	Years ended December 31, 2018	Years ended December 31, 2017
Cost of goods sold	$ 39,145,029	$ 35,574,881
Inventory valuation loss	176,918	16,813
Others (Note)	(57,940)	(24,801)
	$ 39,264,007	$ 35,566,893

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

(6) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Formosa Industries Co., Ltd.	$ 2,008,842	$ 1,938,483
Quang Viet Enterprise Co., Ltd.	1,191,261	1,149,965
Changshu Yu Yuan Development Co., Ltd.	16,403	35,008
	$ 3,216,506	$ 3,123,456

A. 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 December 31, 2018	Shareholding ratio December 31, 2017	Nature of relationship	Method of measurement
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	17.99%	17.92%	Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%	40.78%	Associate	Equity method

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

Balance sheets

	Formosa Industries Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 12,272,938	$ 9,291,100
Non-current assets	21,232,063	20,614,037
Current liabilities	(11,529,804)	(5,965,869)
Non-current liabilities	(2,749,255)	(5,439,066)
Total net assets	$ 19,225,942	$ 18,500,202
Share in associate's net assets	$ 1,922,594	$ 1,850,020
Difference	86,248	88,463
Carrying amount of the associate	$ 2,008,842	$ 1,938,483

	Quang Viet Enterprise Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 7,605,631	$ 5,987,697
Non-current assets	3,222,091	2,705,609
Current liabilities	(3,043,953)	(2,064,121)
Non-current liabilities	(329,187)	(52,152)
Total net assets	$ 7,454,582	$ 6,577,033
Share in associate's net assets	$ 1,341,079	$ 1,178,604
Difference	(149,818)	(28,639)
Carrying amount of the associate	$ 1,191,261	$ 1,149,965

	Changshu Yu Yuan Development Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 96,864	$ 157,599
Non-current assets	106	280
Current liabilities	(26,867)	(54,986)
Total net assets	$ 70,103	$ 102,893
Share in associate's net assets	$ 28,588	$ 41,960
Difference	(12,185)	(6,952)
Carrying amount of the associate	$ 16,403	$ 35,008

Statements of comprehensive income

	Formosa Industries Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 31,560,607	$ 25,827,459
Profit for the year from continuing operations (Total comprehensive income)	$ 1,202,739	$ 806,833

	Quang Viet Enterprise Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 13,280,440	$ 10,203,655
Profit for the year from continuing operations	$ 857,041	$ 546,996
Other comprehensive income (loss), net of tax	4,405	(110,617)
Total comprehensive income	$ 861,446	$ 436,379

	Changshu Yu Yuan Development Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ -	$ 34,761
(Loss) profit for the year from continuing operations (Total comprehensive income)	($ 240)	$ 11,436

B. The investment income of $238,313 and $193,934 for the years ended December 31, 2018 and 2017, respectively, were accounted for under the equity method based on the audited financial statements of the investee companies.

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

D. The Group’s material associate, Quang Viet Enterprise Co., Ltd., has quoted market prices. As of December 31, 2018 and 2017, the fair value was $1,952,512 and $2,426,693, respectively.

(7) Property, plant and equipment

At January 1, 2018	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
Cost	$ 2,545,786	$ 11,047,542	$ 41,347,517	$ 9,003,970	$ 1,976,014	$ 65,920,829
Accumulated depreciation	(14,598)	(5,864,637)	(34,546,863)	(8,316,598)	-	(48,742,696)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278
Year ended December 31, 2018						
Opening net book amount	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278
Additions	-	-	584	62	4,539,028	4,539,674
Disposals	(342,670)	(283)	(120,743)	(5,967)	(25,016)	(494,679)
Transfers	-	390,882	4,675,201	114,699	(5,180,782)	-
Depreciation charge	(294)	(364,837)	(1,782,441)	(192,718)	-	(2,340,290)
Net exchange differences	(31)	(5,284)	47,582	31	1,677	43,975
Closing net book amount	$ 2,032,455	$ 5,203,383	$ 9,620,720	$ 603,479	$ 1,310,921	$ 18,770,958
At December 31, 2018						
Cost	$ 2,202,809	$ 11,402,399	$ 44,120,710	$ 8,938,006	$ 1,310,921	$ 67,974,845
Accumulated depreciation	(14,616)	(6,199,016)	(34,499,873)	(8,334,527)	-	(49,048,032)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,032,455	$ 5,203,383	$ 9,620,720	$ 603,479	$ 1,310,921	$ 18,770,958

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2017						
Cost	$ 2,545,968	$ 10,676,232	$ 41,715,725	$ 9,183,608	$ 1,475,773	$ 65,597,306
Accumulated depreciation	(14,554)	(5,528,770)	(34,857,645)	(8,396,115)	-	(48,797,084)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	$ 2,375,676	$ 5,147,462	$ 6,857,809	$ 787,493	$ 1,475,773	$ 16,644,213
Year ended December 31, 2017						
Opening net book amount	$ 2,375,676	$ 5,147,462	$ 6,857,809	$ 787,493	$ 1,475,773	$ 16,644,213
Additions	-	-	-	41	2,889,276	2,889,317
Disposals	-	(32)	(47,331)	(3,975)	-	(51,338)
Transfers (Note)	108	522,968	1,727,560	122,864	(2,309,875)	63,625
Depreciation charge	(290)	(377,912)	(1,595,280)	(204,473)	-	(2,177,955)
Net exchange differences	(44)	(109,581)	(142,221)	(14,578)	(79,160)	(345,584)
Closing net book amount	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278
At December 31, 2017						
Cost	$ 2,545,786	$ 11,047,542	$ 41,347,517	$ 9,003,970	$ 1,976,014	$ 65,920,829
Accumulated depreciation	(14,598)	(5,864,637)	(34,546,863)	(8,316,598)	-	(48,742,696)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278

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

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

	Years ended December 31,	
	2018	2017
Amount capitalized	$ 13,002	$ 16,058
Range of the interest rates for capitalisation	0.98%~4.45%	0.98%~3.03%

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

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

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

D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles of land which the Company has acquired for future plant expansion is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of December 31, 2018 and 2017, the land mortgaged to the Company was $808,300.

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

	December 31, 2018	December 31, 2017
Land use right - Formosa Taffeta Co., Ltd.	$ 108	$ 269
Land use right - Formosa Taffeta (Zhong Shan) Co., Ltd.	28,492	30,278
Land use right - Formosa Taffeta Dong Nai Co., Ltd.	123,200	125,868
Land use right - Formosa Taffeta (Changshu) Co., Ltd.	109,097	114,212
	$ 260,897	$ 270,627

A. Land use right of Formosa Taffeta Co., Ltd. pertains to the payment for the right to establish a petrol station and title transfer of land leasing right and is amortized over the land lease period under the contract. The Group recognized rental expense for the years ended December 31, 2018 and 2017 amounting to $161 and $171, respectively.

B. Formosa Taffeta (Zhong Shan) Co., Ltd. has leased land of Xijiangbian Dingxi Village, Shenwan Town, Zhengshan, Guangdong amounting to 508 acres from Shenwan Town People's Government of Zhongshan City in Guangdong Province, Mainland China and paid land use right of HK 12,599 thousand. The effective period is 50 years from the date of issuance of certificate of land use right, and the lease period is from November 20, 1991 to November 20, 2041. The Group recognized rental expense for the years ended December 31, 2018 and 2017 amounting to RMB 266 thousand for both years.

C. Formosa Taffeta Dong Nai Co., Ltd. has paid land use right of VND75,655,550 thousand and VND48,134,338 thousand for the leased land of 273,661.1 square meters and 65,086 square meters in Nhon Trach 3 Industrial Zone in Nhon Trach District, Dong Nai Province, Vietnam from Formosa Industries Corporation in September 2004 and December 2012, respectively. The lease period started from September 1, 2004 and December 1, 2012, respectively, and the effective periods both end on April 1, 2051. The Group recognized rental expense for the years ended December 31, 2018 and 2017 amounting to VND 2,738,932 thousand for both years.

D. Formosa Taffeta (Changshu) Co., Ltd. has leased 3 parcels of land amounting to 277,172 square meters in the Economic Development Zone from Changshu City Land and Resources Bureau in Jiangsu Province, Mainland China. The effective period of land use right started from the date of issuance of certificate of land use right and the lease period ends in December 2056 to December 2076. Furthermore, partial land was not used until November 18, 2011, so the government has taken back the land. Proceeds of land amounted to RMB 12,738 thousand in February 2012 and impairment loss in 2011 was RMB 4,726 thousand. Otherwise, the Economic Development Zone refunded a part of money and reissued the land use right for resumption of 794 square meters of land in December, 2012. In March 2015, Formosa Taffeta (Changshu) Co., Ltd. divided some part of housing land and established a new company, Changshu Fushun Enterprise Management Co., Ltd. (details are provided in Note 6(8)E). As of December 31, 2018, the area of the Company's 2 leased parcels of land was 166,509 square meters, and the effective period of land use right ends in December 2056. The Group recognized rental expense for the years ended December 31, 2018 and 2017 amounting to RMB 640 thousand for both years.

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

(9) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Mortgage Loan	$ 3,638,538	1.40%~4.35%	Property, plant and equipment and inventories

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 2,798,304	1.40%~4.79%	Property, plant and equipment and inventories
Purchase loans	7,386	0.32%~0.36%	-
	$ 2,805,690		

(10) Short-term notes and bills payable

	December 31, 2018	December 31, 2017
Commercial paper payable	$ -	$ 1,300,000
Less: Commercial paper payable discount	-	(194)
	$ -	$ 1,299,806
Interest rate	-	0.56%

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

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

Items	December 31, 2018	December 31, 2017
Financial liabilities held for trading		
Forward foreign exchange contracts	$ 774	$ -

A. The Group recognized net (loss) gain of ($774) and $1,381 on financial liabilities held for trading for the years ended December 31, 2018 and 2017, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

	December 31, 2018	
Derivative Financial Liabilities	Contract Amount (Notional Principal)	Contract Period
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	JPY 50,000,000	2018.12~2019.2
Taipei Fubon Bank	JPY 56,800,000	2018.12~2019.2
Chang Hwa Bank	JPY 50,000,000	2018.12~2019.1
Chang Hwa Bank	JPY 50,210,000	2018.12~2019.1

The Group had no financial liabilities held for trading on December 31, 2017.

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(12) Other payables

	December 31, 2018	December 31, 2017
Salaries and year-end bonus payable	$ 784,330	$ 791,135
Accrued utilities expenses	130,048	139,213
Payable on equipment	62,814	86,955
Commission payable	54,564	56,485
Dividend payable	9,943	9,092
Others	907,798	728,727
	$ 1,949,497	$ 1,811,607

(13) Long-term borrowings

	December 31, 2018	December 31, 2017
Credit borrowings	$ 8,192,200	$ 11,222,071
Less: Current portion	(169,901)	(138,499)
	$ 8,022,299	$ 11,083,572
Interest rate	0.98%~4.45%	1.00%~3.36%

(14) 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 insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 2,674,363	$ 2,953,789
Fair value of plan assets	(2,157,689)	(2,138,501)
Net defined benefit liability	$ 516,674	$ 815,288

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 2,953,789	($ 2,138,501)	$ 815,288
Current service cost	29,909	-	29,909
Interest expense (income)	36,922	(27,355)	9,567
	3,020,620	(2,165,856)	854,764
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(57,917)	(57,917)
Experience adjustments	(91,091)	-	(91,091)
	(91,091)	(57,917)	(149,008)
Pension fund contribution	-	(185,679)	(185,679)
Paid pension	(255,166)	251,763	(3,403)
Balance at December 31	$ 2,674,363	($ 2,157,689)	$ 516,674

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 2,790,471	($ 1,963,103)	$ 827,368
Current service cost	32,194	-	32,194
Interest expense (income)	34,881	(25,244)	9,637
	2,857,546	(1,988,347)	869,199
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	10,910	10,910
Change in financial assumptions	6,809	-	6,809
Experience adjustments	315,358	-	315,358
	322,167	10,910	333,077
Pension fund contribution	-	(378,212)	(378,212)
Paid pension	(225,924)	217,148	(8,776)
Balance at December 31	$ 2,953,789	($ 2,138,501)	$ 815,288

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2018	2017
Discount rate	1.25%	1.25%
Future salary increases	1.00%	1.00%

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2018 and 2017, respectively.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 37,514)	$ 39,070	$ 168,731	($ 146,458)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 43,023)	$ 44,829	$ 197,246	($ 170,847)

The sensitivity analysis above was based on one assumphion which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2019 amount to $88,821.

(g) As of December 31, 2018, the Company's and its domestic subsidiaries' weighted average duration of that retirement plan is 8 years and 20 years, respectively.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd., and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of the employees' monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.

(c) The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta Dong Nai Co., Ltd., have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) Formosa Taffeta (Hong Kong) Co., Ltd. and Schoeller FTC (Hong Kong) Co., Ltd. have defined contribution plans whereby contributions are made to the mandatory provident fund based on a percentage of the employees' salaries and wages as full-time employees' pension benefit.

(e) Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulation.

(f) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $165,871and $159,924, respectively.

(15) Share capital

A. As of December 31, 2018, the Company's authorized and issued capital was $16,846,646, consisting of 1,684,665,000 shares of common stock, with a par value of $10 per share.

B. For the years ended December 31, 2018 and 2017, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Year ended December 31, 2018 Beginning shares	Additions	Disposal	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,293	-	(50)	2,243

Reason for reacquisition	Investee company	Year ended December 31, 2017 Beginning shares	Additions	Disposal (Note)	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,473	-	(180)	2,293

Note: The capital surplus amounting to $1,041 and $2,891 resulted from the subsidiary, Formosa Development Co., Ltd.'s disposal of 50,000 and 180,000 shares of the parent company during the years ended December 31, 2018 and 2017, respectively.

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

(16) 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 Act requires that the amount of capital surplus to be capitalized 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.

	2018				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1	$ 19,899	$ 545	$ 2,032	$ 250,345	$ 1,502
Disposal of treasury shares	1,041	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	4,357	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,105	-	980,948	-
Changes in the net interest of associates recognized under the equity method	-	-	-	5,264	-
Expired cash dividends transferred to capital surplus	-	-	-	-	1,822
At December 31	$ 25,297	$ 1,650	$ 2,032	$ 1,236,557	$ 3,324

	2017				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1	$ 13,569	$ 545	$ 2,032	$ 250,312	$ -
Disposal of treasury shares	2,891	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	3,439	-	-	-	-
Changes in the net interest of associates recognized under the equity method	-	-	-	33	-
Expired cash dividends transferred to capital surplus	-	-	-	-	1,502
At December 31	$ 19,899	$ 545	$ 2,032	$ 250,345	$ 1,502

(17) Retained earnings

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

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

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

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

D. The appropriations of 2017 and 2016 earnings had been resolved at the stockholders’ meeting on June 22, 2018 and June 23, 2017, respectively. Details are summarized below:

	2017 earnings		2016 earnings	
	Amount (in thousands)	Dividends per share (in dollars)	Amount (in thousands)	Dividends per share (in dollars)
Legal reserve	$ 427,987		$ 348,129	
Special reserve	-		506,036	
Cash dividends	3,200,863	$ 1.90	2,526,997	$ 1.50
	$ 3,628,850		$ 3,381,162	

E. As of December 31, 2018 and 2017, unpaid stock dividends amounted to $9,943 and $9,092, respectively.

F. The appropriations of 2018 earnings had been resolved by the Board of Directors on March 15, 2019. Details are summarized below:

	2018 earnings	
	Amount (in thousands)	Dividends per share (in dollars)
Legal reserve	$ 473,741	
Cash dividends	3,537,796	$ 2.10

G. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(23).

