# FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

## JUNE 30, 2016 AND 2015

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

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# REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have reviewed the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and subsidiaries as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

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

As described in Notes 4(3) and 6(8), the financial statements of certain insignificant subsidiaries, investments accounted for using equity method and the information disclosed in Note 13 were not reviewed by independent accountants. The statements reflect total assets (including investments accounted for using equity method) of NT$20,751,807 thousand and NT$19,460,113 thousand, constituting 25% and 24% of the consolidated total assets, and total liabilities of NT$5,236,571 thousand and NT$4,777,991 thousand, constituting 21% and 19% of the consolidated total liabilities as of June 30, 2016 and 2015, respectively, and comprehensive income (including share of profit of associates accounted for using equity method and share of profit and other comprehensive income of associates) amounted to NT$169,308 thousand, NT$210,527 thousand, NT$329,343 thousand and NT$238,183 thousand, constituting 12%, 5%, 8% and 5% of the total comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.



資誠聯合會計師事務所 *PricewaterhouseCoopers, Taiwan*
*11012 臺北市信義區基隆路一段333號27樓 / 27F, 333, Keelung Road, Sec. 1, Xinyi Dist., Taipei City 11012, Taiwan*
*T: +886 (2) 2729 6666, F:+ 886 (2) 2757 6371, www.pwc.com/tw*

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

PricewaterhouseCoopers, Taiwan

PricewaterhouseCoopers, Taiwan
August 5, 2016

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review 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 review report of independent accountants are not intended for use by those who are not informed about the accounting principles or review standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

| | Assets | Notes | June 30, 2016 | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|---|---|---|
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Current assets** | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 6,267,826 | 7 | $ 5,640,597 | 7 | $ 5,451,106 | 7 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 626,926 | 1 | 655,811 | 1 | 654,716 | 1 |
| 1125 | Available-for-sale financial assets - current | 6(3) | 1,955,678 | 2 | 1,824,656 | 2 | 1,752,009 | 2 |
| 1150 | Notes receivable, net | 6(4) | 78,558 | - | 72,028 | - | 118,668 | - |
| 1160 | Notes receivable - related parties | 7 | 7,934 | - | 5,236 | - | 4,417 | - |
| 1170 | Accounts receivable, net | 6(5) | 3,974,294 | 5 | 3,764,065 | 5 | 4,353,615 | 6 |
| 1180 | Accounts receivable - related parties | 7 | 1,298,682 | 1 | 1,277,332 | 2 | 1,655,175 | 2 |
| 1200 | Other receivables | 7 | 508,688 | 1 | 360,728 | - | 448,872 | 1 |
| 130X | Inventory | 6(6) and 8 | 7,397,376 | 9 | 7,827,720 | 10 | 7,450,168 | 9 |
| 1410 | Prepayments | | 811,725 | 1 | 991,013 | 1 | 962,652 | 1 |
| 1470 | Other current assets | 6(10) | 500,964 | 1 | 508,021 | 1 | 306,394 | - |
| 11XX | **Total current assets** | | 23,428,651 | 28 | 22,927,207 | 29 | 23,157,792 | 29 |
| | **Non-current assets** | | | | | | | |
| 1523 | Available-for-sale financial assets - non-current | 6(3) | 33,161,125 | 40 | 29,476,126 | 37 | 29,713,224 | 37 |
| 1543 | Financial assets carried at cost - non-current | 6(7) | 5,439,857 | 6 | 5,786,109 | 7 | 5,470,725 | 7 |
| 1550 | Investments accounted for under equity method | 6(8) | 3,106,614 | 4 | 3,158,212 | 4 | 2,869,085 | 4 |
| 1600 | Property, plant and equipment | 6(9) and 8 | 16,961,264 | 20 | 17,311,841 | 22 | 16,936,653 | 21 |
| 1840 | Deferred income tax assets | | 445,130 | 1 | 450,573 | - | 461,764 | 1 |
| 1900 | Other non-current assets | 6(11) | 844,847 | 1 | 944,987 | 1 | 868,221 | 1 |
| 15XX | **Total non-current assets** | | 59,958,837 | 72 | 57,127,848 | 71 | 56,319,672 | 71 |
| 1XXX | **Total assets** | | $ 83,387,488 | 100 | $ 80,055,055 | 100 | $ 79,477,464 | 100 |

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

| | Liabilities and Equity | Notes | June 30, 2016 AMOUNT | % | December 31, 2015 AMOUNT | % | June 30, 2015 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | | | |
| 2100 | Short-term borrowings | 6(12) and 8 | $ 3,587,671 | 4 | $ 3,507,956 | 5 | $ 3,502,607 | 5 |
| 2110 | Short-term notes and bills payable | 6(13) | 1,299,732 | 2 | 1,699,525 | 2 | 1,799,533 | 2 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(14) | 531 | - | 818 | - | 1,395 | - |
| 2150 | Notes payable | | 207,319 | - | 200,128 | - | 201,045 | - |
| 2160 | Notes payable - related parties | 7 | 79,307 | - | 140,382 | - | 157,496 | - |
| 2170 | Accounts payable | | 1,568,192 | 2 | 1,602,029 | 2 | 1,429,570 | 2 |
| 2180 | Accounts payable - related parties | 7 | 932,283 | 1 | 981,723 | 1 | 898,955 | 1 |
| 2200 | Other payables | 6(15) | 3,774,668 | 5 | 1,813,430 | 2 | 4,082,718 | 5 |
| 2230 | Current income tax liabilities | | 377,203 | - | 381,633 | 1 | 290,422 | - |
| 2300 | Other current liabilities | 6(16) | 420,790 | 1 | 281,377 | - | 656,089 | 1 |
| 21XX | **Total current liabilities** | | 12,247,696 | 15 | 10,609,001 | 13 | 13,019,830 | 16 |
| | **Non-current liabilities** | | | | | | | |
| 2540 | Long-term borrowings | 6(16) | 10,243,177 | 12 | 10,362,409 | 13 | 9,270,084 | 12 |
| 2570 | Deferred income tax liabilities | | 140,672 | - | 120,972 | - | 135,906 | - |
| 2600 | Other non-current liabilities | 6(17) | 2,912,215 | 4 | 2,893,943 | 4 | 2,883,649 | 4 |
| 25XX | **Total non-current liabilities** | | 13,296,064 | 16 | 13,377,324 | 17 | 12,289,639 | 16 |
| 2XXX | **Total liabilities** | | 25,543,760 | 31 | 23,986,325 | 30 | 25,309,469 | 32 |
| | **Equity attributable to owners of parent** | | | | | | | |
| | **Share capital** | 6(18) | | | | | | |
| 3110 | Share capital - common stock | | 16,846,646 | 20 | 16,846,646 | 21 | 16,846,646 | 21 |
| | **Capital surplus** | 6(19) | | | | | | |
| 3200 | Capital surplus | | 20,791 | - | 20,791 | - | 39,406 | - |
| | **Retained earnings** | 6(20) | | | | | | |
| 3310 | Legal reserve | | 6,791,478 | 8 | 6,508,610 | 8 | 6,508,610 | 8 |
| 3320 | Special reserve | | 1,708,542 | 2 | 1,381,824 | 2 | 1,381,824 | 2 |
| 3350 | Unappropriated retained earnings | | 2,267,119 | 3 | 3,819,939 | 5 | 2,393,449 | 3 |
| | **Other equity interest** | 6(21) | | | | | | |
| 3400 | Other equity interest | | 26,974,880 | 32 | 24,143,610 | 30 | 23,861,228 | 30 |
| 3500 | Treasury stocks | 6(18) | ( 22,285) | - | ( 22,285) | - | ( 22,285) | - |
| 31XX | **Equity attributable to owners of the parent** | | 54,587,171 | 65 | 52,699,135 | 66 | 51,008,878 | 64 |
| 36XX | **Non-controlling interest** | | 3,256,557 | 4 | 3,369,595 | 4 | 3,159,117 | 4 |
| 3XXX | **Total equity** | | 57,843,728 | 69 | 56,068,730 | 70 | 54,167,995 | 68 |
| | **Significant contingent liabilities and unrecognized contract commitments** | 9 | | | | | | |
| | **Significant events after the balance sheet** | 11 | | | | | | |
| 3X2X | **Total liabilities and equity** | | $ 83,454,902 | 100 | $ 80,055,055 | 100 | $ 79,477,464 | 100 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 5, 2016.