(18) Other equity items

	Unrealized gains (losses) on valuation	Currency translation	Non-controlling interest
January 1, 2018	$ 38,440,218	($ 914,267)	$ 3,803,175
Retrospective adjustments	(4,760,072)	-	33,939
January 1, 2018 after adjustments	33,680,146	(914,267)	3,837,114
Revaluation			
– Group	(3,330,847)	-	-
– Associates	1,071	-	-
– Non-controlling interest	-	-	(141,907)
Revaluation transferred to retained earnings			
– Group	1,810,626	-	-
– Non-controlling interest	-	-	3,114
Difference of currency translation			
– Group	-	154,507	-
– Associates	-	14,914	-
– Non-controlling interest	-	-	281
Remeasurement of defined benefit plan			
– Non-controlling interest	-	-	(2,816)
Net income of non-controlling interest	-	-	583,294
Difference between consideration and carrying amount of subsidiaries aquired or disposed	(118,806)	-	(1,105)
Change of net share under equity method	(1,562)	-	-
Changes in share of consolidated subsidiaries	(3,804)	-	(20,129)
Cash dividends paid by consolidated subsidiaries	-	-	(380,089)
Change of non-controlling interest	-	-	2,177,729
December 31, 2018	$ 32,036,824	($ 744,846)	$ 6,055,486

	Available-for-sale investments	Currency translation	Non-controlling interest
January 1, 2017	$ 36,313,040	$ 13,387	$ 3,531,750
Change in unrealized gain or loss on available-for-sale financial assets			
— Group	2,126,784	-	-
— Associates	394	-	-
— Non-controlling interest	-	-	105,762
Difference of long-term equity investment from cumulative translation differences of foreign operations			
— Group	-	(754,356)	-
— Associates	-	(173,298)	-
— Non-controlling interest	-	-	(1,187)
Remeasurement of defined benefit plan			
— Non-controlling interest	-	-	(2,071)
Net income of non-controlling interest	-	-	480,145
Change in the ownership of consolidated subsidiaries	-	-	18
Cash dividends paid by consolidated subsidiaries	-	-	(311,242)
December 31, 2017	$ 38,440,218	($ 914,267)	$ 3,803,175

(19) Operating revenue

	Year ended December 31, 2018
Sales revenue	$ 44,258,290
Service revenue	286,763
	$ 44,545,053

A. Contract assets

Formosa Advanced Technologies Co., Ltd. has recognized the following IC revenue-related contract assets:

	December 31, 2018
Contract assets relating to IC revenue	$ 788,643

B. All Formosa Advanced Technologies Co., Ltd. assembly and testing services contracts of various integrated circuits are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

C. Related disclosures on operating revenue for 2017 are provided in Note 12(5) B.

(20) Other income

	Years ended December 31,	
	2018	2017
Interest income from bank deposits	$ 26,553	$ 26,315
Dividend income	2,677,904	2,411,958
Other income	204,345	259,091
	$ 2,908,802	$ 2,697,364

(21) Other gains and losses

	Years ended December 31,	
	2018	2017
Gains on disposals of property, plant and equipment	$ 903,034	$ 38,696
Gains on disposals of investments	-	275,611
Foreign exchange gains (losses)	71,102	(138,690)
Forward foreign exchange contracts		
Gains on financial assets at fair value through profit or loss	2,283	2,774
Gains (losses) on financial liabilities at fair value through profit or loss	(774)	1,381
Bank charges	(37,700)	(33,578)
Other gains and losses	(52,013)	(37,309)
	$ 885,932	$ 108,885

(22) Expenses by nature

	Years ended December 31,	
	2018	2017
Employee benefit expense	$ 4,924,960	$ 4,931,294
Depreciation charges on property, plant and equipment	2,340,290	2,177,955
	$ 7,265,250	$ 7,109,249

(23) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	$ 4,110,984	$ 4,146,223
Labor and health insurance fees	438,399	412,750
Pension costs	205,347	201,756
Other personnel expenses	170,230	170,565
	$ 4,924,960	$ 4,931,294

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

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $10,543 and $8,994, respectively; while directors' and supervisors' remuneration was accrued at $5,272 and $4,497, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the Company's Articles of Incorporation of profit of current year distributable for the year ended December 31, 2018. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $10,543 and $5,272, and the employees' compensation will be distributed in the form of cash.

The employees' bonus and directors' and supervisors' remuneration for 2017 approved by shareholders were the same as the amounts shown in the 2017 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both $8,994 in the form of cash.

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

(24) Finance costs

	Years ended December 31, 2018	Years ended December 31, 2017
Interest expense:		
Bank borrowings	$ 224,417	$ 201,247
Less: Capitalization of qualifying assets	(13,002)	(16,058)
	$ 211,415	$ 185,189

(25) Income tax

A. Components of income tax expense

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 508,113	$ 278,626
Land value increment tax	129,638	-
Tax on undistributed surplus earnings	46,659	78,984
Prior year income tax underestimation	105,505	27,972
Effect of foreign exchange rate	1,731	1,363
Total current tax	791,646	386,945
Deferred tax:		
Origination and reversal of temporary differences	153,584	129,523
Impact of change in tax rate	14,431	-
Total deferred tax	168,015	129,523
Income tax expense	$ 959,661	$ 516,468

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 1,483,990	$ 1,144,144
Effect from permanent differences of income tax	(684,578)	(634,447)
Effect from temporary differences of income tax	(89,184)	(123,831)
Effect from investment tax credits	-	(24,998)
Tax exempt income by tax regulation	(173,443)	-
Prior year income tax underestimation	105,505	27,972
Effect from alternative minimum tax	-	31
Net change in deferred tax assets and liabilities	153,584	129,523
Effect of income tax from loss carryforward	-	(80,910)
Land value increment tax from selling land	129,638	-
Tax on undistributed earnings	46,659	78,984
Impact of change in tax rate	14,431	-
Suspension of securities trading income	(26,941)	-
Tax expense	$ 959,661	$ 516,468

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

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

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	$ 29,365	$ 40,081	$ -	$ 69,446
Allowance for bad debts in excess of tax deductible limit	2,128	375	-	2,503
Unrealized gains on disposal of equipment	17,711	(5,654)	-	12,057
Accrued pension liabilities	39,203	(29,793)	-	9,410
Loss carryforward	49,389	(49,389)	-	-
Unrealized foreign exchange loss	2,649	(2,268)	-	381
	140,445	(46,648)	-	93,797
Deferred tax liabilities:				
-Temporary differences				
Gain on valuation of financial assets	(641)	641	-	-
Investment income accounted for under equity method	(170,157)	(114,136)	-	(284,293)
Others	-	(7,872)	-	(7,872)
	(170,798)	(121,367)	-	(292,165)
	($ 30,353)	($ 168,015)	$ -	($ 198,368)

	Year ended December 31, 2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	$ 26,647	$ 2,718	$ -	$ 29,365
Allowance for bad debts in excess of tax deductible limit	2,084	44	-	2,128
Unrealized gains on disposal of equipment	17,507	204	-	17,711
Accrued pension liabilities	97,622	(58,419)	-	39,203
Loss carryforward	118,938	(69,549)	-	49,389
Unrealized foreign exchange loss	-	2,649	-	2,649
Loss on valuation of financial assets	4	(4)	-	-
	262,802	(122,357)	-	140,445
Deferred tax liabilities:				
-Temporary differences				
Unrealized foreign exchange gain	(7,031)	7,031	-	-
Gain on valuation of financial assets	-	(641)	-	(641)
Investment income accounted for under equity method	(156,601)	(13,556)	-	(170,157)
	(163,632)	(7,166)	-	(170,798)
	$ 99,170	($ 129,523)	$ -	($ 30,353)

D. The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd. and Formosa Development Co., Ltd. through 2016 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

F. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export

Trading Co., Ltd. is based on 25% of income generated within and outside Mainland China. In addition, Formosa Taffeta (Zhong Shan) Co., Ltd. was certificated as high-tech enterprise by Guangdong Provincial Government and contributed to the applicable income tax rate of the Company to be 15% for 3 years from 2018.

G. The income tax rate of Formosa Taffeta Vietnam Co., Ltd. was approved by Vietnam government to be 10% for 15 years from the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit-making year and 20% income tax exemption for the next 4 years.

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

I. In accordance with local tax regulations, the applicable income tax rate of Schoeller F.T.C. (Hong Kong) Co., Ltd. and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

(26) Earnings per share

A. Basic earnings per share

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

	Year ended December 31, 2018				
	Amount		Weighted-average common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 6,280,361	$ 5,320,700	1,682,385	$ 3.73	$ 3.17
Profit attributable to the non-controlling interest	(1,024,599)	(583,294)		(0.61)	(0.35)
Profit attributable to the parent	$ 5,255,762	$ 4,737,406		$ 3.12	$ 2.82

	Year ended December 31, 2017				
	Amount		Weighted-average common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 5,276,484	$ 4,760,016	1,682,339	$ 3.13	$ 2.83
Profit attributable to the non-controlling interest	(793,064)	(480,145)		(0.47)	(0.29)
Profit attributable to the parent	$ 4,483,420	$ 4,279,871		$ 2.66	$ 2.54

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

	Year ended December 31, 2018				
	Amount		Common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 6,280,361	$ 5,320,700	1,684,665	$ 3.73	$ 3.16
Profit attributable to the non-controlling interest	(1,024,599)	(583,294)		(0.61)	(0.35)
Profit attributable to the parent	$ 5,255,762	$ 4,737,406		$ 3.12	$ 2.81

	Year ended December 31, 2017				
	Amount		Common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 5,276,484	$ 4,760,016	1,684,665	$ 3.13	$ 2.83
Profit attributable to the non-controlling interest	(793,064)	(480,145)		(0.47)	(0.29)
Profit attributable to the parent	$ 4,483,420	$ 4,279,871		$ 2.66	$ 2.54

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and diluted earnings per share for the years ended December 31, 2018 and 2017.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31, 2018	Years ended December 31, 2017
Purchase of property, plant and equipment	$ 4,539,674	$ 2,889,317
Add: Opening balance of payable on equipment	86,955	43,229
Less: Ending balance of payable on equipment	(62,814)	(86,955)
Cash paid during the year	$ 4,563,815	$ 2,845,591

(28) Changes in liabilities from financing activities

For the year ended December 31, 2018, the change of short-term borrowings, short-term notes and bills payable, long-term borrowings and effect of foreign exchange rate are $832,848, ($1,299,806), ($3,033,083) and $3,211, respectively.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

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

Names of related parties	Relationship with the Group
Formosa Chemicals & Fibre Corp.	Parent company
Kuang Yueh Co. Corp.	Associate
Formosa Industries Corp.	Associate
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 Technology Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Nan Ya PCB Corp.	Other related party
Nan Ya Photonics Inc.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nanya Plastic (Guangzhou) Co.,Ltd.	Other related party
Nan Ya (Kunshan) 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
Piecemakers Technology, Inc. (Note)	Other related party
Kong You Industrial Co., Ltd.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party
Formosa Ha Tinh(Cayman) Limited	Other related party

Nan Ya Polyester Fiber (Kunshan) Corp. Other related party
Nanya Plastic (Guangzhou) Co.,Ltd. Other related party
Nan Ya (Kunshan) 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
Piecemakers Technology, Inc. (Note) Other related party
Kong You Industrial Co., Ltd. Other related party
Jiaxing Quang Viet Garment Co., Ltd. Other related party
Formosa Ha Tinh(Cayman) Limited Other related party
Formosa Asahi Spandex Corp. Other related party

Note: Since Nan Ya Technology Corp. sold all owned shares of Piecemakers Technology Inc. in February 2018, Piecemakers Technology Inc. is no longer the related party of the Group.

(3) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2018	2017
Sales of goods:		
－Ultimate parent	$ 565	$ 17,705
－Associates	393,650	372,424
－Other related party		
Nan Ya Technology Corp.	6,161,227	5,295,339
Others	979,189	838,163
	$ 7,534,631	$ 6,523,631

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

B. Purchases of goods

	Years ended December 31,	
	2018	2017
Purchases of goods:		
－Ultimate parent	$ 2,432,999	$ 2,021,526
－Associates	897,996	860,117
－Other related party		
Formosa Petrochemical Corp.	10,916,187	9,606,981
Others	1,787,121	1,756,387
	$ 16,034,303	$ 14,245,011

Goods and services are purchased from ultimate parent and other related parties on normal

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commercial terms and conditions.

C. Receivables from related parties

	December 31, 2018	December 31, 2017
Notes and accounts receivable:		
－Ultimate parent	$ 98	$ 75
－Associates	41,091	50,477
－Other related party		
Nan Ya Technology Corp.	1,006,359	953,005
Others	185,309	177,765
	1,232,857	1,181,322
Other receivables - dividends		
－Associates		
Formosa Industries Corp.	-	90,347
	$ 1,232,857	$ 1,271,669

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sale. There are no provisions held against receivables from related parties.

D. Notes and accounts payable

	December 31, 2018	December 31, 2017
Notes and accounts payable:		
－Ultimate parent	$ 693,798	$ 573,447
－Associates	46,854	118,943
－Other related party		
Formosa Petrochemical Corp.	397,563	542,953
Others	193,626	152,186
	$ 1,331,841	$ 1,387,529

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

(a) Disposal of property, plant and equipment:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Other related party	$ 24,967	$ -	$ 390	$ -

(b) Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2018 Consideration
Other related party	Non-current financial assets at fair value through other comprehensive income	19,000,970	Formosa Ha Tinh (Cayman) Limited	$ 566,417

	Accounts	No. of shares	Objects	Year ended December 31, 2017 Consideration
Other related party	Non-current available-for-sale financial assets	19,000,970	Formosa Ha Tinh (Cayman) Limited	$ 587,072
Other related party	Non-current available-for-sale financial assets	600	FG INC	198,066
				$ 785,138

(c) Disposal of financial assets:

	Accounts	No. of shares (in thousands)	Objects	Year ended December 31, 2018 Proceeds	Gain/(loss)
Other related party	Investments accounted for under equity method	84,022	Formosa Advanced Technologies Co., Ltd.	$ 3,039,857	Note

Note: The gain on disposal (including the portion attributable to non-controlling interests) of $980,948 was reclassified to capital surplus.

F. Others

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

i. Land lease fee: 3% of Formosa Industry's land rent revenue

ii. Utilities service fee: 3% of Formosa Industry's monthly sale of electricity to lessees in investment district

iii. Management fee: the full amount of management fee collected from lessees in investment district to Formosa Industry shall be paid to the Company and its subsidiaries.

For the years ended December 31, 2018 and 2017, Formosa Taffeta Dong Nai Co., Ltd. has recognized lease service fee income in investment district of $34,274 and $30,947, respectively, for rendering the abovementioned consigned services. As of December 31, 2018 and 2017, the uncollected amount of $3,241 and $2,877, respectively, was recognized under 'other receivables'. For the above land leasing, as of December 31, 2018 and 2017, the total management expenses and utility expenses which Formosa Taffeta Dong Nai Co., Ltd. is due to collect from the related party, Formosa Industry, were $37,745 and $23,285, respectively, and was recognized under 'other payables'.

(4) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 48,895	$ 40,055
Post-employment benefits	105	1,047
	$ 49,000	$ 41,102

8. PLEDGED ASSETS

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

	Book Value		
Item	December 31, 2018	December 31, 2017	Purpose
Property, plant and equipment	$ 137,962	$ 138,662	Security for short-term borrowings
Inventories (Held-to-maturity land)	21,264	21,264	Security for short-term borrowings
	$ 159,226	$ 159,926	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Formosa Advanced Technologies Co., Ltd. is engaged in the processing of various integrated circuits packaging test and is responsible for custody for which the subsidiary needs to be compensated if lost. As of December 31, 2018, the items in custody are as follows:

	December 31, 2018							
A.Work in process	Quantity (Unit：PC)	Market value (per PC)	Quantity (Unit：piece)	Market value (per piece)	Quantity (Unit：bar)	Market value (per bar)	Quantity (Unit：stick)	Market value (stick)
LED	3,783,906	NTD 0.017~0.907	-	-	-	-	-	-
FBGA	42,170,784	USD 1.5~14.5	-	-	-	-	-	-
TSOP	4,170,289	USD 0.2~0.8	-	-	-	-	-	-
LED assembly	3,421,959	USD 0.39~11.94	-	-	-	-	347	NTD 27.4~570.5
Module	876,526	USD 0.2~14.5	-	-	44,692	USD 26~325.57	-	-
MICRO-SD	2,000	USD 1.598~5.99	-	-	-	-	-	-
Other	2,716	USD 1.65~4.8	1,360	USD 1,600	-	-	-	-
	54,428,180		1,360		44,692		347	

B. Finished goods	Quantity (Unit：PC)	Market value (per PC)	Quantity (Unit：piece)	Market value (per piece)	Quantity (Unit：bar)	Market value (per bar)	Quantity (Unit：stick)	Market value (stick)
LED	1,946,251	NTD 0.017~0.907	-	-	-	-	-	-
FBGA	141,863,355	USD 1.5~14.5	-	-	-	-	-	-
TSOP	6,704,834	USD 0.2~0.8	-	-	-	-	-	-
LED assembly	7,364,440	USD 0.39~11.94	-	-	-	-	1,674	NTD 27.4~570.5
Module	597,778	USD 0.2~14.5	-	-	26,335	USD 26~325.57	-	-
MICRO-SD	230	USD 1.598~5.99	-	-	-	-	-	-
Other	5,402	USD 1.65~4.8	22	USD 1,600	-	-	-	-
	158,482,290		22		26,335		1,674	

(2) The Company leases factory and land of gas station. The lease expense estimated to be incurred is as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 133,799	$ 124,729
Between 1 and 5 years	398,418	352,236
More than 5 years	327,310	280,489
	$ 859,527	$ 757,454

(3) As of December 31, 2018, 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	$ 2,225
JPY	2,109,474
EUR	904

(4) Endorsements and guarantees

As of December 31, 2018, in order to assist the subsidiaries in obtaining credit line, the Company has guaranteed the following amounts for subsidiaries:

Name of company	December 31, 2018
Formosa Taffeta (Zhong Shan) Co., Ltd.	$ 1,013,595
Formosa Taffeta Vietnam Co., Ltd.	1,535,750
Formosa Taffeta (Changshu) Co., Ltd.	1,689,325
Formosa Taffeta Dong Nai Co., Ltd.	4,668,680
Formosa Ha Tinh (Cayman) Limited	7,125,084
Public More Internation Company Ltd.	3,000

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6(17) F for the distribution of 2018 earnings which was proposed by the Board of Directors on March 15, 2019.

(2) Owing to the capital increase of FG INC. the Board of Directors during its meeting on March 15, 2019 resolved to increase its investment in FG INC. in the amount of USD 4,500 thousand, in proportion to the original shareholding ratio of 3% in FG INC. Consequently, the total investment in FG INC. will be USD 11 million.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2018, the Group’s strategy, was unchanged from 2017. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total borrowings	$ 11,830,738	$ 15,327,567
Less: Cash and cash equivalents	(3,391,896)	(4,942,919)
Net debt	8,438,842	10,384,648
Total equity	74,968,690	73,182,570
Total capital	83,407,532	83,567,218
Gearing ratio	10%	12%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at fair value through profit or loss	$ 479,490	$ 630,396
Financial assets measured at fair value through other comprehensive profit or loss	50,186,918	-
Available-for-sale financial assets	-	47,643,427
Financial assets at cost	-	5,786,870
Financial assets at amortized cost	9,178,343	10,305,327
	$ 59,844,751	$ 64,366,020
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	$ 774	$ -
Financial liabilities at amortized cost	16,676,253	20,172,291
	$ 16,677,027	$ 20,172,291

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

B. Financial risk management policies

(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 are as follows:

	December 31, 2018		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 117,372	30.73	$ 3,606,842
JPY:NTD	412,840	0.28	115,595
Non-monetary items			
VND:NTD	4,723,641,239	0.0013	6,140,734
HKD:NTD	289,967	3.93	1,139,570
RMB:NTD	439,400	4.48	1,968,512
USD:NTD	183,430	30.73	5,636,804
Financial liabilities			
Monetary items			
USD:NTD	3,951	30.73	121,414

	December 31, 2017		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 105,965	29.85	$ 3,163,055
USD:RMB	5,856	6.53	174,802
JPY:NTD	443,701	0.26	115,362
Non-monetary items			
VND:NTD	4,545,840,640	0.0013	5,909,593
HKD:NTD	287,387	3.82	1,097,818
RMB:NTD	406,178	4.57	1,856,233
USD:NTD	190,780	29.85	5,694,783
Financial liabilities			
Monetary items			
USD:NTD	3,819	29.85	113,997
USD:RMB	21,882	6.53	653,178

ii. The total exchange income (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $71,102 and ($138,690), respectively.

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

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 36,068	$ -
JPY:NTD	1%	1,156	-
Non-monetary items			
VND:NTD	1%	-	61,407
HKD:NTD	1%	-	11,396
RMB:NTD	1%	-	19,685
USD:NTD	1%	-	56,368
Financial liabilities			
Monetary items			
USD:NTD	1%	1,214	-

Financial assets	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Monetary items			
USD:NTD	1%	$ 31,631	$ -
USD:RMB	1%	1,748	-
JPY:NTD	1%	1,154	-
Non-monetary items			
VND:NTD	1%	-	59,096
HKD:NTD	1%	-	10,978
RMB:NTD	1%	-	18,562
USD:NTD	1%	-	56,948
Financial liabilities			
Monetary items			
USD:NTD	1%	1,140	-
USD:RMB	1%	6,532	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $3,830 and $5,232, 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 $501,869 and $476,434, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income and available-for sale equity investment.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD and USD.

ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of NTD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $63,200 and $151,060, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

iv. If the borrowing interest rate of USD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $978 and $2,269, respectively. The main factor is that changes in interest expense result in 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 their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the 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 provision matrix to estimate expected credit loss under the provision matrix basis.

vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On December 31, 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
At December 31, 2018					
Expected loss rate	1%	9%	47%	75%	
Total book value	$ 4,092,982	$ 154,591	$ 45,066	$ 5,182	$ 4,297,821
Loss allowance	31,694	14,088	21,367	3,884	71,033

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

	Year ended December 31, 2018		
	Notes receivable	Accounts receivable	Contract assets
At January 1	$ -	($ 76,521)	$ -
Reversal of impairment loss	-	5,090	-
Effect of foreign exchange	-	398	-
At December 31	$ -	($ 71,033)	$ -

(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, 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 December 31, 2018 and 2017, the Group held money market position of $53,902,282 and $58,871,700, 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.

Non-derivative financial liabilities:

		Less than 1 year		Between 1 and 2 years		Between 2 and 5 years
Long-term borrowings (including current portion)						
December 31, 2018	$	169,901	$	7,761,150	$	261,149
December 31, 2017		138,499		7,564,884		3,518,688

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

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

C. The related information of 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 of nature of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 479,490	$ -	$ -	$ 479,490
Financial assets at fair value through other comprehensive income				
Equity securities	43,914,680	403,500	5,868,738	50,186,918
	$ 44,394,170	$ 403,500	$ 5,868,738	$ 50,666,408
Financial liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 774	$ -	$ 774

December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 398	$ -	$ 398
Beneficiary certificates	629,998	-	-	629,998
Available-for-sale financial assets				
Equity securities	47,023,027	620,400	-	47,643,427
	$ 47,653,025	$ 620,798	$ -	$ 48,273,823

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

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

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

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

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

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2018:

	Year ended December 31, 2018	
	Non-derivative equity instruments	
At January 1	$	5,786,870
Retrospective adjustments		65,372
At January 1 after adjustments		5,852,242
Acquired in the period		566,417
Gains and losses recognized in other comprehensive income		
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	724,632)
Effect of exchange rate changes		174,711
At December 31	$	5,868,738

For the year ended December 31, 2017, there was no movement of Level 3.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

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

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

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	$ 344,372	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value
	5,524,366	Net asset value	Not applicable	Not applicable

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

			December 31, 2018	
			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%	$ 3,444	$ 3,444

There is no effect on other comprehensive income from financial assets and liabilities categorized within Level 3 for the year ended December 31, 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:

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

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

iii. They are initially recognized at fair value. Related transaction costs are expensed in profit or loss. They are subsequently remeasured and stated at fair value, and any changes in the fair value are recognized in profit or loss.

(b) Available for sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

iii. They are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Loans and receivables receivable are originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from ‘other comprehensive income’ to ‘profit or loss’. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(f) Financial guarantee contracts

A. A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Available-for-sale-current	Available-for-sale-non-current			Effects		
	Measured at fair value through other comprehensive income-current	Measured at fair value through other comprehensive income-non-current	Measured at cost	Total	Retained earnings	Other equity	Non-controlling interest
IAS 39	$ 3,649,141	$ 43,994,286	$ 5,786,870	$ 53,430,297	$ -	$ -	$ -
Transferred into and measured at fair value through other comprehensive income-non-current	-	5,786,870	(5,786,870)	-	-	-	-
Fair value adjustment	-	65,372	-	65,372	4,825,623	(4,760,072)	(179)
IFRS 9	$ 3,649,141	$ 49,846,528	$ -	$ 53,495,669	$ 4,825,623	($ 4,760,072)	($ 179)

Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets and financial assets at cost, amounting to $47,643,427 and $5,786,870, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to $53,495,669, which resulted to an increase in retained earnings in the amount of $4,825,623, and decrease in other equity interest and non-controlling interest in the amounts of $4,760,072 and $179, respectively, on initial application of IFRS 9.

C. The significant accounts as of and for the year ended December 31, 2017 are as follows:

(a)Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 2,282,862
Unlisted stocks	100,000
Valuation adjustment	1,266,279
	$ 3,649,141
Non-current items:	
Listed stocks	$ 11,317,003
Valuation adjustment	37,437,306
	48,754,309
Accumulated impairment	(4,760,023)
	$ 43,994,286

i. The Group recognized $2,232,940 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii. As of December 31, 2017, no available-for-sale financial assets held by the Group were pledged as collateral.

(b) Financial assets at cost

Items	December 31, 2017
Unlisted stocks	$ 5,786,870

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

ii. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

D. Credit risk information for the year ended December 31, 2017 is as follows:

(a) The equity financial instruments have active markets and are transacted through a stock exchange market or over-the counter market, or with financial institutions which are all in good credit standing. Therefore, the credit risk is low. Besides, the Group's policy requires that transactions for financial assets carried at cost be conducted with counterparties that meet the specified credit rating requirement; thus, the possibility that credit risk will arise is remote.

(b) The Group's policy requires that wholesale sales of products are made to clients with an appropriate credit review procedures. Therefore, the possibility of credit risk is low, and the maximum loss arising from credit risk is equal to the book value of accounts receivable.

(c) Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50% ownership. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.

(d) No credit limits were exceeded during the year ended December 31, 2017, and management does not expect any significant losses from non-performance by these counterparties.

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

	December 31, 2017
Group 1	$ 3,023,454
Group 2	289,231
Group 3	141,478
	$ 3,454,163

Note:

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

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

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

(f) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 146,964
31 to 90 days	32,878
91 to 180 days	3,172
Over 180 days	7,075
	$ 190,089

(g) Movement analysis of financial assets that were impaired - allowance for bad debts is as follows:

i. As of December 31, 2017 the Group's accounts receivable that were impaired were $0.

ii. Movements on the Group's provision for impairment of accounts receivable are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	$ 13,443	$ 79,909	$ 93,352
Reversal of provision for impairment	-	(2,223)	(2,223)
Write-offs during the year	(13,443)	-	(13,443)
Effect of exchange rate	-	(1,165)	(1,165)
At December 31	$ -	$ 76,521	$ 76,521

(5)Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

The Group manufactures and sells various fabrics and renders services as an oil distributor. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017
Sales revenue	$ 40,409,558
Service revenue	296,106
	$ 40,705,664

C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

Balance sheet items	Description	December 31, 2018 Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract assets		$ 788,643	$ -	$ 788,643
Inventory		8,710,037	9,512,094	(802,057)
Retained earnings		9,743,048	9,729,634	13,414

Comprehensive income statement items	Description	Year ended December 31, 2018 Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Sales revenue		$ 44,545,053	$ 44,246,305	$ 298,748
Operating costs		(39,264,007)	(38,852,433)	(411,574)
Net operating margin		5,281,046	5,393,872	(112,826)

Explanation:

Formosa Advanced Technologies Co., Ltd. provides assembly and testing services of various integrated circuits based on the specifications as required by the customers. The revenue is recognized when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon acceptance. Considering that the highly customised products have no alternative use to Formosa Advanced Technologies Co., Ltd. and Formosa Advanced Technologies Co., Ltd. has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized based on the percentage of completion under the new revenue standard.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

In accordance with "Rules Governing the Preparation of Financial Statements by Securities Issuers", significant transactions for the year ended December 31, 2018 are stated as follows. Furthermore, the inter-company transactions were eliminated based on the financial statements of investees which were audited by other independent accountants. The following disclosures are for reference only.

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 4.

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 5.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(11) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

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

B. The Group has four reportable segments: First business group, Second business group consisting of Cord fabric department, Gasoline department and FORMOSA ADVANCED TECHNOLOGIES CO., LTD. (FATC) department. Details are as follows:

(a) First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries–FORMOSA TAFFETA (ZHONG SHAN) CO., LTD., FORMOSA TAFFETA VIETNAM CO., LTD. and FORMOSA TAFFETA (HONG KONG) CO., LTD, etc.

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

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

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

(2) Measurement of segment information

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

(Blank)

(3) Information about segment profit or loss and assets

	Year ended December 31, 2018						
		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
Segment revenue							
Revenue from							
external customers	$ 14,142,892	$ 7,664,363	$ 12,144,072	$ 1,808,201	$ 8,785,525	$ -	$ 44,545,053
Inter-segment revenue	1,448,825	354,742	-	175,266	-	(1,978,833)	-
Total segment							
revenue	$ 15,591,717	$ 8,019,105	$ 12,144,072	$ 1,983,467	$ 8,785,525	($ 1,978,833)	$ 44,545,053
Segment income	$ 4,941,186	$ 214,701	$ 381,732	$ 153,876	$ 1,750,953	($ 1,162,087)	$ 6,280,361
Segment assets							
Identifiable assets	$ 14,415,028	$ 6,715,284	$ 1,223,225	$ 3,409,026	$ 7,347,585	($ 169,508)	$ 32,940,640
Investments accounted for under equity methed							3,216,506
General assets							56,869,347
Total assets							$ 93,026,493

	Year ended December 31, 2017						
		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
Segment revenue							
Revenue from external customers	$ 12,508,739	$ 7,973,716	$ 10,671,800	$ 1,662,915	$ 7,888,494	$ -	$ 40,705,664
Inter-segment revenue	1,350,359	493,356	-	98,075	-	(1,941,790)	-
Total segment revenue	$ 13,859,098	$ 8,467,072	$ 10,671,800	$ 1,760,990	$ 7,888,494	($ 1,941,790)	$ 40,705,664
Segment income	$ 4,318,403	$ 212,362	$ 467,350	$ 13,262	$ 1,585,566	($ 1,320,459)	$ 5,276,484
Segment assets							
Identifiable assets	$ 13,842,555	$ 5,867,845	$ 1,353,550	$ 3,887,465	$ 5,433,275	$ 3,005	$ 30,387,695
Investments accounted for under equity methed							3,123,456
General assets							61,191,884
Total assets							$ 94,703,035

(4) Reconciliation for segment income (loss)

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

B. The total consolidated profit (loss) after adjustment and reconciliation information for profit after tax of reportable segments are provided in Note 14(3).

(5) Information on product and service

Please refer to Note 6(19).