FORMOSA TAFFETA CO., LTD.AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(Reviewed, not audited)

| | | | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2016 | | 2015 | | 2016 | | 2015 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 4000 | **Sales revenue** | 6(22) and 7 | $ 10,363,144 | 100 | $ 11,596,003 | 100 | $ 20,792,739 | 100 | $ 22,625,929 | 100 |
| 5000 | **Operating costs** | 6(25)(26) and 7 | ( 8,813,310) | ( 85) | ( 9,696,288) | ( 84) | ( 17,556,611) | ( 84) | ( 19,231,052) | ( 85) |
| 5900 | **Net operating margin** | | 1,549,834 | 15 | 1,899,715 | 16 | 3,236,128 | 16 | 3,394,877 | 15 |
| | **Operating expenses** | 6(25)(26) and 7 | | | | | | | | |
| 6100 | Selling expenses | | ( 449,202) | ( 4) | ( 502,981) | ( 4) | ( 866,907) | ( 4) | ( 941,785) | ( 4) |
| 6200 | General and administrative expenses | | ( 270,442) | ( 3) | ( 242,557) | ( 2) | ( 543,260) | ( 3) | ( 475,158) | ( 2) |
| 6300 | Research and development expenses | | ( 14,281) | - | ( 12,539) | - | ( 27,301) | - | ( 25,107) | - |
| 6000 | **Total operating expenses** | | ( 733,925) | ( 7) | ( 758,077) | ( 6) | ( 1,437,468) | ( 7) | ( 1,442,050) | ( 6) |
| 6900 | **Operating profit** | | 815,909 | 8 | 1,141,638 | 10 | 1,798,660 | 9 | 1,952,827 | 9 |
| | **Non-operating income and expenses** | | | | | | | | | |
| 7010 | Other income | 6(23) and 7 | 79,776 | 1 | 88,644 | 1 | 129,307 | 1 | 214,980 | 1 |
| 7020 | Other gains and losses | 6(24) | ( 261,580) | ( 3) | ( 295,936) | ( 3) | ( 324,292) | ( 2) | ( 407,911) | ( 2) |
| 7050 | Finance costs | 6(27) | ( 45,084) | - | ( 47,216) | - | ( 92,195) | ( 1) | ( 94,130) | - |
| 7060 | Share of profit of associates and joint ventures accounted for under equity method | | 106,508 | 1 | 109,252 | 1 | 134,172 | 1 | 111,296 | - |
| 7000 | **Total non-operating income and expenses** | | ( 120,380) | ( 1) | ( 145,256) | ( 1) | ( 153,008) | ( 1) | ( 175,765) | ( 1) |
| 7900 | **Profit before income tax** | | 695,529 | 7 | 996,382 | 9 | 1,645,652 | 8 | 1,777,062 | 8 |
| 7950 | Income tax expense | 6(28) | ( 186,816) | ( 2) | ( 227,343) | ( 2) | ( 406,785) | ( 2) | ( 392,069) | ( 2) |
| 8200 | **Profit for the period** | | $ 508,713 | 5 | $ 769,039 | 7 | $ 1,238,867 | 6 | $ 1,384,993 | 6 |

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(Reviewed, not audited)

| | Items | Notes | Three months ended June 30 2016 AMOUNT | % | Three months ended June 30 2015 AMOUNT | % | Six months ended June 30 2016 AMOUNT | % | Six months ended June 30 2015 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Other comprehensive income** | 6(21) | | | | | | | | |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | ($ 71,063) | (1) | ($ 86,986) | (1) | ($ 324,699) | (2) | ($ 192,097) | (1) |
| 8362 | Unrealized gain (loss) on valuation of available-for-sale financial assets | | (1,879,069) | (18) | 3,438,888 | 30 | 3,236,251 | 16 | 3,429,320 | 15 |
| 8370 | Share of other comprehensive loss of associates and joint ventures accounted for under equity method | 6(18) | (8,296) | - | (55,269) | (1) | (51,221) | - | (95,052) | - |
| 8300 | **Total other comprehensive income for the period** | | ($ 1,958,428) | (19) | $ 3,296,633 | 28 | $ 2,860,331 | 14 | $ 3,142,171 | 14 |
| 8500 | **Total comprehensive income for the period** | | ($ 1,449,715) | (14) | $ 4,065,672 | 35 | $ 4,099,198 | 20 | $ 4,527,164 | 20 |
| | **Profit attributable to:** | | | | | | | | | |
| 8610 | Owners of the parent | | $ 434,772 | 4 | $ 687,343 | 6 | $ 1,078,364 | 5 | $ 1,204,694 | 5 |
| 8620 | Non-controlling interest | | 73,941 | 1 | 81,696 | 1 | 160,503 | 1 | 180,299 | 1 |
| | | | $ 508,713 | 5 | $ 769,039 | 7 | $ 1,238,867 | 6 | $ 1,384,993 | 6 |
| | **Comprehensive income attributable to:** | | | | | | | | | |
| 8710 | Owners of the parent | | ($ 1,522,080) | (15) | $ 3,994,396 | 34 | $ 3,909,634 | 19 | $ 4,348,403 | 19 |
| 8720 | Non-controlling interest | | 72,365 | 1 | 71,276 | 1 | 189,564 | 1 | 178,761 | 1 |
| | | | ($ 1,449,715) | (14) | $ 4,065,672 | 35 | $ 4,099,198 | 20 | $ 4,527,164 | 20 |

| | Items | Notes | 3M 2016 Before Tax | 3M 2016 After Tax | 3M 2015 Before Tax | 3M 2015 After Tax | 6M 2016 Before Tax | 6M 2016 After Tax | 6M 2015 Before Tax | 6M 2015 After Tax |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Basic and diluted earnings per share (in dollars)** | 6(29) | **Before Tax** | **After Tax** | **Before Tax** | **After Tax** | **Before Tax** | **After Tax** | **Before Tax** | **After Tax** |
| 9710 | Profit for the period from continuing operations | | $ 0.41 | $ 0.30 | $ 0.59 | $ 0.46 | $ 0.98 | $ 0.74 | $ 1.06 | $ 0.82 |
| 9720 | Non-controlling interest | | (0.10) | (0.04) | (0.12) | (0.05) | (0.22) | (0.10) | (0.24) | (0.10) |
| 9750 | Profit attributable to common shareholders of the parent | | $ 0.31 | $ 0.26 | $ 0.47 | $ 0.41 | $ 0.76 | $ 0.64 | $ 0.82 | $ 0.72 |
| | **Assuming shares held by subsidiaries are not deemed as treasury stock:** | | **Before Tax** | **After Tax** | **Before Tax** | **After Tax** | **Before Tax** | **After Tax** | **Before Tax** | **After Tax** |
| | Profit for the period from continuing operations | | $ 0.41 | $ 0.30 | $ 0.59 | $ 0.46 | $ 0.98 | $ 0.74 | $ 1.05 | $ 0.82 |
| | Non-controlling interest | | (0.10) | (0.04) | (0.12) | (0.05) | (0.22) | (0.10) | (0.23) | (0.10) |
| | Profit attributable to common shareholders of the parent | | $ 0.31 | $ 0.26 | $ 0.47 | $ 0.41 | $ 0.76 | $ 0.64 | $ 0.82 | $ 0.72 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accounts dated August 5, 2016

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

| | | Equity attributable to owners of the parent | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital Reserves | | | | Retained Earnings | | | Other equity interest | | | | | |
| | Notes | Share capital - common stock | Treasury stock transactions | Difference between the price for acquisition or disposal of subsidiaries and carrying amount | Donated assets received | Change in net equity of associates and joint ventures accounted for under equity method | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealized gain or loss on available-for-sale financial assets | Treasury stocks | Total | Non-controlling interest | Total equity |
| Six-months ended June 30, 2015 | | | | | | | | | | | | | | | |
| Balance at January 1, 2015 | | $16,846,646 | $11,077 | $545 | $2,032 | $24,694 | $ 6,156,773 | $644,262 | $ 4,636,684 | $385,721 | $ 20,331,798 | ( $22,723) | $ 49,017,509 | $ 3,209,154 | $ 52,226,663 |
| Appropriations of 2014 earnings: | | | | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 351,837 | - | ( 351,837 ) | - | - | - | - | - | - |
| Special reserve | | - | - | - | - | - | - | 737,562 | ( 737,562 ) | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | - | - | ( 2,358,530 ) | - | - | - | ( 2,358,530 ) | - | ( 2,358,530 ) |
| Profit for the period | | - | - | - | - | - | - | - | 1,204,694 | - | - | - | 1,204,694 | 180,299 | 1,384,993 |
| Disposal of treasury stock | | - | 1,058 | - | - | - | - | - | - | - | - | 438 | 1,496 | - | 1,496 |
| Other comprehensive income for the period | 6(21) | - | - | - | - | - | - | - | - | ( 281,220 ) | 3,424,929 | - | 3,143,709 | ( 1,538 ) | 3,142,171 |
| Cash dividends paid by consolidated subsidiaries | 6(21) | - | - | - | - | - | - | - | - | - | - | - | - | ( 228,798 ) | ( 228,798 ) |
| Balance at June 30, 2015 | | $16,846,646 | $12,135 | $545 | $2,032 | $24,694 | $ 6,508,610 | $1,381,824 | $ 2,393,449 | $104,501 | $ 23,756,727 | ( $22,285) | $ 51,008,878 | $ 3,159,117 | $ 54,167,995 |
| Six-months ended June 30, 2016 | | | | | | | | | | | | | | | |
| Balance at January 1, 2016 | | $16,846,646 | $12,135 | $545 | $2,032 | $6,079 | $ 6,508,610 | $1,381,824 | $ 3,819,939 | $646,176 | $ 23,497,434 | ( $22,285) | $ 52,699,135 | $ 3,369,595 | $ 56,068,730 |
| Appropriations of 2015 earnings: | | | | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 282,868 | - | ( 282,868 ) | - | - | - | - | - | - |
| Special reserve | | - | - | - | - | - | - | 326,718 | ( 326,718 ) | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | - | - | ( 2,021,598 ) | - | - | - | ( 2,021,598 ) | - | ( 2,021,598 ) |
| Profit for the period | | - | - | - | - | - | - | - | 1,078,364 | - | - | - | 1,078,364 | 160,503 | 1,238,867 |
| Other comprehensive income for the period | 6(21) | - | - | - | - | - | - | - | - | ( 375,996 ) | 3,207,266 | - | 2,831,270 | 29,061 | 2,860,331 |
| Cash dividends paid by consolidated subsidiaries | 6(21) | - | - | - | - | - | - | - | - | - | - | - | - | ( 302,602 ) | ( 302,602 ) |
| Balance at June 30, 2016 | | $16,846,646 | $12,135 | $545 | $2,032 | $6,079 | $ 6,791,478 | $1,708,542 | $ 2,267,119 | $270,180 | $ 26,704,700 | ( $22,285) | $ 54,587,171 | $ 3,256,557 | $ 57,843,728 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 5, 2016.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

| | Notes | Six months ended June 30 2016 | 2015 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Consolidated profit before tax for the period | | $ 1,645,652 | $ 1,777,062 |
| Adjustments to reconcile profit before tax to net cash provided by operating activities | | | |
| Adjustments to reconcile profit (loss) | | | |
| Reversal of impairment of receivables | | - | ( 2,748 ) |
| Depreciation | 6(25) | 1,376,329 | 1,475,182 |
| Interest expense | 6(27) | 92,195 | 94,130 |
| Impairment loss | 6(24) | 207,066 | - |
| Interest income | 6(23) | ( 11,513 ) | ( 11,506 ) |
| Dividend income | 6(23) | ( 3,645 ) | ( 3,225 ) |
| Gain on valuation of financial assets | 6(24) | ( 1,486 ) | ( 2,015 ) |
| Gain on valuation of financial liabilities | 6(24) | ( 287 ) | ( 2,650 ) |
| Share of profit of associates and joint ventures accounted for under equity method | 6(8) | ( 134,172 ) | ( 111,296 ) |
| (Gain) loss on disposal and scrap of property, plant and equipment | 6(24) | ( 2,165 ) | 227,990 |
| Changes in assets/liabilities relating to operating activities | | | |
| Net changes in assets relating to operating activities | | | |
| Financial assets at fair value through profit or loss | | 30,371 | - |
| Notes receivable, net | | ( 6,530 ) | ( 25,568 ) |
| Notes receivable - related parties | | ( 2,698 ) | ( 1,674 ) |
| Accounts receivable, net | | ( 208,891 ) | ( 195,365 ) |
| Accounts receivable - related parties | | ( 21,350 ) | ( 333,245 ) |
| Other receivables | | ( 14,645 ) | ( 37,295 ) |
| Inventory | | 430,344 | 500,121 |
| Prepayments | | 179,288 | ( 568,981 ) |
| Other current assets | | 7,057 | 78,361 |
| Net changes in liabilities relating to operating activities | | | |
| Notes payable | | 7,191 | ( 4,522 ) |
| Notes payable - related parties | | ( 61,075 ) | ( 130,664 ) |
| Accounts payable | | ( 33,837 ) | 259,684 |
| Accounts payable - related parties | | ( 49,440 ) | ( 287,059 ) |
| Other payables | | ( 379,856 ) | ( 525,422 ) |
| Other current liabilities | | 139,413 | 160,826 |
| Other non-current liabilities | | 18,272 | 42,969 |
| Cash inflow generated from operations | | 3,201,588 | 2,373,090 |
| Interest received | | 11,513 | 11,506 |
| Dividend received | | 3,645 | 3,225 |
| Interest paid | | ( 98,436 ) | ( 96,530 ) |
| Income tax paid | | ( 384,908 ) | ( 160,676 ) |
| Net cash provided by operating activities | | 2,733,402 | 2,130,615 |

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

| | Notes | Six months ended June 30 2016 | 2015 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of available-for-sale financial assets | | ($ 582,462 ) | ($ 4,402 ) |
| Proceeds from capital reduction of financial assets carried at cost | | 10,704 | - |
| Acquisition of property, plant and equipment | 6(30) | ( 1,238,354 ) | ( 1,034,109 ) |
| Proceeds from disposal of property, plant and equipment | | 7,909 | 59,918 |
| Decrease in other non-current assets | | 100,140 | 182,985 |
| Net cash flows used in investing activities | | ( 1,702,063 ) | ( 795,608 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in short-term borrowings | | 79,715 | 740,921 |
| Decrease in short-term notes and bills payable | | ( 399,793 ) | ( 549,991 ) |
| Payment of long-term borrowings | | ( 4,544,495 ) | ( 2,020,476 ) |
| Increase in long-term borrowings | | 4,430,258 | 2,148,796 |
| Cash dividends paid to non-controlling interest | | - | ( 16,975 ) |
| Net cash provided by financing activities | | ( 434,315 ) | 302,275 |
| Effect of foreign exchange rate | | 30,205 | 16,956 |
| Net increase in cash and cash equivalents | | 627,229 | 1,654,238 |
| Cash and cash equivalents at beginning of period | 6(1) | 5,640,597 | 3,796,868 |
| Cash and cash equivalents at end of period | 6(1) | $ 6,267,826 | $ 5,451,106 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 5, 2016.

FORMOSA TAFFETA CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

(Reviewed, not audited)

1. HISTORY AND ORGANIZATION

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

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

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

(3)As of June 30, 2016, the Company and its subsidiaries (collectively referred herein as the "Group") had 10,087 employees.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on August 5, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of new issuances of or amendments to IFRSs as endorsed by the Financial Supervisory Commission ("FSC") but not yet adopted by the Group

None.

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

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

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

A. Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: Applying the consolidation exception'

The amendments clarify the following:

(a) If the ultimate parent of the Group's intermediate parent entity is an investment entity and measures it at fair value through profit or loss, and the intermediate parent entity also meets other criteria for exemption from preparing consolidated financial statements, it is not required to present consolidated financial statements.

(b) If a subsidiary of an investment entity that provides the investment-related services is itself an investment entity, the investment entity parent shall measure that subsidiary at fair value through profit or loss. If that subsidiary is not itself an investment entity and whose main purpose is providing investment-related services as an extension of the operations of the investment entity parent, the investment entity parent shall consolidate that subsidiary.

(c) If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may choose, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

B. Amendments to IAS 1, 'Disclosure initiative'

This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure.

C. Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'

The amendments clarify that a revenue-based method of depreciation or amortization is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as other inputs and processes, selling activities and changes in sales volumes and prices.