(6) Geographical information

	Year ended December 31, 2018			
	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 36,035,147	$ 8,509,906	$ -	$ 44,545,053
Revenue from parent company and consolidated subsidiaries	406,090	1,572,743	(1,978,833)	-
Total revenue	$ 36,441,237	$ 10,082,649	($ 1,978,833)	$ 44,545,053
Segment income (loss)	$ 6,923,396	$ 519,052	($ 1,162,087)	$ 6,280,361
Identifiable assets	$ 24,731,667	$ 8,378,481	($ 169,508)	$ 32,940,640
Investments accounted for under equity method				3,216,506
General assets				56,869,347
				$ 93,026,493

	Year ended December 31, 2017			
	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 35,324,181	$ 5,381,483	$ -	$ 40,705,664
Revenue from parent company and consolidated subsidiaries	282,749	1,659,041	(1,941,790)	$ -
Total revenue	$ 35,606,930	$ 7,040,524	($ 1,941,790)	$ 40,705,664
Segment income (loss)	$ 6,051,574	$ 545,369	($ 1,320,459)	$ 5,276,484
Identifiable assets	$ 22,733,590	$ 7,651,100	$ 3,005	$ 30,387,695
Investments accounted for under equity method				3,123,456
General assets				61,191,884
				$ 94,703,035

(7) Major customer information

Major customer whose sales revenue account for more than 10% of total revenue of the Group for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Segment	Revenue	Segment
Nan Ya Technology Corp.	$ 6,161,227	FATC department	$ 5,295,339	FATC department

Table 1

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
For the year ended December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2018 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	$ 44,793,582	$ 1,410,525	$ 1,013,595	$ 230,363	$ -	1.47	$ 89,587,165	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	44,793,582	1,567,250	1,535,750	307,028	-	2.23	89,587,165	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	44,793,582	2,037,425	1,689,325	272,011	-	2.45	89,587,165	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	44,793,582	4,705,160	4,668,680	3,080,801	-	6.77	89,587,165	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	44,793,582	7,125,084	7,125,084	5,352,675	-	10.34	89,587,165	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	188,563	3,000	3,000	3,000	-	1.03	377,127	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

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

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

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

Note 5: Fill in the amount approved by the Board of Directors or the 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)

For the year ended December 31, 2018

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 December 31, 2018 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	$ 1,277,809	0.21	$ 1,277,809	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	32	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	64	-	64	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	36,406	0.01	36,406	
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	403,500	2.35	403,500	
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	424,106	0.25	424,106	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	39,814,166	3.83	39,814,166	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	174,441	3,224	0.45	3,224	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	37,437	10.00	37,437	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	676,441	16,309	1.20	16,309	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

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 December 31, 2018 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	1,348,731	$ 8,874	3.17	$ 8,874	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	4,261,443	49,816	9.53	49,816	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	202,719	3.00	202,719	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	5,524,232	3.85	5,524,232	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,243,228	77,504	0.13	77,504	
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Association of R.O.C.	-	Non-current financial assets at fair value through other comprehensive income	-	134	0.11	134	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	146,388	14,785	-	14,785	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	2,907,512	219,517	0.04	219,517	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Utimate parent company	Current financial assets at fair value through other comprehensive income	15,249,000	1,601,145	0.26	1,601,145	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Current financial assets at fair value through other comprehensive income	1,110,000	120,990	0.01	120,990	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

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 December 31, 2018 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,376,215	$ 405,692	0.24	$ 405,692	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	2,130,721	24,917	4.77	24,917	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	59,945	1,075	0.15	1,075	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	15,147,454	224,084	-	224,084	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	20,396,748	255,406	-	255,406	

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2018		Addition (Note 3)(Note 4)		Disposal (Note 3)				Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Non-current financial assets at fair value through other comprehensive income	-	-	15,421,010	$ 1,175,081	-	$ -	7,710,000	$ 693,199	$ 696,277	note 5	7,711,010	$ 424,106
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Investments accounted for under equity method	NAN YA TECHNOLOGY CORPORATION	Other related party	290,464,472	7,412,797	-	-	84,022,000	3,039,857	2,177,715	note 6	206,442,472	5,350,424
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Non-current financial assets at fair value through other comprehensive income	-	-	190,009,706	5,490,371	19,000,970	566,417	-	-	-	-	209,010,676	5,524,232

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

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

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

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

Note 4: Beginning balance plus addition amount is not equal to balance at December 31, 2018 because of valuation in exchange rate.

Note 5: The loss on disposal (including the portion attributable to non-controlling interests) of ($1,804,708) was reclassified to retained earnings.

Note 6: The gain on disposal (including the portion attributable to non-controlling interests) of $980,948 was reclassified to capital surplus.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal(Note4)	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
FORMOSA TAFFETA CO., LTD.	No.540、543、543-1,Beiming section,Dounan Township, Yunlin County	2018/3/16	1991/10/30	$ 124,320	$ 401,841	$ 401,841	$ 275,299	HOME MARK CO., LTD.	-	Disposal of idle land	Valuation amount of $331,160 by Euro-Asia Real Estate Appraisers Firm	NA
FORMOSA TAFFETA CO., LTD.	No514、514-1、536、537、538、539、540-2、543-6,Beiming section,Dounan Township, Yunlin County	2018/5/4	1991/10/30 2004/3/31 2011/5/27	218,350	810,514	810,514	591,918	SHIH HSIANG AUTO PARTS CO., LTD.	-	Disposal of idle land	Valuation amount of $672,437 by Euro-Asia Real Estate Appraisers Firm	NA

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate disposed of should be appraised pursuant to the regulations.

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.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4:Including expense for transaction.

Table 5

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
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.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	($ 393,650)	(1.44)	Pay by mail transfer 60 days after delivery	$ -		Accounts receivable $ 41,091	1.75	
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(340,846)	(1.24)	Pay 120 days after delivery	-	-	Accounts receivable 84,289	3.59	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Associate	Sales	(158,160)	(0.57)	60 days after monthly billings	-	-	Accounts receivable 47,640	2.03	
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Associate	Sales	(101,998)	(0.37)	Pay 120 days after delivery	-	-	Accounts receivable 5,829	0.25	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	10,916,187	47.21	Pay every 15 days by mail transfer	-	-	Accounts payable (397,563)	(27.43)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,978,969	8.56	Draw promissory notes due in 2 months after inspection	-	-	Notes payable (331,826)	(72.23)	
									Accounts payable (312,250)	(21.54)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	793,906	3.43	Pay every 15 days by mail transfer	-	-	Accounts payable (72,264)	(4.99)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	339,048	1.47	Pay every 15 days by mail transfer	-	-	Accounts payable (19,816)	(1.37)	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Sales	(6,161,227)	(70.13)	60 days after monthly billings	-	-	Accounts receivable 1,006,359	63.09	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA POLYESTER FIBER (KUNSHAN) CORP.	Other related party	Purchases	152,357	2.00	45 days after inspection	-	-	Accounts payable (22,116)	(5.00)	

Table 5

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)			
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 (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	($ 416,462)	(25.18)	60 days after monthly billings	-	-	Accounts receivable	$ 210,492	69.43	
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	229,715	11.26	60 days after monthly billings	-	-	Accounts payable	(13,943)	(11.52)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(295,886)	(6.74)	60 days after monthly billings	-	-	Accounts receivable	58,448	5.37	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(442,296)	(9.62)	60 days after monthly billings	-	-	Accounts receivable	112,770	10.36	
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Associate	Sales	(146,486)	(3.34)	60 days after monthly billings	$ -	-	Accounts receivable	23,855	2.19	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	635,272	15.28	60 days after monthly billings	-	-	Accounts payable	(32,911)	(7.08)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	437,120	10.52	60 days after monthly billings	-	-	Accounts payable	(49,532)	(10.65)	
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	171,232	4.12	60 days after monthly billings	-	-	Accounts payable	(20,741)	(4.46)	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	JIAXING QUANG VIET GARMENT CO., LTD.	Associate	Sales	(152,808)	(11.56)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	19,878	10.91	

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	$ 1,006,359	6.29	$ –	–	$ 553,008	$ -
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	210,492	2.52	–	–	85,779	–
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	112,770	1.93	–	–	81,544	–

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 year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	$ 1,978,969	Draw promissory notes due in 2 months after inspection	4.44
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	312,250	Draw promissory notes due in 2 months after inspection	0.34
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	331,826	Draw promissory notes due in 2 months after inspection	0.36

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.

Table 8

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2018

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2018 (Note 2(3))	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	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	$ 217,235	$ 18,065	$ 13,708	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	206,442,472	46.68	5,350,424	1,420,293	838,593	
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	1,133,880	60,477	60,477	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	1,963,366	139,974	139,974	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producion 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	1,191,261	768,584	116,954	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Information on investees
For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2018 （Note 2(3)）	Footnote
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	$ 2,958	$ 2,958	-	50.00	$ 5,663	$ 6,206	$ 3,103	
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	2,281,893	(5,943)	(5,943)	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,008,842	1,181,028	121,457	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	5,675,253	171,028,736	100.00	5,524,284	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	23,914	1,420,293	1,508	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	9,994	4,834	4,834	

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

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

(1)The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at December 31, 2018’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.

(2)The ‘Net profit (loss) of the investee for the year ended December 31, 2018’ column should fill in amount of net profit (loss) of the investee for this period.

(3)The ‘Investment income (loss) recognised by the Company for the year ended December 31, 2018’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Table 9

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	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	$ 94,273	100.00	$ 94,273	$ 1,695,852	$ -	Note 3
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	15,273	(1)	15,273	-	-	15,273	7,203	100.00	7,203	13,154	-	Note 4
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	60,688	100.00	60,688	1,016,281	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	(240)	40.78	(98)	16,403	-	Note 6

Note 1: Investment methods are classified into the following three categories:
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

Note 2: The amount of ‘Investment income (loss) recognised by the Company for the year ended December 31, 2018 were derived from financial statements which were reviewed by independent accountants.
Note 3: (3) Others The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 and December 31, 2018 are both US$46,400,000 (remitted out US$46,388,800 and equipment amounted to

Note 4: The Company’s paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 and December 31, 2018 are both US$570,000.
Note 5: US$11,200) The Company’s paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 is US$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2018 was US$41,100,000.
Note 6: The Company was the surviving company after the consolidation of Changshu Yu Yuan Development.Co.,Ltd. and Changshu Fushun Enterprise Management Co., Ltd. Its paid-in capital is RMB$13,592,920.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	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	$ 1,425,872	$ 44,981,214
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,516	44,981,214
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,290,660	44,981,214

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 XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US$570,000.
(3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US$42,000,000, while the company reduced its capital and divided some part of housing land to Changshu Fushun Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.
(4)The original currency of paid-in capital was translated at USD:TWD = 1:30.73

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 33,068	0.12	$ -	-	$ 3,305	0.14	$ 1,013,595	For short-tem loans from financial institutions	$ -	$ -	-	$ -	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	63,966	0.23	-	-	12,463	0.53	1,689,325	For short-tem loans from financial institutions	-	-	-	-	

FORMOSA TAFFETA CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying balance sheets of Formosa Taffeta Co., Ltd. (the "Company") as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Valuation of allowance for uncollectible accounts

Description

Refer to Note 4(9) for accounting policy on financial assets impairment, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2018, the Company's accounts receivable amounted to NT$2,128,150 thousand (excluding allowance for bad debts amounting to NT$31,678 thousand), respectively.

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

How our audit addressed the matter

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

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

confirm the accuracy of ageing analysis of accounts receivable; and

C. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventory

Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(3) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2018, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$5,334,258 thousand and NT$440,522 thousand, respectively.

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

How our audit addressed the matter

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

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

Other matter - audits of the other independent accountants

We did not audit the financial statements of certain investments accounted for under the equity method. The balance of these investments accounted for under the equity method amounted to NT$7,464,179 thousand and NT$7,133,622, constituting 9% and 8% of total assets as of December 31, 2018 and 2017, respectively, and comprehensive income was NT$382,256 thousand and NT$412,764 thousand, constituting 22% and 8% of total comprehensive income for the years then ended, respectively. The financial statements of these investees were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements relative to these investees is based solely on the audit reports of the other independent accountants.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Wu, Han-Chi　　　　　　　　　　Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan
March 15, 2019

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

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

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,447,966	2	$ 851,569	1
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	398	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	1,717,779	2	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	1,911,496	2
1150	Notes receivable, net		109,709	-	114,555	-
1160	Notes receivable - related parties	7	4,429	-	13,007	-
1170	Accounts receivable, net	6(4)	2,128,150	3	1,948,346	3
1180	Accounts receivable - related parties	7	220,365	-	194,371	-
1200	Other receivables	7	290,656	1	415,375	1
130X	Inventory	6(5)	4,893,736	6	4,963,569	6
1410	Prepayments		92,227	-	149,485	-
1470	Other current assets		194,023	-	188,207	-
11XX	**Total current assets**		11,099,040	14	10,750,378	13
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	40,556,651	50	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	43,363,486	51
1543	Financial assets carried at cost - non-current	7 and 12(4)	-	-	266,009	-
1550	Investments accounted for under equity method	6(6)	21,385,854	27	22,905,965	27
1600	Property, plant and equipment	6(7) and 7	6,785,900	8	7,432,389	9
1760	Investment property - net	7	473,658	1	498,499	-
1840	Deferred income tax assets	6(23)	79,023	-	124,629	-
1900	Other non-current assets		119,377	-	162,805	-
15XX	**Total non-current assets**		69,400,463	86	74,753,782	87
1XXX	**Total assets**		$ 80,499,503	100	$ 85,504,160	100

(Continued)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(8)	$ -	-	$ 7,386	-
2110	Short-term notes and bills payable	6(9)	-	-	1,299,806	2
2120	Financial liabilities at fair value through profit or loss - current	6(10)	774	-	-	-
2150	Notes payable		127,600	-	135,455	-
2160	Notes payable - related parties	7	331,828	-	239,553	-
2170	Accounts payable		484,745	1	684,049	1
2180	Accounts payable - related parties	7	964,825	1	1,062,882	1
2200	Other payables	7	854,276	1	837,873	1
2230	Current income tax liabilities	6(23)	104,403	-	51,445	-
2300	Other current liabilities		85,154	-	90,457	-
21XX	**Total current liabilities**		2,953,605	3	4,408,906	5
	Non-current liabilities					
2540	Long-term borrowings	6(11)	7,900,000	10	10,800,000	13
2570	Deferred income tax liabilities	6(23)	290,513	-	170,157	-
2600	Other non-current liabilities	6(12)	442,181	1	745,702	1
25XX	**Total non-current liabilities**		8,632,694	11	11,715,859	14
2XXX	**Total liabilities**		11,586,299	14	16,124,765	19
	Equity					
	Share capital	6(13)				
3110	Share capital - common stock		16,846,646	21	16,846,646	20
	Capital surplus	6(14)				
3200	Capital surplus		1,268,860	2	274,323	-
	Retained earnings	6(15)				
3310	Legal reserve		7,567,594	9	7,139,607	8
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		9,743,048	12	5,398,225	6
	Other equity interest	6(16)				
3400	Other equity interest		31,291,978	39	37,525,951	44
3500	**Treasury stocks**	6(13)	(19,500)	-	(19,935)	-
3XXX	**Total equity**		68,913,204	86	69,379,395	81
	Commitments and contingent liabilities					
	Subsequent event					
3X2X	**Total liabilities and equity**		$ 80,499,503	100	$ 85,504,160	100

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
			Years ended December 31			
4000	**Sales revenue**	6(17) and 7	$ 27,593,484	100	$ 25,713,839	100
5000	**Operating costs**	6(5)(20)(21) and 7	(25,442,866)	(92)	(23,215,460)	(90)
5900	**Net operating margin**		2,150,618	8	2,498,379	10
	Operating expenses	6(20)(21) and 7				
6100	Selling expenses		(1,397,836)	(5)	(1,396,951)	(5)
6200	General and administrative expenses		(528,989)	(2)	(496,956)	(2)
6000	**Total operating expenses**		(1,926,825)	(7)	(1,893,907)	(7)
6900	**Operating profit**		223,793	1	604,472	3
	Non-operating income and expenses					
7010	Other income	6(18) and 7	2,820,730	10	2,664,014	10
7020	Other gains and losses	6(19) and 7	924,798	3	(168,551)	(1)
7050	Finance costs	6(22)	(103,358)	-	(117,088)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	1,389,799	5	1,500,573	6
7000	**Total non-operating income and expenses**		5,031,969	18	3,878,948	15
7900	**Profit before income tax**		5,255,762	19	4,483,420	18
7950	Income tax expense	6(23)	(518,356)	(2)	(203,549)	(1)
8200	**Profit for the year**		$ 4,737,406	17	$ 4,279,871	17
	Other comprehensive income (net)	6(16)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gains (losses) on defined benefit plans		$ 153,145	1	($ 330,584)	(1)
8316	Unrealized loss on valuation of financial assets at fair value through other comprehensive income	6(3)	(2,635,914)	(10)	-	-
8330	Share of other comprehensive loss of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss		(693,862)	(3)	-	-
8310	**Other comprehensive income that will not be reclassified to profit or loss**		(3,176,631)	(12)	(330,584)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		154,507	1	(927,654)	(4)
8362	Unrealized gain on valuation of available-for-sale financial assets	12(4)	-	-	2,127,178	8
8380	Share of other comprehensive income of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss		14,914	-	-	-
8360	**Other comprehensive income that will be reclassified to profit or loss**		169,421	1	1,199,524	4
8300	**Total other comprehensive (loss) income for the year**		($ 3,007,210)	(11)	$ 868,940	3
8500	**Total comprehensive income for the year**		$ 1,730,196	6	$ 5,148,811	20