D. Amendments to IAS 19, "Defined benefit plans: Employee contributions"

The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

E. Amendments to IAS 27, 'Equity method in separate financial statements'

The amendment allows entities to account for investments in subsidiaries, joint ventures and associates in their separate financial statements either:

(a) at cost; or

(b) in accordance with IFRS 9; or

(c) using the equity method as described in IAS 28.

F. IFRIC 21, 'Levies'

This interpretation addresses the accounting for a liability to pay a levy (excluding income taxes) recognized in accordance with IAS 37, 'Provisions'. An entity recognizes the liability when the obligating event occurs. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognized when the threshold is reached.

G. Annual improvements to IFRSs 2010-2012 cycle

(a) IFRS 8, ‘Operating segments’

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets is required only when segment asset is provided to chief operating decision maker regularly.

(b) IFRS 13, ‘Fair value measurement’

When issuing IFRS 13,‘Fair value measurement’, the IASB removed the guidance that an entity could measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of not discounting is immaterial. The amendment clarifies the deletion was made by IASB noting that paragraph 8 of IAS 8 already permits entities not to apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial. The IASB did not intend to change the aforementioned measurement requirements, thus, entities can still apply above standard.

(c) IAS 16, ‘Property, plant and equipment’

The standard is amended to clarify how the accumulated depreciation of property, plant and equipment are treated to where an entity uses the revaluation model.

(d) IAS 24, ‘Related party disclosures’

The standard is amended to include, as a related party, an entity (or any member of a group of which it is a part) that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’).

H. Annual improvements to IFRSs 2011-2013 cycle

IFRS 13, ‘Fair value measurement’

The amendment clarifies that the exception of measuring the fair value of a group of financial assets and financial liabilities (portfolio exception) applies to all financial assets, financial liabilities and other contracts within the scope of IFRS 9 or IAS 39.

I. Annual improvements to IFRSs 2012-2014 cycle

(a) IFRS 5, ‘Non-current assets held for sale and discontinued operations’

The amendment clarifies the accounting treatments for the situation where an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’, or vice versa and where an asset ceases to be held for distribution but is not reclassified as held for sale.

(b) IFRS 7, ‘Financial instruments: Disclosures’

The amendment provides additional guidance to determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and thus the disclosure requirement of transferred financial assets applies. This amendment also clarifies that disclosure of offsetting is not required for all interim periods.

(c) IAS 19, ‘Employee benefits’

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

(d) IAS 34, ‘Interim financial reporting’

The amendment clarifies what is meant by the reference in the standard to “information disclosed elsewhere in the interim financial report”. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

(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 endorsed by the FSC effective from 2017:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Classification and measurement of share-based payment transactions (amendments to IFRS 2) | January 1, 2018 |
| IFRS 9, ‘Financial instruments' | January 1, 2018 |
| Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | To be determined by International Accounting Standards Board |
| IFRS 15, ‘Revenue from contracts with customers' | January 1, 2018 |
| Clarifications to IFRS 15, ‘Revenue from contracts with customers' (amendments to IFRS 15) | January 1, 2018 |
| IFRS 16, 'Leases' | January 1, 2019 |
| Disclosure initiative (amendments to IAS 7) | January 1, 2017 |
| Recognition of deferred tax assets for unrealised losses (amendments to IAS 12) | January 1, 2017 |

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

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses (‘ECL’) or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

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

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

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

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

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

D. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective from January 1, 2017.

E. Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'

These amendments clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, and they clarify several of the general principles underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset's tax base. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits. The amendments are effective from January 1, 2017.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for compliance statement, basis of preparation, basis of consolidation and accounting policies on employee benefits and income tax, the Group's significant accounting policies are the same with those specified in Note 4 of the consolidated financial statements for the year ended December 31, 2015. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### (1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the FSC.

B. The consolidated financial statements as of and for the six months ended June 30, 2016 should be read together with the consolidated financial statements as of and for the year ended December 31, 2015.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a)Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b)Available-for-sale financial assets measured at fair value.

(c)Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of the consolidated financial statements is the same with the consolidated financial statements as of and for the year ended December 31, 2015.

(Blank)

B. Subsidiaries included in the consolidated financial statements:

| | | | Ownership (%) | | | |
|---|---|---|---|---|---|---|
| Name of investor | Name of subsidiary | Main business activities | June 30, 2016 | December 31, 2015 | June 30, 2015 | Description |
| Formosa Taffeta Co., Ltd. | Formosa Advanced Technologies Co., Ltd. | Assembly, testing, model processing and research and development of various integrated circuits | 65.68 | 65.68 | 65.68 | |
| Formosa Taffeta Co., Ltd. | Taffeta (Zhong Shan) Co, Ltd. | Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products | 100.00 | 100.00 | 100.00 | Note 1 |
| Formosa Taffeta Co., Ltd. | Formosa Development Co., Ltd. | Urban land consolidation, development and rent and sale of residential and buildings, and development of new community and specialised zones | 100.00 | 100.00 | 100.00 | Note 1 |
| Formosa Taffeta Co., Ltd. | Formosa Taffeta Vietnam Co., Ltd. | Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies | 100.00 | 100.00 | 100.00 | Note 1 |
| Formosa Taffeta Co., Ltd. | Formosa Taffeta (Hong Kong) Co., Ltd. | Sale of nylon and polyamine goods | 100.00 | 100.00 | 100.00 | Note 1 |
| 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 | 43.00 | 43.00 | 43.00 | Note 1 and Note2 |
| Formosa Taffeta Co., Ltd. | Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. | Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour | 100.00 | 100.00 | 100.00 | Note 1 |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) June 30, 2016 | December 31, 2015 | June 30, 2015 | Description |
|---|---|---|---|---|---|---|
| Formosa Taffeta Co., Ltd. | Formosa Taffeta (Dong Nai) Co., Ltd. | Manufacturing of nylon and polyester filament products | 100.00 | 100.00 | 100.00 | Note 1 |
| Formosa Taffeta Co., Ltd. | Formosa Taffeta (Cayman) Limited | Holding company | 100.00 | 100.00 | 100.00 | Note 1 |
| Formosa Taffeta (Hong Kong) Co., Ltd. | Formosa Taffeta (Changshu) Co., Ltd. | Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric | 100.00 | 100.00 | 100.00 | Note 1 |
| Formosa Taffeta (Hong Kong) Co., Ltd. | Changshu Fushun Enterprise Management Co.,Ltd | Assets management | - | - | 100.00 | Note 1 and Note 3 |

Note 1: The financial statements of the entity as of and for the six months ended June 30, 2016 and 2015 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

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

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

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

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

E. Significant restrictions: None.

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

As of June 30, 2016, December 31, 2015, June 30, 2015, the non-controlling interest amounted to $3,256,557, $3,369,595, and $3,159,117, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

| Name of subsidiary | Principal place of business | Non-controlling interest June 30, 2016 Amount | Ownership (%) | Non-controlling interest December 31, 2015 Amount | Ownership (%) |
|---|---|---|---|---|---|
| Formosa Advanced Technologies Co., Ltd. | Taiwan | $ 3,247,655 | 34.32 | $ 3,366,457 | 34.32 |

| Name of subsidiary | Principal place of business | Non-controlling interest June 30, 2015 Amount | Ownership (%) |
|---|---|---|---|
| Formosa Advanced Technologies Co., Ltd. | Taiwan | $ 3,158,533 | 34.32 |

Summarized financial information on the subsidiaries:

Balance sheets

| | Formosa Advanced Technologies Co., Ltd. June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Current assets | $ 8,008,789 | $ 7,648,938 | 7,319,638 |
| Non-current assets | 3,368,790 | 3,267,306 | 3,583,324 |
| Current liabilities | ( 1,850,659) | ( 1,041,340) | ( 1,643,465) |
| Non-current liabilities | ( 64,057) | ( 65,880) | ( 56,311) |
| Total net assets | $ 9,462,863 | $ 9,809,024 | $ 9,203,186 |

Statements of comprehensive income

| | Formosa Advanced Technologies Co., Ltd. Three months ended June 30, 2016 | Three months ended June 30, 2015 |
|---|---|---|
| Revenue | $ 2,119,019 | $ 2,099,925 |
| Profit before income tax | 283,044 | 291,469 |
| Income tax expense | ( 77,716) | ( 61,181) |
| Profit for the period | 205,328 | 230,288 |
| Other comprehensive income, net of tax | ( 4,631) | ( 18,688) |
| Total comprehensive income for the period | $ 200,697 | $ 211,600 |
| Comprehensive income attributable to non-controlling interest | $ 68,879 | $ 72,621 |

| | Formosa Advanced Technologies Co., Ltd. | |
|---|---|---|
| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
| Revenue | $ 4,286,054 | $ 4,407,425 |
| Profit before income tax | 580,788 | 634,765 |
| Income tax expense | ( 128,452) | ( 122,449) |
| Profit for the period | 452,336 | 512,316 |
| Other comprehensive income, net of tax | 85,947 | 8,111 |
| Total comprehensive income for the period | $ 538,283 | $ 520,427 |
| Comprehensive income attributable to non-controlling interest | $ 184,739 | $ 178,611 |