			2018 Before Tax	2018 After Tax	2017 Before Tax	2017 After Tax
9750	**Basic earnings per share**	6(24)	$ 3.12	$ 2.82	$ 2.66	$ 2.54
	Assuming shares held by subsidiary are not deemed as treasury stock:					
	Basic earnings per share		$ 3.12	$ 2.81	$ 2.66	$ 2.54

Year ended December 31, 2017											
Balance at January 1, 2017		$ 16,846,646	$ 266,458	$ 6,791,478	$ 1,708,542	$ 4,830,100	$ 13,387	$ -	$ 36,313,040	($ 21,501)	$ 66,748,150
Profit for the year		-	-	-	-	4,279,871	-	-	-	-	4,279,871
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	(330,584)	(927,654)	-	2,127,178	-	868,940
Total comprehensive income		-	-	-	-	3,949,287	(927,654)	-	2,127,178	-	5,148,811
Appropriations of 2016 earnings:	6(15)										
Legal reserve		-	-	348,129	-	(348,129)	-	-	-	-	-
Special reserve		-	-	-	506,036	(506,036)	-	-	-	-	-
Cash dividends		-	-	-	-	(2,526,997)	-	-	-	-	(2,526,997)
Disposal of treasury stock	6(13)	-	2,891	-	-	-	-	-	-	1,566	4,457
Change in the net interest of associates recognized under the equity method		-	33	-	-	-	-	-	-	-	33
Adjustment of cash dividends paid to consolidated subsidiaries		-	3,439	-	-	-	-	-	-	-	3,439
Expired cash dividends transferred to capital surplus		-	1,502	-	-	-	-	-	-	-	1,502
Balance at December 31, 2017		$ 16,846,646	$ 274,323	$ 7,139,607	$ 2,214,578	$ 5,398,225	($ 914,267)	$ -	$ 38,440,218	($ 19,935)	$ 69,379,395
Year ended December 31, 2018											
Balance at January 1, 2018		$ 16,846,646	$ 274,323	$ 7,139,607	$ 2,214,578	$ 5,398,225	($ 914,267)	$ -	$ 38,440,218	($ 19,935)	$ 69,379,395
Retrospective adjustments	12(4)	-	-	-	-	4,890,917	-	33,680,146	(38,440,218)	-	130,845
Balance at January 1, 2018 after adjustments		16,846,646	274,323	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)	69,510,240
Profit for the year		-	-	-	-	4,737,406	-	-	-	-	4,737,406
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	153,145	169,421	(3,329,776)	-	-	(3,007,210)
Total comprehensive income		-	-	-	-	4,890,551	169,421	(3,329,776)	-	-	1,730,196
Appropriations of 2017 earnings:	6(15)										
Legal reserve		-	-	427,987	-	(427,987)	-	-	-	-	-
Cash dividends		-	-	-	-	(3,200,863)	-	-	-	-	(3,200,863)
Disposal of treasury stock	6(13)	-	1,041	-	-	-	-	-	-	435	1,476
Changes in the net interest of associates recognized under the equity method		-	5,264	-	-	1,562	-	(1,562)	-	-	5,264
Changes in share of consolidated subsidiaries		-	-	-	-	4,347	-	(3,804)	-	-	543
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	982,053	-	-	-	-	(118,806)	-	-	863,247
Adjustment of cash dividends paid to consolidated subsidiaries		-	4,357	-	-	-	-	-	-	-	4,357
Expired cash dividends transferred to capital surplus		-	1,822	-	-	-	-	-	-	-	1,822
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	(1,813,704)	-	1,810,626	-	-	(3,078)
Balance at December 31, 2018		$ 16,846,646	$ 1,268,860	$ 7,567,594	$ 2,214,578	$ 9,743,048	($ 744,846)	$ 32,036,824	$ -	($ 19,500)	$ 68,913,204

CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,255,762	$ 4,483,420
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of impairment of receivable		-	(1,995)
Reversal of expected credit loss		(5,386)	-
Depreciation (including depreciation on investment property)	6(7)(20) and 7	740,702	804,763
Interest expense	6(22)	103,358	117,088
Interest income	6(18)	(5,537)	(1,883)
Dividend income	6(18)	(2,531,826)	(2,310,238)
Loss (gain) on valuation of financial assets	6(2)(19)	398	(398)
Loss on valuation of financial liabilities	6(10)(19)	774	-
Receipt of cash dividends from investment accounted for under the equity method		893,308	898,499
Share of profit of subsidiaries and associates accounted for under the equity method	6(6)	(1,389,799)	(1,500,573)
Gain on disposal and scrap of property, plant and equipment	6(19) and 7	(870,873)	(46,693)
Unrealized (gain) loss on disposal and scrap of property, plant and equipment, net	6(19) and 7	(43,894)	1,078
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		4,846	(8,144)
Notes receivable - related parties		8,578	(1,364)
Accounts receivable, net		(174,418)	4,368
Accounts receivable - related parties		(25,994)	653
Other receivables		55,398	(67,673)
Inventories		69,833	(599,219)
Prepayments		57,258	318,583
Other current assets		(5,816)	(8,539)
Changes in operating liabilities			
Notes payable		(7,855)	(25,869)
Notes payable - related parties		92,275	109,847
Accounts payable		(199,304)	(180,892)
Accounts payable - related parties		(98,057)	(51,877)
Other payables		34,188	(31,210)
Other current liabilities		(5,303)	11,275
Other non-current assets		(147,909)	(347,246)
Cash inflow generated from operations		1,804,707	1,565,761
Interest received		5,537	1,883
Dividends received		2,526,309	2,310,238
Interest paid		(107,748)	(120,511)
Income tax paid		(230,114)	(179)
Net cash flows from operating activities		3,998,691	3,757,192

(Continued)

	Notes		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets		$ -	($ 85,852)
Proceeds from disposal of financial assets at fair value through other comprehensive income		693,200	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		5,780	-
Acquisition of financial assets measured at cost		-	(198,066)
Proceeds from capital reduction of financial assets measured at cost		-	23,549
Acquisition of investments accounted for under the equity method		(566,417)	(585,073)
Proceeds from disposal of investments accounted for under the equity method		3,039,857	-
Acquisition of property, plant, and equipment	6(25)	(446,701)	(570,916)
Proceeds from disposal of property, plant and equipment		1,236,614	86,080
Decrease (increase) in other non-current assets		43,428	(59,498)
Net cash flows from (used in) investing activities		4,005,761	(1,389,776)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		(7,386)	(12,776)
(Decrease) increase in short-term notes and bills payable		(1,299,806)	299,979
Increase in long-term borrowings		1,600,000	10,900,000
Payment of long-term borrowings		(4,500,000)	(11,200,000)
Cash dividends paid	6(15)	(3,200,863)	(2,526,997)
Net cash flows used in financing activities		(7,408,055)	(2,539,794)
Net increase (decrease) in cash and cash equivalents		596,397	(172,378)
Cash and cash equivalents at beginning of year	6(1)	851,569	1,023,947
Cash and cash equivalents at end of year	6(1)	$ 1,447,966	$ 851,569

FORMOSA TAFFETA CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) Formosa Taffeta Co., Ltd. (the "Company") was incorporated on April 19, 1973 under the provisions of the Company Law of the Republic of China (R.O.C.). Factories were established in Douliou City of Yulin County, R.O.C. On December 24, 1985, the Company's common stock was officially listed on the Taiwan Stock Exchange Corporation.

The major operations of each department are as follows:

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

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

(3) As of December 31, 2018 and 2017, the Company had 4,706 and 4,741 employees, respectively.

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 15, 2019.

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Based on the Company's assessment, the major effects of the above standards and interpretations on the Company's financial condition and financial performance are summarized below:

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

(d) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

B. IFRS 15, 'Revenue from contracts with customers' and amendments

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

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

C. Amendments to IAS 7, 'Disclosure initiative'

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

The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases'

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

The Company expects to recognize the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, 'right-of-use asset' and lease liability will both be increased by $725,099.

(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 IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 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, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain Ecritical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses.

B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(4) <u>Classification of current and non-current items</u>

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

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

(8) Accounts and notes receivable

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

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

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

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

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

(11) Inventories

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

(12) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries refer to the entities (including special purpose entities) that the Company has control over their financial and operating policies and own more than 50% of voting shares directly or indirectly. The Company evaluates investments in subsidiaries accounted under equity method in these parent company only financial statements.

B. Unrealized profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to ensure consistency with the polices of the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.

D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest.

I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss.

J. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Item	Estimated useful lives
Buildings and structures	10 ~ 60 years
Machinery and equipment	5 ~ 20 years
Transportation equipment	5 ~ 10 years
Other equipment	2 ~ 15 years

(14) Investment property

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

(15) Impairment of non-financial assets

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

(16) Borrowings

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

(17) Notes and accounts payable

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

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

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

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

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

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) Financial guarantee contracts

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.

ii. Remeaurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

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

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

(23) <u>Income tax</u>

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(24) Share capital

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

(25) Dividends

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

(26) Revenue recognition

A. The Company manufactures and sells various fabrics and renders services as an oil distributor Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

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

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

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

(2) Impairment valuation of accounts receivable

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

(3) Evaluation of inventories

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

As of December 31, 2018, the carrying amount of inventories was $4,893,736.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 137,858	$ 127,882
Checking accounts and demand deposits	716,435	583,406
Cash equivalents - Commercial paper	593,673	140,281
	$ 1,447,966	$ 851,569

A. The Company associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

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

Items	December 31, 2018	December 31, 2017
Current items:		
Forward foreign exchange contracts	$ -	$ 398

A. For the years ended December 31, 2018 and 2017, the Company recognized ($398) and $398 in profit or loss in relation to financial assets at fair value through profit or loss, respectively.

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2017		
Derivative Instruments	Contract Amount (Notional Principal)		Contract Period
Current items:			
Forward foreign exchange contracts			
Taipei Fubon Bank	JPY	192,020	2017.11~2018.02

The forward exchange contracts are buy and sell to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Effective 2018

Items	December 31, 2018
Current items:	
Equity instruments	
Listed stocks	$ 900,285
Unlisted stocks	100,000
	1,000,285
Valuation adjustment	717,494
	$ 1,717,779
Non-current items:	
Equity instruments	
Listed stocks	$ 8,163,125
Unlisted stocks	403,790
	8,566,915
Valuation adjustment	31,989,736
	$ 40,556,651

A. The Company has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $42,274,430 as at December 31, 2018.

B. Aiming to satisfy the operating capital needs, the Company sold its equity investment in Nan Ya Technology Corp. at fair value of $696,277 which resulted in loss on disposal of ($1,810,626) during the year ended December 31, 2018 which was reclassified to retained earnings.

C. 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:

	Year ended December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognized in other comprehensive income	($ 2,635,914)
Cumulative losses reclassified to retained earnings due to derecognition (including the portion attributable to non-controlling interest)	($ 1,813,704)

D. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was $42,274,430.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 109,709	$ 114,555
Accounts receivable	$ 2,159,828	$ 1,985,410
Less: Allowance for uncollectible accounts	(31,678)	(37,064)
	$ 2,128,150	$ 1,948,346

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

	December 31, 2018	December 31, 2017
Not past due	$ 2,222,050	$ 2,046,580
Up to 30 days	28,939	42,773
31 to 90 days	17,818	6,944
Over 90 days	730	3,668
	$ 2,269,537	$ 2,099,965

The above ageing analysis was based on past due date.

B. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were $2,269,537 and $2,099,965 respectively.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 471,312	($ 9,898)	$ 461,414
Supplies	66,872	(1,287)	65,585
Work in process	1,835,698	-	1,835,698
Finished goods	2,409,232	(429,337)	1,979,895
Merchandise inventory	159,786	-	159,786
Materials in transit	251,557	-	251,557
Outsourced processed materials	139,801	-	139,801
	$ 5,334,258	($ 440,522)	$ 4,893,736

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 435,007	($ 8,283)	$ 426,724
Supplies	73,480	(5,309)	68,171
Work in process	1,710,500	-	1,710,500
Finished goods	2,212,326	(230,286)	1,982,040
Merchandise inventory	286,276	-	286,276
Materials in transit	369,828	-	369,828
Outsourced processed materials	120,030	-	120,030
	$ 5,207,447	($ 243,878)	$ 4,963,569

The cost of inventories recognized as expense for the years ended December 31, 2018 and 2017 were as follows:

	Years ended December 31,	
	2018	2017
Cost of inventories sold	$ 25,252,173	$ 23,211,459
Loss on inventory valuation	196,644	24,564
Others (Note)	(5,951)	(20,563)
	$ 25,442,866	$ 23,215,460

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

(6) Investments accounted for using equity method

A. List of long-term investments

	December 31, 2018	December 31, 2017
Formosa Advanced Technologies Co., Ltd.	$ 5,350,424	$ 7,347,846
Formosa Taffeta (Cayman) Limited	5,524,284	5,490,420
Formosa Taffeta Dong Nai Co., Ltd.	2,281,893	2,228,212
Formosa Industry Co., Ltd.	2,008,842	1,938,483
Taffeta (Zhong Shan) Co, Ltd.	1,695,852	1,635,550
Formosa Taffeta Vietnam Co., Ltd.	1,963,366	1,806,539
Formosa Taffeta (Hong Kong) Co., Ltd.	1,133,880	1,092,248
Quang Viet Enterprise Co., Ltd.	1,191,261	1,149,965
Formosa Development Co., Ltd.	217,235	206,279
Schoeller F.T.C. (Hong Kong) Co., Ltd.	5,663	4,217
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	13,154	6,206
	$ 21,385,854	$ 22,905,965

B. The investment income (loss) on subsidiaries and associates accounted for using equity method for the years ended December 31, 2018 and 2017 was as follows:

	Years ended December 31,	
	2018	2017
Formosa Advanced Technologies Co., Ltd.	$ 838,593	$ 914,979
Quang Viet Enterprise Co., Ltd.	116,954	112,417
Formosa Taffeta Vietnam Co., Ltd.	139,974	163,188
Formosa Industry Co., Ltd.	121,457	77,090
Formosa Development Co., Ltd.	13,708	11,313
Taffeta (Zhong Shan) Co, Ltd.	94,273	72,999
Formosa Taffeta Dong Nai Co., Ltd.	(5,943)	57,981
Schoeller F.T.C. (Hong Kong) Co., Ltd.	3,103	2,653
Formosa Taffeta (Hong Kong) Co., Ltd.	60,477	89,049
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	7,203	(959)
Formosa Taffeta (Cayman) Limited	-	(137)
	$ 1,389,799	$ 1,500,573

Except for the investee companies, Formosa Advanced Technologies Co., Ltd., Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Cayman) Co., Ltd., Formosa Taffeta (Hong Kong) Co., Ltd. and its subsidiary, Formosa Taffeta (Changshu) Co., Ltd., Formosa Development Co., Ltd. and its subsidiary, Public More Internation Ltd. (established in 2017), the investment income or loss for the years ended December 31, 2018 and 2017 was based on the investees' financial statements audited by other auditors.