Statements of cash flows

| | Formosa Advanced Technologies Co., Ltd. | |
|---|---|---|
| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
| Net cash provided by operating activities | $ 1,368,900 | $ 1,768,766 |
| Net cash used in investing activities | ( 889,521) | ( 393,057) |
| Increase in cash and cash equivalents | 479,379 | 1,375,709 |
| Cash and cash equivalents, beginning of period | 3,520,954 | 1,879,627 |
| Cash and cash equivalents, end of period | $ 4,000,333 | $ 3,255,336 |

(4) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognized in profit or loss using the ‘corridor’ method in the period in which they arise.

iii. Past service costs are recognized immediately in profit or loss.

iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

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

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

(5) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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 realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

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

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

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements as of and for the year ended December 31, 2015 for related information.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Cash on hand and petty cash (revolving funds) | $ 66,191 | $ 64,461 | $ 62,246 |
| Checking accounts and demand deposits | 2,049,594 | 1,859,812 | 1,966,273 |
| Time deposits | 663,032 | 253,658 | 354,552 |
| Cash equivalents | 3,489,009 | 3,462,666 | 3,068,035 |
| | $ 6,267,826 | $ 5,640,597 | $ 5,451,106 |

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

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

| Items | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Current items: | | | |
| Financial assets held for trading | | | |
| Beneficiary certificates | $ 619,504 | $ 649,854 | 649,854 |
| Forward foreign exchange contracts | 268 | 12 | 688 |
| | 619,772 | 649,866 | 650,542 |
| Valuation adjustment of financial assets held for trading | 7,154 | 5,945 | 4,174 |
| | $ 626,926 | $ 655,811 | $ 654,716 |

A. The Group recognized net gain (loss) of $817, ($354), $1,486 and $2,015 on financial assets held for trading for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively.

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

| Derivative Instruments | June 30, 2016 Contract Amount (Notional Principal) | | June 30, 2016 Contract Period | December 31, 2015 Contract Amount (Notional Principal) | | December 31, 2015 Contract Period |
|---|---|---|---|---|---|---|
| Current items: | | | | | | |
| Forward foreign exchange contracts | | | | | | |
| Chang Hwa Bank | USD | 2,000 | 2016.6~2016.7 | USD | 2,000 | 2015.12~2016.2 |

| | June 30, 2015 Contract Amount (Notional Principal) | | June 30, 2015 Contract Period |
|---|---|---|---|
| Current items: | | | |
| Forward foreign exchange contracts | | | |
| Chang Hwa Bank | USD | 4,000 | 2015.7~2015.8 |
| Taipei Fubon Bank | JPY | 79,110 | 2015.4~2015.8 |

C. The forward exchange contracts are buy and sell to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

(3) Available-for-sale financial assets

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Current items: | | | |
| Listed (TSE and OTC) stocks | $ 1,536,854 | $ 1,512,741 | $ 1,421,340 |
| Valuation adjustment of available -for-sale financial assets | 418,824 | 311,915 | 330,669 |
| | $ 1,955,678 | $ 1,824,656 | $ 1,752,009 |
| Non-current items: | | | |
| Listed (TSE and OTC) stocks | $ 9,418,267 | $ 8,859,918 | $ 8,859,918 |
| Valuation adjustment of available -for-sale financial assets | 26,355,943 | 23,229,293 | 23,466,390 |
| | 35,774,210 | 32,089,211 | 32,326,308 |
| Accumulated impairment - available -for-sale financial assets | ( 2,613,085) | ( 2,613,085) | ( 2,613,084) |
| | $ 33,161,125 | $ 29,476,126 | $ 29,713,224 |

A. The Group recognized ($1,878,479), $3,442,279, $3,207,266 and $3,424,929 in other comprehensive (loss) income for fair value change for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively.

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

C. The Group has no available-for-sale financial assets pledged to others as of June 30, 2016 and 2015.

(4) Notes receivable, net

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Notes receivable | $ 78,558 | $ 72,028 | $ 120,634 |
| Less: allowance for bad debts | - | - | ( 1,966) |
| | $ 78,558 | $ 72,028 | $ 118,668 |

(5) Accounts receivable, net

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Accounts receivable | $ 4,072,129 | $ 3,863,238 | $ 4,470,058 |
| Less: allowance for bad debts | ( 97,835) | ( 99,173) | ( 116,443) |
| | $ 3,974,294 | $ 3,764,065 | $ 4,353,615 |

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

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Group 1 | $ 2,941,289 | $ 2,789,167 | $ 3,667,599 |
| Group 2 | 309,315 | 318,743 | 280,341 |
| Group 3 | 410,877 | 370,053 | 300,984 |
| | $ 3,661,481 | $ 3,477,963 | $ 4,248,924 |

Note:

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

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

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

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

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Up to 30 days | $ 303,184 | $ 291,503 | $ 144,365 |
| 31 to 90 days | 82,328 | 58,054 | 40,875 |
| 91 to 180 days | 6,292 | 16,494 | 13,670 |
| Over 180 days | 5,401 | 5,781 | 7,416 |
| | $ 397,205 | $ 371,832 | $ 206,326 |

The above ageing analysis was based on past due date.

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

(a)As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's accounts receivable that were impaired amounted to $13,443, $13,443 and $14,808, respectively.

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

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

| | Six months ended June 30, 2015 | | |
|---|---|---|---|
| | Individual provision | Group provision | Total |
| At January 1 | $ 14,808 | $ 105,324 | $ 120,132 |
| (Reversal of ) provision for impairment | - | ( 2,748) | ( 2,748) |
| Effect of exchange rate | - | ( 941) | ( 941) |
| At June 30 | $ 14,808 | $ 101,635 | $ 116,443 |

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

(6) Inventories

| | June 30, 2016 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 1,426,521 | ($ 82,496) | $ 1,344,025 |
| Supplies | 256,557 | ( 4,679) | 251,878 |
| Work in process | 2,050,401 | ( 19,088) | 2,031,313 |
| Finished goods | 3,217,320 | ( 342,253) | 2,875,067 |
| Merchandise inventory | 193,272 | - | 193,272 |
| Materials in transit | 482,458 | - | 482,458 |
| Outsourced processed materials | 165,099 | - | 165,099 |
| Construction in progress | 21,355 | - | 21,355 |
| Land for construction | 32,909 | - | 32,909 |
| | $ 7,845,892 | ($ 448,516) | $ 7,397,376 |

| | December 31, 2015 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 1,358,667 | ($ 92,182) | $ 1,266,485 |
| Supplies | 210,545 | ( 3,100) | 207,445 |
| Work in process | 2,228,054 | ( 18,678) | 2,209,376 |
| Finished goods | 3,758,946 | ( 362,013) | 3,396,933 |
| Merchandise inventory | 135,844 | - | 135,844 |
| Materials in transit | 392,966 | - | 392,966 |
| Outsourced processed materials | 166,192 | - | 166,192 |
| Construction in progress | 19,570 | - | 19,570 |
| Land for construction | 32,909 | - | 32,909 |
| | $ 8,303,693 | ($ 475,973) | $ 7,827,720 |

| | June 30, 2015 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 1,468,215 | ($ 85,719) | $ 1,382,496 |
| Supplies | 230,115 | ( 3,950) | 226,165 |
| Work in process | 2,155,914 | ( 9,952) | 2,145,962 |
| Finished goods | 3,296,475 | ( 366,918) | 2,929,557 |
| Merchandise inventory | 140,979 | - | 140,979 |
| Materials in transit | 409,086 | - | 409,086 |
| Outsourced processed materials | 151,775 | - | 151,775 |
| Construction in progress | 17,750 | - | 17,750 |
| Land for construction | 46,398 | - | 46,398 |
| | $ 7,916,707 | ($ 466,539) | $ 7,450,168 |

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

The cost of inventories recognized as expense for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015 were as follows:

| | Three months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Cost of inventories sold | $ 8,811,441 | $ 9,735,491 |
| Inventory valuation loss (gain) (Note 1) | 4,712 | ( 19,957) |
| Others (Note 2) | ( 2,843) | ( 19,246) |
| | $ 8,813,310 | $ 9,696,288 |

| | Six months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Cost of inventories sold | $ 17,568,565 | $ 19,247,697 |
| Inventory valuation (gain) loss (Note 1) | ( 27,457) | 27,979 |
| Others (Note 2) | 15,503 | ( 44,624) |
| | $ 17,556,611 | $ 19,231,052 |

Note 1: Gain on inventory for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015 arose from inventories which were previously provided with allowance but were subsequently sold.