C. The share of income of subsidiaries and associates accounted for using equity method of $382,748 and $412,370 for the years ended December 31, 2018 and 2017, respectively, were based on the audited financial statements of the investee companies.

D. Subsidiaries

(a) Information on the Company's subsidiaries is provided in Note 4(3) of the Company's 2018 consolidated financial statements.

(b) As at December 31, 2018 and 2017, the Company's common stocks owned by its subsidiary, Formosa Development Co., Ltd., were 2,243,228 and 2,293,228 shares, respectively, treated as treasury stock.

E. Associates

(a) The financial information of the Company's principal associates is summarized below:

Company name	Principal place of business	Shareholding ratio December 31, 2018	Shareholding ratio December 31, 2017	Nature of relationship	Method of measurement
Formosa Industry Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method
Kuang Yueh Co., Ltd.	Taiwan	17.99%	17.92%	Associate	Equity method

(b) As the Company is a director of Formosa Industry Co., Ltd. and Quang Viet Enterprise Co., Ltd., it exercises significant influence over its operations. Accordingly, Formosa Industry Co., Ltd. and Quang Viet Enterprise Co., Ltd. are accounted for using equity method.

(c) The financial information of the Company's principal associates is summarized below:

Balance sheets

	Formosa Industry Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 12,272,938	$ 9,291,100
Non-current assets	21,232,063	20,614,037
Current liabilities	(11,529,804)	(5,965,869)
Non-current liabilities	(2,749,255)	(5,439,066)
Total net assets	$ 19,225,942	$ 18,500,202
Share in associate's net assets	$ 1,922,594	$ 1,850,020
Difference	86,248	88,463
Carrying amount of the associate	$ 2,008,842	$ 1,938,483

	Quang Viet Enterprise Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 7,605,631	$ 5,987,697
Non-current assets	3,222,091	2,705,609
Current liabilities	(3,043,953)	(2,064,121)
Non-current liabilities	(329,187)	(52,152)
Total net assets	$ 7,454,582	$ 6,577,033
Share in associate's net assets	$ 1,341,079	$ 1,178,604
Difference	(149,818)	(28,639)
Carrying amount of the associate	$ 1,191,261	$ 1,149,965

Statements of comprehensive income

	Formosa Industry Co., Ltd.	
	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	$ 31,560,607	$ 25,827,459
Profit for the year from continuing operations (Total comprehensive income)	$ 1,202,739	$ 806,833

	Quang Viet Enterprise Co., Ltd.	
	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	$ 13,280,633	$ 10,203,655
Profit for the year from continuing operations	849,357	546,996
Other comprehensive income (loss)	9	(110,617)
Total comprehensive income	$ 849,366	$ 436,379

F. The significant associate, Kuang Yueh Co., Ltd., has quoted market prices. As of December 31, 2018 and 2017, the fair value was $1,952,512 and $2,426,693, respectively.

G. Investment in Formosa Advanced Technologies Co., Ltd. has quoted market price and the fair value was $6,564,871 and $9,135,108 as of December 31, 2018 and 2017, respectively.

H. The Company sold 84,022 thousand shares of Formosa Advanced Technologies Co., Ltd. at fair value of $3,039,857 on July 23, 2018, resulting in gain on disposal of $980,948 in 2018 which was reclassified to retained earnings, causing the decline in shareholding ratio to 46.68%.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
At January 1, 2018						
Cost	$ 2,411,087	$ 6,293,337	$ 14,217,461	$ 4,251,596	$ 412,462	$ 27,585,943
Accumulated depreciation	-	(4,092,322)	(11,870,188)	(4,035,306)	-	(19,997,816)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	$ 2,255,349	$ 2,201,015	$ 2,347,273	$ 216,290	$ 412,462	$ 7,432,389
2018						
Opening net book amount	$ 2,255,349	$ 2,201,015	$ 2,347,273	$ 216,290	$ 412,462	$ 7,432,389
Additions	-	-	-	-	435,113	435,113
Disposals	(342,670)	-	(23,014)	(57)	-	(365,741)
Transfers	-	95,468	435,093	58,496	(589,057)	-
Depreciation charge	-	(207,233)	(460,418)	(48,210)	-	(715,861)
Closing net book amount	$ 1,912,679	$ 2,089,250	$ 2,298,934	$ 226,519	$ 258,518	$ 6,785,900
At December 31, 2018						
Cost	$ 2,068,417	$ 6,388,806	$ 14,293,461	$ 4,226,369	$ 258,518	$ 27,235,571
Accumulated depreciation	-	(4,299,556)	(11,994,527)	(3,999,850)	-	(20,293,933)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	$ 1,912,679	$ 2,089,250	$ 2,298,934	$ 226,519	$ 258,518	$ 6,785,900

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
At January 1, 2017						
Cost	$ 2,410,979	$ 6,339,163	$ 14,156,729	$ 4,330,752	$ 159,812	$ 27,397,435
Accumulated depreciation	-	(3,864,255)	(11,659,728)	(4,103,065)	-	(19,627,048)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	$ 2,255,241	$ 2,474,908	$ 2,497,001	$ 227,687	$ 159,812	$ 7,614,649
2017						
Opening net book amount	$ 2,255,241	$ 2,474,908	$ 2,497,001	$ 227,687	$ 159,812	$ 7,614,649
Additions	-	-	-	-	574,174	574,174
Disposals	-	(29)	(39,032)	(326)	-	(39,387)
Transfers (Note)	108	(45,614)	394,748	35,157	(321,524)	62,875
Depreciation charge	-	(228,250)	(505,444)	(46,228)	-	(779,922)
Closing net book amount	$ 2,255,349	$ 2,201,015	$ 2,347,273	$ 216,290	$ 412,462	$ 7,432,389
At December 31, 2017						
Cost	$ 2,411,087	$ 6,293,337	$ 14,217,461	$ 4,251,596	$ 412,462	$ 27,585,943
Accumulated depreciation	-	(4,092,322)	(11,870,188)	(4,035,306)	-	(19,997,816)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	$ 2,255,349	$ 2,201,015	$ 2,347,273	$ 216,290	$ 412,462	$ 7,432,389

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

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

	Years ended December 31, 2018	Years ended December 31, 2017
Amount capitalized	$ 2,733	$ 3,485
Interest rate	0.98%~1.04%	0.97%~1.03%

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

Items	Significant components	Estimated useful lives
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	5 ~ 20 years
Transportation equipment	Pallet trucks and fork lift trucks	5 ~ 10 years
Other equipment	Cogeneration power generation equipment	2~ 15 years

C. Certain regulations restrict ownership of land to individuals, thus, the title of land which the Company has acquired for future plant expansion is under the name of third parties but the titles were transferred and mortgaged by the Company. As of December 31, 2018 and 2017, the amount of titles mortgaged to the Company was $808,300.

(8) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Purchase loans	$ -	-	-

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Purchase loans	$ 7,386	0.32%~0.36%	-

(9) Short-term notes and bills payable

	December 31, 2018	December 31, 2017
Commercial papers payable	$ -	$ 1,300,000
Less: Commercial papers payable discount	-	(194)
	$ -	$ 1,299,806
Interest rate	-	0.56%

As at December 31, 2017, the abovementioned commercial papers payable are guaranteed by International Bills Finance Corporation, etc.

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

Items	December 31, 2018
Financial liabilities held for trading	
Forward foreign exchange contracts	$ 774

A. The Company recognized net loss of $774 and $0 on financial liabilities held for trading for the years ended December 31, 2018 and 2017, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Company does not adopt hedge accounting are as follows:

Derivative Financial Liabilities	December 31, 2018		
	Contract Amount (Notional Principal)		Contract Period
Current items:			
Forward foreign exchange contracts			
Taipei Fubon Bank	JPY	50,000,000	2018.12~2019.2
Taipei Fubon Bank	JPY	56,680,000	2018.12~2019.2
Chang Hwa Bank	JPY	50,000,000	2018.12~2019.1
Chang Hwa Bank	JPY	50,210,000	2018.12~2019.1

The Company had no financial liabilities held for trading on December 31, 2017.

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(11) Long-term borrowings

	December 31, 2018	December 31, 2017
Credit borrowing	$ 7,900,000	$ 10,800,000
Interest rate	0.98%~1.04%	1.00%~1.05%

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 2,500,851	$ 2,789,932
Fair value of plan assets	(2,068,801)	(2,055,899)
Net defined benefit liability	$ 432,050	$ 734,033

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 2,789,932	($ 2,055,899)	$ 734,033
Current service cost	29,226	-	29,226
Interest expense (income)	34,874	(26,293)	8,581
	2,854,032	(2,082,192)	771,840
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(55,693)	(55,693)
Experience adjustments	(99,918)	-	(99,918)
	(99,918)	(55,693)	(155,611)
Pension fund contribution	-	(180,776)	(180,776)
Paid pension	(253,263)	249,860	(3,403)
Balance at December 31	$ 2,500,851	($ 2,068,801)	$ 432,050

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 2,635,292	($ 1,885,026)	$ 750,266
Current service cost	31,452	-	31,452
Interest expense (income)	32,941	(24,238)	8,703
	2,699,685	(1,909,264)	790,421
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	10,450	10,450
Experience adjustments	316,171	-	316,171
	316,171	10,450	326,621
Pension fund contribution	-	(373,420)	(373,420)
Paid pension	(225,924)	216,335	(9,589)
Balance at December 31	$ 2,789,932	($ 2,055,899)	$ 734,033

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2018	2017
Discount rate	1.25%	1.25%
Future salary increases	1.00%	1.00%

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2018 and 2017, respectively.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1.00%	Decrease 1.00%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 31,086)	$ 32,308	$ 139,373	($ 122,059)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 36,610)	$ 38,067	$ 167,805	($ 146,598)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) For the aforementioned pension plan, the Group recognized pension costs of $37,807 and $40,155 for the years ended December 31, 2018 and 2017, respectively.

(g) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 are $83,938.

(h) As of December 31, 2018, the weighted average duration of that retirement plan is 8 years.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2018 and 2017 were $74,523 and $72,370, respectively.

(13) Share capital

A. As of December 31, 2018, the Company's authorized and issued capital was $16,846,646, consisting of 1,684,665,000 shares of common stocks, with a par value of $10 per share.

B. For the years ended December 31, 2018 and 2017, changes in treasury stocks are as follows (in thousands of shares):

	2018				
Reason for reacquisition	Investee company	Beginning Shares	Additions	Disposal (Note)	Ending Shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,293	-	(50)	2,243

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

Note: For the years ended December 31, 2018 and 2017, the subsidiary company disposed its investment in the Company of 50,000 shares and 180,000 shares and generated capital surplus of $1,041 and $2,891, respectively.

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

(14) 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.

	2018				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1	$ 19,899	$ 545	$ 2,032	$ 250,345	$ 1,502
Disposal of treasury shares	1,041	-	-		-
Adjustment of cash dividends paid to consolidated subsidiaries	4,357	-	-	-	-
Changes in the net interest of associates recognized under the equity method	-	-	-	5,264	-
Difference between consideration and carrying amount of subsidiaries acquired	-	1,105	-	980,948	-
Expired cash dividends transferred to capital surplus	-	-	-	-	1,822
At December 31	$ 25,297	$ 1,650	$ 2,032	$ 1,236,557	$ 3,324

	2017				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1	$ 13,569	$ 545	$ 2,032	$ 250,312	$ -
Disposal of treasury shares	2,891	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	3,439	-	-	-	-
Changes in the net interest of associates recognized under the equity method	-	-	-	33	-
Expired cash dividends transferred to capital surplus	-	-	-	-	1,502
At December 31	$ 19,899	$ 545	$ 2,032	$ 250,345	$ 1,502

(15) Retained earnings

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

According to the R.O.C. Company Law and the Company's Articles of Incorporation, the annual net income should be used initially to cover any accumulated deficit; 10% of the annual net income should be set aside as legal reserve and special reserve. The remaining balance shall be distributed to shareholders according to their shareholding percentage.

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 2017 and 2016 earnings had been resolved at the stockholders' meeting on June 22, 2018 and June 23, 2017, respectively. Details are summarized below:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 427,987		$ 348,129	
Special reserve	-		506,036	
Cash dividends	3,200,863	$ 1.90	2,526,997	$ 1.50
	$ 3,628,850		$ 3,381,162	

E. As of December 31, 2018 and 2017, unpaid stock dividends amounted to $9,455 and $8,444, respectively.

F. The appropriations of 2018 earnings had been resolved by the Board of Directors on March 15,

2019. Details are summarized below:

	2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 473,741	
Cash dividends	3,537,796	$ 2.10

As of March 15, 2019, the above appropriations of 2018 earnings have not yet been resolved by the shareholders.

G. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(21).

(16) Other equity items

	Unrealized gains on valuation	Currency translation
January 1, 2018	$ 38,440,218	($ 914,267)
Retrospective adjustments	(4,760,072)	-
January 1, 2018 after adjustments	33,680,146	(914,267)
Revaluation		
－Parent company	(2,635,914)	-
－Associates	(693,862)	-
Revaluation transferred to retained earnings		
－Parent company	1,810,626	-
－Associates	(5,366)	-
Difference of currency translation		
－Parent company	-	154,507
－Associates	-	14,914
Difference between consideration and carrying amount of subsidiaries aquired or disposed	(118,806)	-
December 31, 2018	$ 32,036,824	($ 744,846)

	Hedging reserve	Currency translation
January 1, 2017	$ 36,313,040	$ 13,387
Change in unrealized gain or loss on available-for-sale financial assets		
— Parent company	1,922,389	-
— Subsidiaries and associates	204,789	-
Difference in long-term equity investment from financial statements translation differences of foreign operations		
— Parent company	-	(732,473)
— Associates	-	(195,181)
December 31, 2017	$ 38,440,218	($ 914,267)

(17) Operating revenue

	Year ended December 31, 2018
Sales revenue	$ 27,350,551
Service revenue	242,933
	$ 27,593,484

Related disclosures on operating revenue for 2017 are provided in Note 12(5) B.

(18) Other income

	Years ended December 31, 2018	Years ended December 31, 2017
Interest income from bank deposits	$ 5,537	$ 1,883
Dividend income	2,531,826	2,310,238
Other income	283,367	351,893
	$ 2,820,730	$ 2,664,014

(19) Other gains and losses

	Years ended December 31,	
	2018	2017
Forward foreign exchange contracts		
Net gain on financial assets at fair value through profit or loss	($ 398)	$ 398
Net gain on financial liabilities at fair value through profit or loss	(774)	-
Net currency exchange loss	100,476	(120,816)
Gain on disposal of property, plant and equipment	914,767	45,615
Bank charges	(37,700)	(33,578)
Other losses	(51,573)	(60,170)
	$ 924,798	($ 168,551)

(20) Expenses by nature

	Years ended December 31,	
	2018	2017
Employee benefit expense	$ 2,785,539	$ 2,804,386
Depreciation charges on property, plant and equipment	715,861	779,922
	$ 3,501,400	$ 3,584,308

(21) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	$ 2,346,420	$ 2,361,835
Labour and health insurance fees	235,499	234,761
Pension costs	112,330	112,525
Other personnel expenses	91,290	95,265
	$ 2,785,539	$ 2,804,386

A. According to the Articles of Incorporation, the Company distributed employees' compensation at a ratio of profit before income tax of the current year, after covering accumulated losses. The ratio shall not be lower than 0.05% and shall not be higher than 0.5% for employees' compensation.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$10,543 and \$8,994, respectively; while directors' and supervisors' remuneration was accrued at \$5,272 and \$4,497, respectively. The aforementioned amount was recognized in salary expenses. For the year ended December 31, 2018, the employees' compensation was estimated and accrued based on the Articles of Incorporation. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors totalled to \$10,543 and \$5,272, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2017 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2017 financial statements. For the year ended December 31, 2017, employees' compensation was $8,994 and distributed in cash.