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

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

| Items | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Unlisted stocks | $ 5,439,857 | $ 5,786,109 | $ 5,470,725 |

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

B. The Group has assessed the impairment of partial investment and recognized impairment loss of $207,066, $0, $207,066 and $0 (shown as 'other gains and losses') for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively, on the abovementioned financial instruments.

C. As of June 30, 2016, December 31, 2015 and June 30, 2015, no financial assets measured at cost held by the Group were pledged to others.

(8) Investments accounted for using equity method

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Formosa Industries Co., Ltd. | $ 2,259,446 | $ 2,182,277 | $ 2,065,492 |
| Quang Viet Enterprise Co., Ltd. | 818,952 | 951,527 | 803,593 |
| Changshu Yu Yuan Development Co., Ltd. | 28,216 | 24,408 | - |
| | $ 3,106,614 | $ 3,158,212 | $ 2,869,085 |

A. Group’s principal 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 June 30, 2016 | Shareholding ratio December 31, 2015 | Nature of relationship | Method of measurement |
|---|---|---|---|---|---|
| Formosa Industries Co., Ltd. | Vietnam | 10.00% | 10.00% | Associate | Equity method |
| Quang Viet Enterprise Co., Ltd. | Taiwan | 20.16% | 20.16% | Associate | Equity method |
| Changshu Yu Yuan Development Co., Ltd. | China | 40.78% | 40.78% | Associate | Equity method |

| Company name | Principal place of business | Shareholding ratio June 30, 2015 | Nature of relationship | Method of measurement |
|---|---|---|---|---|
| Formosa Industries Co., Ltd. | Vietnam | 10.00% | Associate | Equity method |
| Kuang Yueh Co., Ltd. | Taiwan | 20.16% | Associate | Equity method |

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

Balance sheets

| | Formosa Industries Co., Ltd. June 30, 2016 | Formosa Industries Co., Ltd. December 31, 2015 | Formosa Industries Co., Ltd. June 30, 2015 |
|---|---|---|---|
| Current assets | $ 14,671,701 | $ 7,604,525 | $ 12,765,556 |
| Non-current assets | 23,796,730 | 23,625,804 | 18,976,461 |
| Current liabilities | ( 7,517,320) | ( 1,945,152) | ( 7,597,299) |
| Non-current liabilities | ( 9,293,607) | ( 8,404,130) | ( 4,391,142) |
| Total net assets | $ 21,657,504 | $ 20,881,047 | $ 19,753,576 |
| | | | |
| Share in associate's net assets | $ 2,165,750 | $ 2,088,105 | $ 1,975,357 |
| Difference | 93,696 | 94,172 | 90,135 |
| Carrying amount of the associate | $ 2,259,446 | $ 2,182,277 | $ 2,065,492 |

| | Quang Viet Enterprise Co., Ltd. | | |
|---|---|---|---|
| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
| Current assets | $ 4,278,476 | $ 3,015,922 | $ 5,015,018 |
| Non-current assets | 3,609,812 | 3,890,540 | 3,234,057 |
| Current liabilities | ( 3,620,623) | ( 1,979,919) | ( 4,020,614) |
| Non-current liabilities | ( 205,401) | ( 223,173) | ( 242,385) |
| Total net assets | $ 4,062,264 | $ 4,703,370 | $ 3,986,076 |
| Share in associate's net assets (Carrying amount of the associate) | $ 818,952 | $ 951,527 | $ 803,593 |

| | Changshu Yu Yuan Development Co., Ltd. | |
|---|---|---|
| | June 30, 2016 | December 31, 2015 |
| Current assets | $ 612,958 | $ 367,888 |
| Non-current assets | 8,346 | 7,875 |
| Current liabilities | ( 552,114) | ( 315,910) |
| Total net assets | $ 69,190 | $ 59,853 |
| Share in associate's net assets (Carrying amount of the associate) | $ 28,216 | $ 24,408 |

Statements of comprehensive income

| | Formosa Industries Co., Ltd. | |
|---|---|---|
| | Three months ended June 30, 2016 | Three months ended June 30, 2015 |
| Revenue | $ 6,330,995 | $ 5,680,748 |
| Profit for the period from continuing operations (Total comprehensive income) | $ 696,986 | $ 643,783 |

| | Formosa Industries Co., Ltd. | |
|---|---|---|
| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
| Revenue | $ 11,838,744 | $ 11,353,701 |
| Profit for the period from continuing operations (Total comprehensive income) | $ 1,186,855 | $ 805,253 |

| | Quang Viet Enterprise Co., Ltd. | |
|---|---|---|
| | Three months ended June 30, 2016 | Three months ended June 30, 2015 |
| Revenue | $ 2,140,607 | $ 1,998,405 |
| Profit for the period from continuing operations (Total comprehensive income) | $ 165,547 | $ 222,590 |

| | Quang Viet Enterprise Co., Ltd. | |
|---|---|---|
| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
| Revenue | $ 2,677,870 | $ 2,447,605 |
| Profit for the period from continuing operations (Total comprehensive income) | $ 80,264 | $ 152,633 |

| | Changshu Yu Yuan Development Co., Ltd. |
|---|---|
| | Three months ended June 30, 2016 |
| Revenue | $ 79,534 |
| Profit for the period from continuing operations | |
| Other comprehensive income | |
| Total comprehensive income | $ 13,448 |

| | Changshu Yu Yuan Development Co., Ltd. |
|---|---|
| | Six months ended June 30, 2016 |
| Revenue | $ 79,534 |
| Profit for the period from continuing operations | |
| Other comprehensive income | |
| Total comprehensive income | $ 12,365 |

B. The investment income of $106,508, $109,252, $134,172 and $111,296 for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively, were accounted for under the equity method based on the audited financial statements of the investee companies.

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

D. The Company transferred stock of FORMOSA HA TINH (CAYMAN) LIMITED totaling 171,008,736 shares to the subsidiary-Formosa Taffeta (Cayman) Limited for reorganization.

E. In order to effectively utilise Formosa Taffeta (Changshu) Co., Ltd.'s residential land of 9,206 square metres, the Group adjusted the investment structure in March 2015 by reducing capital of Formosa Taffeta (Changshu) Co., Ltd. and splitting the above land for establishing Changshu Fushun Enterprise Management Co., Ltd., whose 100% share ownership is held by Formosa Taffeta (Hong Kong) Co., Ltd. The above capital reduction, land division and establishment of a new company were completed in the first quarter of 2015. Furthermore, Changshu Fushun Enterprise Management Co., Ltd. merged with Changshu Yu Yuan Development Co., Ltd. in July 2015, with Changshu Yu Yuan Development Co., Ltd. as the surviving company. Formosa Taffeta (Hong Kong) Co., Ltd. holds 40.78% share of Changshu Yu Yuan Development Co., Ltd.