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

(22) Finance costs

	Years ended December 31,	
	2018	2017
Interest expense:		
Bank borrowings	$ 106,091	$ 120,573
Less: Capitalization of qualifying assets	(2,733)	(3,485)
Finance costs	$ 103,358	$ 117,088

(23) Income tax

A. Income tax expense

	Years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	$ 111,830	($ 24,998)
Additional 10% tax on undistributed earnings	32,440	76,622
Adjustments in respect of prior years	81,038	24,997
Prepayment of taxes	127,086	-
Total current tax	352,394	76,621
Deferred tax:		
Impact of change in tax rate	16,750	
Origination and reversal of temporary differences	149,212	126,928
Tax expense	$ 518,356	$ 203,549

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	2017
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 1,051,152	$ 762,182
Tax effect of permanent differences	(654,125)	(558,800)
Tax effect of temporary differences	(84,813)	(122,472)
Tax exempt income by tax regulation	(173,443)	-
Land Value Increment Tax from selling land	127,086	-
Tax effect of investment tax credits	-	(24,998)
Under provision of prior year's income tax	81,038	24,997
Net change in deferred income tax assets and liabilities	149,212	126,928
Impact of change in tax rate	16,750	-
Suspension of securities trading income	(26,941)	-
Effect on income tax from loss carryforward	-	(80,910)
Additional 10% tax on undistributed earnings	32,440	76,622
Tax expense	$ 518,356	$ 203,549

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

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

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	$ 21,049	$ 43,044	$ -	$ 64,093
Allowance for bad debts in excess of tax deductible limit	2,128	375	-	2,503
Accrued pension liabilities	31,776	(31,776)	-	-
Unrealized foreign exchange loss	2,576	(2,206)	-	370
Unrealized gain on disposal of equipment	17,711	(5,654)	-	12,057
-Loss carryforward	49,389	(49,389)	-	-
	124,629	(45,606)	-	79,023
Deferred tax liabilities:				
-Temporary differences				
Unrealized foreign exchange gain	-	(6,219)	-	(6,219)
Investment income accounted for under equity method	(170,157)	(114,137)	-	(284,294)
	(170,157)	(120,356)	-	(290,513)
	($ 45,528)	($ 165,962)	$ -	($ 211,490)

	Year ended December 31, 2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	$ 16,874	$ 4,175	$ -	$ 21,049
Allowance for bad debts in excess of tax deductible limit	2,084	44	-	2,128
Accrued pension liabilities	88,432	(56,656)	-	31,776
Unrealized foreign exchange loss	-	2,576	-	2,576
Unrealized gain on disposal of equipment	17,506	205	-	17,711
-Loss carryforward	118,938	(69,549)	-	49,389
	243,834	(119,205)	-	124,629
Deferred tax liabilities:				
-Temporary differences				
Unrealized foreign exchange gain	(5,833)	5,833	-	-
Investment income accounted for under equity method	(156,601)	(13,556)	-	(170,157)
	(162,434)	(7,723)	-	(170,157)
	$ 81,400	($ 126,928)	$ -	($ 45,528)

D. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(24) Earnings per share

A. Basic earnings per share

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

	Year ended December 31, 2018				
	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 5,255,762	$ 4,737,406	1,682,385	$ 3.12	$ 2.82

	Year ended December 31, 2017				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	$ 4,483,420	$ 4,279,871	1,682,339	$ 2.66	$ 2.54

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

	Year ended December 31, 2018				
	Amount		Outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	$ 5,255,762	$ 4,737,406	1,684,665	$ 3.12	$ 2.81

	Year ended December 31, 2017				
	Amount		Outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	$ 4,483,420	$ 4,279,871	1,684,665	$ 2.66	$ 2.54

B. Employees' compensation could be distributed in the form of stock. It does not have significant effect on the financial statements for the years ended December 31, 2018 and 2017. It also had no significant effect on earnings per share.

(25) Non-cash transaction

Investing activities with partial cash payments:

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 435,113	$ 574,174
Add: Opening balance of payable on equipment	13,354	10,096
Less: Ending balance of payable on equipment	(1,766)	(13,354)
Cash paid during the year	$ 446,701	$ 570,916

(26) Changes in liabilities from financing activities

For the year ended December 31, 2018, the change of short-term borrowings, short-term notes and bills payable and long-term borrowings are ($7,386), ($1,299,806) and ($2,900,000), respectively.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Formosa Chemicals & Fibre Corp.	Parent Company
Formosa Taffeta Dong Nai Co., Ltd.	Subsidiary
Formosa Advanced Technologies Co., Ltd.	Subsidiary
Formosa Taffeta Vietnam Co., Ltd.	Subsidiary
Schoeller F.T.C. (Hong Kong) Co., Ltd.	Subsidiary
Formosa Taffeta (Zhong Shan) Co., Ltd.	Subsidiary
Formosa Taffeta (Hong Kong) Co., Ltd.	Subsidiary
Formosa Taffeta (Changshu) Co., Ltd.	Subsidiary
Quang Viet Enterprise Corp.	Associate
Formosa Industries Corp.	Associate
Formosa Heavy Industries Corp.	Other Related Party
Formosa Biomedical Technology Corp.	Other Related Party
Formosa Petrochemical Corp.	Other Related Party
Formosa Asahi Spandex Corp.	Other Related Party
Formosa Technologies Corp.	Other Related Party
Formosa Plastics Corp.	Other Related Party
Chang Gung Biotechnology Corp.	Other Related Party
Nanya Technology Corp.	Other Related Party
Nan Ya Plastics Corp.	Other Related Party
Yugen Yueh Co., Ltd.	Other Related Party
Yumaowu Enterprise Co., Ltd.	Other Related Party
Yu Yuang Textile Co., Ltd.	Other Related Party
Yu Maowu Complex Co., Ltd.	Other Related Party
Great King Garment Co., Ltd.	Other Related Party
Kong You Industrial Co., Ltd.	Other Related Party
Bellmart Indurstrial Co., Ltd.	Other Related Party
TOA Resin Corp.	Other Related Party
Formosa HA TINH (CAYMAN) LIMITED	Other Related Party

(3) Significant related party transactions

A. Operating revenue

	Years ended December 31, 2018	Years ended December 31, 2017
Sales of goods:		
－Ultimate parent	$ 565	$ 17,705
－Subsidiaries	386,125	271,589
－Associates	393,650	372,384
－Other related parties	500,161	435,493
	$ 1,280,501	$ 1,097,171

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

B. Purchases of goods

	Years ended December 31, 2018	Years ended December 31, 2017
Purchases of goods:		
－Ultimate parent	$ 1,978,969	$ 1,745,553
－Subsidiaries	622,950	883,791
－Other related parties		
Formosa Petrochemical Corp.	10,916,187	9,606,981
Others	1,187,012	1,178,958
	$ 14,705,118	$ 13,415,283

Goods and services are purchased from parent company, subsidiaries and associates on normal commercial terms and conditions.

C. Notes and accounts receivable

	December 31, 2018	December 31, 2017
Receivables from related parties:		
－Ultimate parent	$ 98	$ 75
－Subsidiaries	72,017	52,738
－Associates	41,091	50,477
－Other related parties	111,588	104,088
	$ 224,794	$ 207,378

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

D. Notes and accounts payable

	December 31, 2018	December 31, 2017
Payables from related parties:		
－Ultimate parent	$ 644,076	$ 537,314
－Subsidiaries	159,888	125,659
－Other related parties		
Formosa Petrochemical Corp.	397,563	542,953
Others	95,126	96,509
	$ 1,296,653	$ 1,302,435

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

E. Property transactions, investment property and other receivables

(a)The Company sold fixed assets to related parties at cost plus any necessary expense. Gain or loss is recorded as gain or loss on disposal of property, plant and equipment. Details are as follows:

	Years ended December 31,			
	2018		2017	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Sale of property, plant and equipment:				
－Subsidiaries	$ 35,777	$ 17,560	$ 92,305	$ 53,807

The unrealized gain on disposal of property, plant and equipment from the transactions above amounted to $11,117 and $32,816 for the years ended December 31, 2018 and 2017, respectively.

(b) Rental income (shown as other income)

The Company rent out buildings on No. 319 and 329, Henan St., Douliu City, Yunlin County, and land on No. 497-1 Neilin Section and employees' dormitory to Formosa Advanced Technologies Co., Ltd. The lessee pays the Company at the beginning of every month. For the years ended December 31, 2018 and 2017, rental income amounted to $36,883 and $36,883, respectively.

Investment property leased to Formosa Advanced Technologies Co., Ltd. are as follows:

	Land	Building and structures	Total
At January 1, 2018			
Cost	$ 6,833	$ 764,479	$ 771,312
Accumulated depreciation	-	(272,813)	(272,813)
	$ 6,833	$ 491,666	$ 498,499
Year ended December 31, 2018			
Opening net book amount	$ 6,833	$ 491,666	$ 498,499
Depreciation charge	-	(24,841)	(24,841)
Closing net book amount	$ 6,833	$ 466,825	$ 473,658
At December 31, 2018			
Cost	$ 6,833	$ 764,479	$ 771,312
Accumulated depreciation	-	(297,654)	(297,654)
	$ 6,833	$ 466,825	$ 473,658

	Land	Building and structures	Total
At January 1, 2017			
Cost	$ 6,833	$ 764,479	$ 771,312
Accumulated depreciation	-	(247,972)	(247,972)
	$ 6,833	$ 516,507	$ 523,340
Year ended December 31, 2017			
Opening net book amount	$ 6,833	$ 516,507	$ 523,340
Depreciation charge	-	(24,841)	(24,841)
Closing net book amount	$ 6,833	$ 491,666	$ 498,499
At December 31, 2017			
Cost	$ 6,833	$ 764,479	$ 771,312
Accumulated depreciation	-	(272,813)	(272,813)
	$ 6,833	$ 491,666	$ 498,499

The fair value of the Company's investment property was based on the selling price of similar property in neighbouring areas. As of December 31, 2018 and 2017, the fair value was $520,354 and $524,963, respectively.

(c) Other income

Other income pertains to the Company's collections and payment transfer of utilities and disposal fee, etc. for Formosa Advanced Technologies Co., Ltd. For the years ended December 31, 2018 and 2017, other income amounted to $16,068 and $13,710, respectively.

(d) Other receivables

	Items	December 31, 2018	December 31, 2017
Subsidiaries			
-Formosa Taffeta Dong Nai Co., Ltd.	Purchase of raw materials and supplies and disposal of equipment, payments made by the Company on behalf of related party	$ 42,469	$ 39,699
-Formosa Taffeta Vietnam Co., Ltd.		43,168	41,891
-Other		4,514	4,883
Associates			
-Formosa Industries Corp.	Dividends receivable	-	90,347
Other related party			
-Formosa HA TINH (CAYMAN) LIMITED	Payments of guarantee commission	9,409	3,686
-Other	Payments made by the Company on behalf of related party	2	2
		$ 99,562	$ 180,508

(e) Acquisition of financial assets:

	Account	No. of shares	Object	Year ended December 31, 2017 Consideration
Other related parties	Non-current financial assets carried at cost	600	FG INC	$ 198,066

(f) Disposal of financial assets:

	Accounts	No. of shares (in thousands)	Objects	Year ended December 31, 2018 Proceeds	Gain/(loss)
Other related party	Investments accounted for under equity method	84,022	Formosa Advanced Technologies Co., Ltd.	$ 3,039,857	Note

Note: The gain on disposal of $980,948 was reclassified to capital surplus.

(g) Other payables

	December 31, 2018	December 31, 2017
Subsidiaries	$ 8,167	$ 2,848
Associates	930	677
Other related parties	27,880	3,918
	$ 36,977	$ 7,443

F. Commission expenses and commissions payable

(a) The Company paid commissions for sales rendered to Formosa Taffeta (Hong Kong) Co., Ltd. equivalent to 2.5%. Details are as follows (shown as sales and marketing expenses):

	Years ended December 31,	
	2018	2017
Subsidiaries	$ 3,272	$ 4,084

(b) The balances of commission payable (shown as other payables) consisted of the following:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 788	$ 1,943

G. Endorsements and guarantees provided to related parties:

	December 31, 2018	December 31, 2017
Formosa Taffeta (Zhong Shan) Co., Ltd.	$ 1,013,595	$ 982,080
Formosa Taffeta Vietnam Co., Ltd.	1,535,750	1,488,000
Formosa Taffeta (Changshu) Co., Ltd.	1,689,325	1,636,800
Formosa Taffeta Dong Nai Co., Ltd.	4,668,680	4,523,520
Formosa HA TINH (CAYMAN) Ltd.	7,125,084	5,186,248
	$ 16,032,434	$ 13,816,648

(4) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 33,399	$ 27,909

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Company leases factory and land of gas station. The lease expense estimated to be incurred is as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 129,761	$ 120,690
Between 1 and 5 years	382,264	336,082
More than 5 years	242,499	191,640
	$ 754,524	$ 648,412

(2) As of December 31, 2018, 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	$ 1,171
JPY	105,462
EUR	904

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Refer to Note 6(15) F for the distribution of 2018 earnings which was proposed by the Board of Directors on March 15, 2019.

(2) Owing to the capital increase of FG INC. the Board of Directors during its meeting on March 15, 2019 resolved to increase its investment in FG INC. in the amount of USD 4,500 thousand, in proportion to the original shareholding ratio of 3% in FG INC. Consequently, the total investment in FG INC. will be USD 11 million.

12. OTHERS

(1) Capital management

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

At December 31, 2018, the Company's strategy, was unchanged from December 31, 2017. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total borrowings	$ 7,900,000	$ 12,107,192
Less: Cash and cash equivalents	(1,447,966)	(851,569)
Net debt	6,452,034	11,255,623
Total equity	68,913,204	69,379,395
Total capital	$ 75,365,238	$ 80,635,018
Gearing ratio	9%	14%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at fair value through profit or loss	$ -	$ 398
Financial assets measured at fair value through other comprehensive profit or loss	42,274,430	-
Available-for-sale financial assets	-	45,274,982
Financial assets at cost	-	266,009
Financial assets at amortized cost	4,201,275	3,537,223
	$ 46,475,705	$ 49,078,612
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	$ 774	$ -
Financial liabilities at amortized cost	10,663,274	15,067,004
	$ 10,664,048	$ 15,067,004

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

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Company are focus upon 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. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

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

	December 31, 2018		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 60,910	30.73	$ 1,871,764
Non-monetary items			
VND:NTD	4,723,641,239	0.0013	6,140,734
HKD:NTD	289,967	3.93	1,139,570
RMB:NTD	439,198	4.48	1,967,607
USD:NTD	179,768	30.73	5,524,271

	December 31, 2017		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 57,288	29.85	$ 1,710,047
Non-monetary items			
VND:NTD	4,545,840,640	0.0013	5,909,593
HKD:NTD	287,387	3.82	1,097,818
RMB:NTD	406,178	4.57	1,856,233
USD:NTD	183,934	29.85	5,490,430

The total exchange income (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017, amounted to $100,476 and ($120,816), respectively.

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

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 18,718	$ -
Non-monetary items			
VND:NTD	1%	-	61,407
HKD:NTD	1%	-	11,396
RMB:NTD	1%	-	19,676
USD:NTD	1%	-	55,243

	Year ended December 31, 2017		
	Sensitivity analysis		
Financial assets	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Monetary items			
USD:NTD	1%	$ 17,100	$ -
Non-monetary items			
VND:NTD	1%	-	59,096
HKD:NTD	1%	-	10,978
RMB:NTD	1%	-	18,562
USD:NTD	1%	-	54,904

ii. Price risk

(i) The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

(ii) The Company's investments in equity securities comprise shares. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $6 and $3, 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 $422,724 and $452,750, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income and available-for sale equity investment.

iii. Cash flow and fair value interest rate risk

(i) The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2018 and 2017, the Company's borrowings at variable rate were denominated in the NTD and USD.