(Blank)

(9) Property, plant and equipment

| January 1, 2016 | Land and land improvements | Buildings | Machinery | Transportation equipment and other equipment | Construction in progress and equipment to be inspected | Total |
|---|---|---|---|---|---|---|
| Cost | $ 2,542,709 | $ 10,474,572 | $ 41,309,167 | $ 9,317,556 | $ 1,633,090 | $ 65,277,094 |
| Accumulated depreciation | ( 15,518) | ( 5,296,419) | ( 34,061,171) | ( 8,436,136) | - | ( 47,809,244) |
| Accumulated impairment | ( 155,738) | - | ( 271) | - | - | ( 156,009) |
| | $ 2,371,453 | $ 5,178,153 | $ 7,247,725 | $ 881,420 | $ 1,633,090 | $ 17,311,841 |
| Six months ended June 30, 2016 | | | | | | |
| Opening net book amount | $ 2,371,453 | $ 5,178,153 | $ 7,247,725 | $ 881,420 | $ 1,633,090 | $ 17,311,841 |
| Additions | - | - | - | - | 1,261,489 | 1,261,489 |
| Disposals | - | ( 439) | ( 3,337) | ( 1,969) | - | ( 5,745) |
| Transfers (Note) | 465 | 179,510 | 984,427 | 77,951 | ( 1,312,906) | ( 70,553) |
| Depreciation charge | ( 162) | ( 171,998) | ( 1,085,913) | ( 118,256) | - | ( 1,376,329) |
| Net exchange differences | ( 115) | ( 77,390) | ( 54,027) | ( 9,786) | ( 18,121) | ( 159,439) |
| Closing net book amount | $ 2,371,641 | $ 5,107,836 | $ 7,088,875 | $ 829,360 | $ 1,563,552 | $ 16,961,264 |
| June 30, 2016 | | | | | | |
| Cost | $ 2,542,412 | $ 10,519,467 | $ 41,534,837 | $ 9,245,346 | $ 1,563,552 | $ 65,405,614 |
| Accumulated depreciation | ( 15,033) | ( 5,411,631) | ( 34,445,691) | ( 8,415,986) | - | ( 48,288,341) |
| Accumulated impairment | ( 155,738) | - | ( 271) | - | - | ( 156,009) |
| | $ 2,371,641 | $ 5,107,836 | $ 7,088,875 | $ 829,360 | $ 1,563,552 | $ 16,961,264 |

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

| | Land and land improvements | Buildings | Machinery | Transportation equipment and other equipment | Construction in progress and equipment to be inspected | Total |
|---|---|---|---|---|---|---|
| January 1, 2015 | | | | | | |
| Cost | $ 2,552,585 | $ 10,448,063 | $ 42,049,912 | $ 9,508,253 | $ 926,644 | $ 65,485,457 |
| Accumulated depreciation | ( 15,448) | ( 4,980,080) | ( 34,035,448) | ( 8,450,604) | - | ( 47,481,580) |
| Accumulated impairment | ( 155,738) | - | ( 1,991) | - | - | ( 157,729) |
| | $ 2,381,399 | $ 5,467,983 | $ 8,012,473 | $ 1,057,649 | $ 926,644 | $ 17,846,148 |
| Six months ended June 30, 2015 | | | | | | |
| Opening net book amount | $ 2,381,399 | $ 5,467,983 | $ 8,012,473 | $ 1,057,649 | $ 926,644 | $ 17,846,148 |
| Additions | 13,252 | - | - | 302 | 1,013,502 | 1,027,056 |
| Disposals | - | ( 6) | ( 284,451) | ( 3,451) | - | ( 287,908) |
| Transfers (Note) | 268 | 69,656 | 1,028,925 | 30,497 | ( 1,132,417) | ( 3,071) |
| Depreciation charge | ( 164) | ( 171,275) | ( 1,174,564) | ( 129,179) | - | ( 1,475,182) |
| Net exchange differences | ( 60) | ( 62,644) | ( 84,961) | ( 10,094) | ( 12,631) | ( 170,390) |
| Closing net book amount | $ 2,394,695 | $ 5,303,714 | $ 7,497,422 | $ 945,724 | $ 795,098 | $ 16,936,653 |
| June 30, 2015 | | | | | | |
| Cost | $ 2,565,759 | $ 10,424,168 | $ 41,864,201 | $ 9,422,968 | $ 795,098 | $ 65,072,194 |
| Accumulated depreciation | ( 15,326) | ( 5,120,454) | ( 34,364,788) | ( 8,477,244) | - | ( 47,977,812) |
| Accumulated impairment | ( 155,738) | - | ( 1,991) | - | - | ( 157,729) |
| | $ 2,394,695 | $ 5,303,714 | $ 7,497,422 | $ 945,724 | $ 795,098 | $ 16,936,653 |

Note: Transferred to maintenance charge.

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

| | Three months ended June 30, 2016 | Three months ended June 30, 2015 |
|---|---|---|
| Amount capitalised | $ 838 | $ 1,270 |

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
|---|---|---|
| Amount capitalised | $ 2,630 | $ 2,933 |
| Interest rate | 1.07%~2.00% | 1.20%~2.00% |

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

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

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

D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles of land which the Company has acquired for future plant expansion is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of June 30, 2016 and 2015, the land mortgaged to the Company was $808,300 and $586,700, respectively.

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

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Property, plant and equipment | $ 79,161 | $ - |

The assets related to machinery have been reclassified as disposal group held for sale following the approval of the company during the six months ended June 30, 2016 to sell machinery. The excepted completion date of the transaction is June, 2017.

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

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Land use right - Formosa Taffeta Co., Ltd. | $ 616 | $ 801 | $ 1,460 |
| Land use right - Formosa Taffeta (Zhong Shan) Co., Ltd. | 34,213 | 36,458 | 37,062 |
| Land use right - Formosa Taffeta (Dong Nai) Co., Ltd. | 145,461 | 149,204 | 145,529 |
| Land use right - Formosa Taffeta (Changshu) Co., Ltd. | 126,409 | 133,831 | 135,191 |
| Land use right - Changshu Fushun Enterprise Management Co., Ltd. | - | - | 32,393 |
| | $ 306,699 | $ 320,294 | $ 351,635 |

A. Land use right of Formosa Taffeta Co., Ltd. pertains to the payment for the right to establish a petrol station and title transfer of land leasing right and is amortised over the land lease period under the contract. The Group recognized rental expense for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, amounting to $93, $329, $185 and $422, 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 of RMB 67 thousand both for the three months ended June 30, 2016 and 2015 and RMB 133 thousand both for the six months ended June 30, 2016 and 2015.

C. Formosa Taffeta (Dong Nai) Co., Ltd. has paid land use right of VND75,655,550 thousand and VND48,134,338 thousand for the leased land of 273,661.1 square meters and 65,086 square meters in Nhon Trach 3 Industrial Zone in Nhon Trach District, Dong Nai Province, Vietnam from Formosa Industries Corporation in September 2004 and December 2013, respectively. The lease period started from September 1, 2004 and December 1, 2012, respectively, and the effective periods are both 140 years from the date of issuance of certificate of land use right. The Group recognized rental expense of VND 417,986 thousand both for the three months ended June 30, 2016 and 2015 and VND 835,973 thousand both for the six months ended June 30, 2016 and 2015.

D. Formosa Taffeta (Changshu) Co., Ltd. has leased 3 parcels of land amounting to 277,172 square meters in Economy Development Zone from Changshu City Land and Resources Bureau in Jiangsu Province, Mainland China. The effective period of land use right started from the date of issuance of certificate of land use right and the lease period ends in December 2056 to December 2076. Furthermore, partial land was not used until November 18, 2011, so the government has taken back the land. Proceeds of land amounted to RMB12,738 thousand in February 2012 and impairment loss in 2011 was RMB 4,726 thousand. Otherwise, Economy Development Zone refunded a part of money and reissue land use right for resumption of 794 square meters land. In March 2015, Formosa Taffeta (Changshu) Co., Ltd. divided some part of housing land and established a new company, Changshu Fushun Enterprise Management Co., Ltd. (details are provided in Note 6(11)E). As of March 31, 2014, the area of the Company's 2 leased parcels of land was 166,509 square meters, and the effective period of land use right ends in December 2056. The Group recognized rental expense for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015 amounting to RMB 160 thousand, 160 thousand, 320 thousand and 342 thousand, respectively.

E. In order to effectively utilise Formosa Taffeta (Changshu) Co., Ltd.'s partial residential land, the company has reduced capital and split land of 9,206 square meters in development zone to Changshu Fushun Enterprise Management Co., Ltd. The acquisition cost is RMB 6,400 thousand and the effective period starts from the approval of certificate of land use right and ends in December 2076. However, Changshu Fushun Enterprise Management Co., Ltd. merged with Changshu Yu Yuan Development Co., Ltd. and was deconsolidated in July 2015. Details are provided in Note 6(8)E.