(ii) The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

(iii) At December 31, 2018 and 2017, if interest rates on NTD-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have been $63,200 and $89,640 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

v. The Company classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

vii. The Company uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On December 31, 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
At December 31, 2018					
Expected loss rate	0%	30%	78%	82%	
Total book value	$ 2,222,050	$ 28,939	$ 17,818	$ 730	$ 2,269,537
Loss allowance	8,498	8,729	13,852	599	31,678

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

	Year ended December 31, 2018	
	Notes receivable	Accounts receivable
At January 1	$ -	($ 37,064)
Reversal of impairment loss	-	5,386
At December 31	$ -	($ 31,678)

(c) Liquidity risk

i. The Company's investments in equity financial instruments which have active markets are expected to be sold easily and quickly in the market at the price close to fair value. The Company's investments in equity financial instruments without active markets are exposed to liquidity risk.

ii. Due to well-managed operations, the Company has an excellent credit in financial institutions and the money market, and has adequate working capital to meet commitments associated with receivables and payables. Therefore, no liquidity risk is expected to arise.

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

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Notes payable (including related parties)	459,428	-	-
Accounts payable (including related parties)	1,449,570	-	-
Other payables	854,276	-	-
Long-term borrowings	-	7,000,000	200,000
Financial guarantee contracts	16,032,434	-	-

Derivative financial liabilities

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Forward exchange contracts	$ 774	-	-

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 7,412	-	-
Short-term bills payable	13,000,000	-	-
Notes payable (including related parties)	375,008	-	-
Accounts payable (including related parties)	1,746,931	-	-
Other payables	837,873	-	-
Long-term borrowings	-	7,509,683	3,436,380
Financial guarantee contracts	13,816,648	-	-

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

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

C. The related information of 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 of nature of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	41,552,550	403,500	318,380	42,274,430
	$ 41,552,550	$ 403,500	$ 318,380	$ 42,274,430
Financial liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 774	$ -	$ 774

December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 398	$ -	$ 398
Available-for-sale financial assets				
Equity securities	44,654,582	620,400	-	45,274,982
	$ 44,654,582	$ 620,798	$ -	$ 45,275,380

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

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

	Listed shares
Market quoted price	Closing price

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

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

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

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2018:

	Year ended December 31, 2018
	Non-derivative equity instruments
At January 1	$ -
Retrospective adjustments	331,904
At January 1 after adjustments	331,904
Gains and losses recognized in other comprehensive income	
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(13,524)
At December 31	$ 318,380

For the year ended December 31, 2017, there was no movement of Level 3.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

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

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

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	$ 318,380	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value

There are no financial instruments within Level 3 for the year ended December 31, 2017.

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

			December 31, 2018	
			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%	$ 3,184	$ 3,184

There is no effect of other comprehensive income from financial assets and liabilities categorized within Level 3 for the year ended December 31, 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:

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

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

iii. They are initially recognized at fair value. Related transaction costs are expensed in profit or loss. They are subsequently remeasured and stated at fair value, and any changes in the fair value are recognized in profit or loss.

(b) Available for sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

iii. They are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(c) Loans and receivables

Loans and receivables receivable are originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(e) Financial guarantee contracts

A. A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Available-for-sale-current	Available-for-sale-non-current			Effects		
	Measured at fair value through other comprehensive income-current	Measured at fair value through other comprehensive income-non-current	Measured at cost	Total	Investments accounted for under equity method	Retained earnings	Other equity
IAS 39	$ 1,911,496	$ 43,363,486	$ 266,009	$45,540,991	$ -	$ -	$ -
Transferred into and measured at fair value through other comprehensive income-non-current	-	266,009	(266,009)	-	-		-
Fair value adjustment	-	65,895	-	65,895	64,950	4,890,917	(4,760,072)
IFRS 9	$ 1,911,496	$ 43,695,390	$ -	$45,606,886	$ 64,950	$ 4,890,917	($ 4,760,072)

Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets and financial assets at cost, amounting to $45,274,982 and $266,009, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to $45,606,886, increasing investments accounted for under equity method in the amount of $64,950, which resulted to an increase in retained earnings in the amount of $4,890,917, and decrease in other equity interest in the amount of $4,760,072, on initial application of IFRS 9.

C. The significant accounts as of December 31, 2017 and for the year ended December 31, 2017 are as follows:

(a)Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 900,285
Unlisted stocks	100,000
Valuation adjustment	911,211
	$ 1,911,496
Non-current items:	
Listed stocks	$ 10,670,029
Valuation adjustment	37,110,306
	47,780,335
Accumulated impairment	(4,416,849)
	$ 43,363,486

i. The Company recognized $2,127,178 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii. As of December 31, 2017, no available-for-sale financial assets held by the Company were pledged as collateral.

(b) Financial assets at cost

Items	December 31, 2017
Unlisted stocks	$ 266,009

i. According to the Company's intention, its investment should be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in active market, and no sufficient industry information of companies similar to the corporations or the corporation's financial information cannot be obtained, the fair value of the investment in the stocks cannot be measured reliably. Accordingly, the Company classified those stocks as 'financial assets measured at cost'.

ii. As of December 31, 2017, no financial assets measured at cost held by the Company were pledged to others.

D. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with good rating are accepted.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

	December 31, 2017
Group 1	$ 1,669,468
Group 2	221,529
Group 3	41,028
	$ 1,932,025

Note:

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

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

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

(f) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 42,773
31 to 90 days	6,944
91 to 180 days	32
Over 180 days	3,636
	$ 53,385

(g) Movement analysis of financial assets that were impaired - allowance for bad debts is as follows:

i. As of December 31, 2017, the Company's accounts receivable that were impaired were $0.

ii. Movements on the Company's provision for impairment of accounts receivable are as follows:

		Year ended December 31, 2017
At January 1	$	35,059
Reversal of provision for impairment	(	1,995)
At December 31	$	33,064

(5)Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

The Company manufactures and sells various fabrics and renders services as an oil distributor. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

		Year ended December 31, 2017
Sales revenue	$	25,453,390
Service revenue		260,449
	$	25,713,839

C. There is no impact on line item of current balance sheet and comprehensive income statement if the Company continues adopting above accounting policies.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

In accordance with "Rules Governing the Preparation of Financial Statements by Securities Issuers", significant transactions for the year ended December 31, 2018 are stated as follows. Furthermore, the inter-company transactions were eliminated when preparing financial statements of investees which were audited by other independent accountants. The following disclosures are for reference only.

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 4.

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 5.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), (10) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

None.

Table 1

FORMOSA TAFFETA CO., LTD.
Provision of endorsements and guarantees to others
For the year ended December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2018 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	$ 44,793,582	$ 1,410,525	$ 1,013,595	$ 230,363	$ -	1.47	$ 89,587,165	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	44,793,582	1,567,250	1,535,750	307,028	-	2.23	89,587,165	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	44,793,582	2,037,425	1,689,325	272,011	-	2.45	89,587,165	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	44,793,582	4,705,160	4,668,680	3,080,801	-	6.77	89,587,165	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	44,793,582	7,125,084	7,125,084	5,352,675	-	10.34	89,587,165	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	188,563	3,000	3,000	3,000	-	1.03	377,127	Y	N	N	

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

(1)The Company is ‘0’.

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

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

(1)Having business relationship.

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

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

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

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

Note 5: Fill in the amount approved by the Board of Directors or the 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.

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

For the year ended December 31, 2018

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 December 31, 2018 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	$ 1,277,809	0.21	$ 1,277,809	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	32	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	64	-	64	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	36,406	0.01	36,406	
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	403,500	2.35	403,500	
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	424,106	0.25	424,106	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	39,814,166	3.83	39,814,166	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	174,441	3,224	0.45	3,224	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	37,437	10.00	37,437	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	676,441	16,309	1.20	16,309	

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2018

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 December 31, 2018 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	1,348,731	$ 8,874	3.17	$ 8,874	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	4,261,443	49,816	9.53	49,816	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	202,719	3.00	202,719	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	5,524,232	3.85	5,524,232	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,243,228	77,504	0.13	77,504	
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Association of R.O.C.	-	Non-current financial assets at fair value through other comprehensive income	-	134	0.11	134	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	146,388	14,785	-	14,785	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	2,907,512	219,517	0.04	219,517	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Utimate parent company	Current financial assets at fair value through other comprehensive income	15,249,000	1,601,145	0.26	1,601,145	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Current financial assets at fair value through other comprehensive income	1,110,000	120,990	0.01	120,990	

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2018

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 December 31, 2018				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,376,215	$ 405,692	0.24	$ 405,692	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	2,130,721	24,917	4.77	24,917	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	59,945	1,075	0.15	1,075	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	15,147,454	224,084	-	224,084	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	20,396,748	255,406	-	255,406	

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.

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

For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2018		Addition (Note 3)(Note 4)		Disposal (Note 3)				Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Non-current financial assets at fair value through other comprehensive income	-	-	15,421,010	$ 1,175,081	-	$ -	7,710,000	$ 693,199	$ 696,277	note 5	7,711,010	$ 424,106
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Investments accounted for under equity method	NAN YA TECHNOLOGY CORPORATION	Other related party	290,464,472	7,412,797	-	-	84,022,000	3,039,857	2,177,715	note 6	206,442,472	5,350,424
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Non-current financial assets at fair value through other comprehensive income	-	-	190,009,706	5,490,371	19,000,970	566,417	-	-	-	-	209,010,676	5,524,232

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

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

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

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

Note 4: Beginning balance plus addition amount is not equal to balance at December 31, 2018 because of valuation in exchange rate.

Note 5: The loss on disposal (including the portion attributable to non-controlling interests) of ($1,804,708) was reclassified to retained earnings.

Note 6: The gain on disposal (including the portion attributable to non-controlling interests) of $980,948 was reclassified to capital surplus.

FORMOSA TAFFETA CO., LTD.

Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal (Note 4)	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
FORMOSA TAFFETA CO.,LTD.	No.540、543、543-1,Beiming section,Dounan Township, Yunlin County	2018/3/16	1991/10/30	$ 124,320	$ 401,841	$ 401,841	$ 275,299	HOME MARK CO., LTD.	-	Disposal of idle land	Valuation amount of $331,160 by Euro-Asia Real Estate Appraisers Firm	NA
FORMOSA TAFFETA CO.,LTD.	No514、514-1、536、537、538、539、540-2、543-6,Beiming section,Dounan Township, Yunlin County	2018/5/4	1991/10/30 2004/3/31 2011/5/27	218,350	810,514	810,514	591,918	SHIH HSIANG AUTO PARTS CO., LTD.	-	Disposal of idle land	Valuation amount of $672,437 by Euro-Asia Real Estate Appraisers Firm	NA

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate disposed of should be appraised pursuant to the regulations.

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.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4:Including expense for transaction.

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales)	Transaction: Credit term	Differences in transaction terms compared to third party transactions (Note 1): Unit price	Differences (Note 1): Credit term	Notes/accounts receivable (payable): Balance		Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	($ 393,650)	(1.44)	Pay by mail transfer 60 days after delivery	$ -	-	Accounts receivable	$ 41,091	1.75	
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(340,846)	(1.24)	Pay 120 days after delivery	-	-	Accounts receivable	84,289	3.59	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Associate	Sales	(158,160)	(0.57)	60 days after monthly billings	-	-	Accounts receivable	47,640	2.03	
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Associate	Sales	(101,998)	(0.37)	Pay 120 days after delivery	-	-	Accounts receivable	5,829	0.25	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	10,916,187	47.21	Pay every 15 days by mail transfer	-	-	Accounts payable	(397,563)	(27.43)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,978,969	8.56	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	(331,826)	(72.23)	
									Accounts payable	(312,250)	(21.54)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	793,906	3.43	Pay every 15 days by mail transfer	-	-	Accounts payable	(72,264)	(4.99)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	339,048	1.47	Pay every 15 days by mail transfer	-	-	Accounts payable	(19,816)	(1.37)	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Sales	(6,161,227)	(70.13)	60 days after monthly billings	-	-	Accounts receivable	1,006,359	63.09	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA POLYESTER FIBER (KUNSHAN) CORP.	Other related party	Purchases	152,357	2.00	45 days after inspection	-	-	Accounts payable	(22,116)	(5.00)	

FORMOSA TAFFETA CO., LTD.
Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more
For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales)	Transaction: Credit term	Differences in transaction terms compared to third party transactions (Note 1): Unit price	Differences in transaction terms compared to third party transactions (Note 1): Credit term	Notes/accounts receivable (payable): Balance		Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	($ 416,462)	(25.18)	60 days after monthly billings	-	-	Accounts receivable	$ 210,492	69.43	
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	229,715	11.26	60 days after monthly billings	-	-	Accounts payable	(13,943)	(11.52)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(295,886)	(6.74)	60 days after monthly billings	-	-	Accounts receivable	58,448	5.37	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(442,296)	(9.62)	60 days after monthly billings	-	-	Accounts receivable	112,770	10.36	
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Associate	Sales	(146,486)	(3.34)	60 days after$ monthly billings	-	-	Accounts receivable	23,855	2.19	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	635,272	15.28	60 days after monthly billings	-	-	Accounts payable	(32,911)	(7.08)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	437,120	10.52	60 days after monthly billings	-	-	Accounts payable	(49,532)	(10.65)	
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	171,232	4.12	60 days after monthly billings	-	-	Accounts payable	(20,741)	(4.46)	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	JIAXING QUANG VIET GARMENT CO., LTD.	Associate	Sales	(152,808)	(11.56)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	19,878	10.91	

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.

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

For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	$ 1,006,359	6.29	$ –	–	$ 553,008	$ -
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	210,492	2.52	–	–	85,779	–
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	112,770	1.93	–	–	81,544	–

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.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	$ 1,978,969	Draw promissory notes due in 2 months after inspection	4.44
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	312,250	Draw promissory notes due in 2 months after inspection	0.34
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	331,826	Draw promissory notes due in 2 months after inspection	0.36

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.

Table 8

FORMOSA TAFFETA CO., LTD.
Information on investees
For the year ended December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2018 (Note 2(3))	Footnote
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	$ 217,235	$ 18,065	$ 13,708	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	206,442,472	46.68	5,350,424	1,420,293	838,593	
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	1,133,880	60,477	60,477	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	1,963,366	139,974	139,974	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producion 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	1,191,261	768,584	116,954	

Table 8

FORMOSA TAFFETA CO., LTD.

Information on investees

For the year ended December 31, 2018

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2018 (Note 2(3))	Footnote
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	$ 2,958	$ 2,958	-	50.00	$ 5,663	$ 6,206	$ 3,103	
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	2,281,893	(5,943)	(5,943)	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,008,842	1,181,028	121,457	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	5,675,253	171,028,736	100.00	5,524,284	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	23,914	1,420,293	1,508	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	9,994	4,834	4,834	

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

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

(1)The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2018' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2018' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Table 8, Page 2

Table 9

FORMOSA TAFFETA CO., LTD.

Information on investments in Mainland China

For the year ended December 31, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	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	$ 94,273	100.00	$ 94,273	$ 1,695,852	$ -	Note 3
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	15,273	(1)	15,273	-	-	15,273	7,203	100.00	7,203	13,154	-	Note 4
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	60,688	100.00	60,688	1,016,281	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	(240)	40.78	(98)	16,403	-	Note 6

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

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

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

(3) Others

Note 2: The amount of ‘Investment income (loss) recognized by the Company for the year ended December 31, 2018 were derived from financial statements which were reviewed by independent accountants.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 and December 31, 2018 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, 2018 and December 31, 2018 are both US$570,000.

Note 5: The Company’s paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 is US$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2018 was US$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	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	$ 1,425,872	$ 44,981,214
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,516	44,981,214
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,290,660	44,981,214

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 XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US$570,000.
(3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US$42,000,000, while the company reduced its capital and divided some part of housing land to Changshu Fushun Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.
(4)The original currency of paid-in capital was translated at USD:TWD = 1:30.73

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2018

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 33,068	0.12	$ -	-	$ 3,305	0.14	$ 1,013,595	For short-tem loans from financial institutions	$ -	$ -	-	$ -	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	63,966	0.23	-	-	12,463	0.53	1,689,325	For short-tem loans from financial institutions	-	-	-	-	

Formosa Taffeta Co., Ltd.

Chairman: Wong Wen-yuan

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