(12) Short-term borrowings

| Type of borrowings | June 30, 2016 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Secured borrowings | $ 3,282,526 | 1.43% | Property, plant and equipment and Inventories |
| Credit borrowings | 300,000 | 0.90% | － |
| Purchase loans | 5,145 | 0.36%~1.53% | － |
| | $ 3,587,671 | | |

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

| Type of borrowings | June 30, 2015 | | Interest rate range | Collateral |
|---|---|---|---|---|
| Bank borrowings | | | | |
| Secured borrowings | $ | 2,978,856 | 1.48%～2.21% | Property, plant and equipment and Inventories |
| Credit borrowings | | 500,000 | 0.98% | － |
| Purchase loans | | 23,751 | 1.03% | － |
| | $ | 3,502,607 | | |

(13) Short-term notes and bills payable

| | June 30, 2016 | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|---|
| Commercial paper payable | $ | 1,300,000 | $ | 1,700,000 | $ | 1,800,000 |
| Less: Commercial paper payable discount | ( | 268) | ( | 475) | ( | 467) |
| | $ | 1,299,732 | $ | 1,699,525 | $ | 1,799,533 |
| Interest rate | 0.80%~0.90% | | 0.84%~0.87% | | 1.00% | |

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

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

| Items | June 30, 2016 | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|---|
| Current items: | | | | | | |
| Financial liabilities held for trading | | | | | | |
| Forward foreign exchange contracts | $ | 531 | $ | 818 | $ | 1,395 |

A. The Group recognised net gain (loss) of $97, ($1,076), $287 and $2,650 on financial liabilities held for trading for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively.

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

| | June 30, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| Derivative Financial Liabilities | Contract Amount (Notional Principal) | | Contract Period | Contract Amount (Notional Principal) | | Contract Period |
| Current items: | | | | | | |
| Forward foreign exchange contracts | | | | | | |
| Chang Hwa Bank | | - | - | USD | 5,000 | 2015.11~2016.02 |
| Taipei Fubon Bank | JPY | 103,020 | 2016.6~2016.7 | JPY | 270,180 | 2015.12~2016.03 |

| Derivative Financial Liabilities | June 30, 2015 Contract Amount (Notional Principal) | | Contract Period |
|---|---|---|---|
| Current items: | | | |
| Forward foreign exchange contracts | | | |
| Chang Hwa Bank | USD | 5,000 | 2015.7~2015.8 |
| Taipei Fubon Bank | JPY | 128,000 | 2015.4~2015.9 |
| Taipei Fubon Bank | TWD | 12,506 | 2015.5~2015.8 |

C. The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(15) Other payables

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Dividends payable | $ 2,339,032 | $ 14,642 | $ 2,582,632 |
| Salaries and year-end bonus payable | 637,341 | 781,152 | 595,865 |
| Accrued utilities expenses | 112,704 | 117,157 | 143,737 |
| Commission payable | 75,204 | 81,578 | 114,317 |
| Others | 610,387 | 818,901 | 646,167 |
| | $ 3,774,668 | $ 1,813,430 | $ 4,082,718 |

(16) Long-term borrowings

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Bank borrowings | | | |
| Secured borrowings | $ 605,413 | $ 483,364 | $ 461,002 |
| Credit borrowings | 9,900,000 | 10,000,000 | 8,900,000 |
| | 10,505,413 | 10,483,364 | 9,361,002 |
| Less: current portion (Shown as other currrent liabilities) | ( 262,236) | ( 120,955) | ( 90,918) |
| | $ 10,243,177 | $ 10,362,409 | $ 9,270,084 |
| Interest rate | 1.06%~1.22% | 1.12%~1.34% | 1.23%~1.35% |

(17) Pensions

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

(b)For the aforementioned pension plan, the Group recognised pension costs of $20,940, $27,824, $41,872 and $48,023 for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively.

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

B.(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The Company's Mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd., and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of the employees' monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.

(c)The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd. have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d)Formosa Taffeta (Hong Kong) Co., Ltd. and Schoeller FTC (Hong Kong) Co., Ltd. have defined contribution plans whereby contributions are made to the mandatory provident fund based on a percentage of the employees' salaries and wages as full-time employees' pension benefit.

(e)Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulation.

(f)The pension costs under the defined contribution pension plans of the Group for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015 were $34,492, $32,694, $69,450 and $73,373 respectively.

(18) Share capital

A. As of June 30, 2016, the Company's issued capital was $16,846,646, consisting of 1,684,665,000 shares of common stock, with a par value of $10 per share.

B. For the six months ended June 30, 2016 and 2015, changes in the number of treasury stocks are as follows ( in thousands of shares):

| | | Six months ended June 30, 2016 | | | |
|---|---|---|---|---|---|
| Reason for reacquisition | Investee company | Beginning shares | Additions | Disposal | Ending shares |
| Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries | Formosa Development Co., Ltd. | 2,563 | - | - | 2,563 |

| | | Six months ended June 30, 2015 | | | |
|---|---|---|---|---|---|
| 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. | 2,613 | - | ( 50) | 2,563 |

Note: The capital surplus amounting to $1,058 resulted from the subsidiary, Formosa Development Co., Ltd.'s disposal of 50,000 shares of the parent company.

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

D. As of June 30, 2016 and 2015, the market price per share was $31.05 and $32.75, respectively.

(19) <u>Capital surplus</u>

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) <u>Retained earnings</u>

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

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

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

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

D. The appropriations of 2015 and 2014 earnings had been resolved at the stockholders' meeting on June 24, 2016 and June 26, 2015, respectively. Details are summarized below:

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

The estimated appropriations of 2015 and 2014 earnings proposed by the Board of Directors were the same as the actual appropriations approved by the shareholders. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange Corporation.

E. As of June 30, 2016 and 2015, unpaid stock dividends amounted to $9,972 and $11,348, respectively.

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

(Blank)

(21) Other equity items

| | Available-for-sale investments | Currency translation | Non-controlling interest |
|---|---|---|---|
| January 1, 2016 | $ 23,497,434 | $ 646,176 | $ 3,369,595 |
| Change in unrealised gain or loss on available-for-sale financial assets | | | |
| — Parent company | 3,147,612 | - | - |
| — Associates | 59,654 | - | - |
| — Non-controlling interest | - | - | 29,497 |
| Difference of long-term equity investment from cumulative translation differences of foreign operations | | | |
| — Parent company | - | ( 278,306) | - |
| — Associates | - | ( 97,690) | - |
| — Non-controlling interest | - | - | ( 436) |
| Net income of non-controlling interest | - | - | 160,503 |
| Cash dividends paid by consolidated subsidiaries | - | - | ( 302,602) |
| June 30, 2016 | $ 26,704,700 | $ 270,180 | $ 3,256,557 |

| | Available-for-sale investments | Currency translation | Non-controlling interest |
|---|---|---|---|
| January 1, 2015 | $ 20,331,798 | $ 385,721 | $ 3,209,154 |
| Change in unrealised gain or loss on available-for-sale financial assets | | | |
| — Parent company | 3,420,855 | - | - |
| — Associates | 4,074 | - | - |
| — Non-controlling interest | - | - | 2,784 |
| Difference of long-term equity investment from cumulative translation differences of foreign operations | | | |
| — Parent company | - | ( 166,518) | - |
| — Associates | - | ( 114,702) | - |
| — Non-controlling interest | - | - | ( 4,322) |
| Net income of non-controlling interest | - | - | 180,299 |
| Cash dividends paid by consolidated subsidiaries | - | - | ( 228,798) |
| June 30, 2015 | $ 23,756,727 | $ 104,501 | $ 3,159,117 |

(22) Operating revenue

| | Three months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Sales revenue | $ 10,304,685 | $ 11,488,236 |
| Service revenue | 58,459 | 107,767 |
| | $ 10,363,144 | $ 11,596,003 |

| | Six months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Sales revenue | $ 20,641,498 | $ 22,419,931 |
| Service revenue | 151,241 | 205,998 |
| | $ 20,792,739 | $ 22,625,929 |

(23) Other income

| | Three months ended June 30, 2016 | Three months ended June 30, 2015 |
|---|---|---|
| Interest income from bank deposits | $ 6,429 | $ 6,546 |
| Dividend income | 3,645 | 319 |
| Other income | 69,702 | 81,779 |
| | $ 79,776 | $ 88,644 |

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
|---|---|---|
| Interest income from bank deposits | $ 11,513 | $ 11,506 |
| Dividend income | 3,645 | 3,225 |
| Other income | 114,149 | 200,249 |
| | $ 129,307 | $ 214,980 |

(24) Other gains and losses

| | Three months ended June 30, 2016 | Three months ended June 30, 2015 |
|---|---|---|
| Forward foreign exchange contracts | | |
| Net gain (loss) on financial assets at fair value through profit or loss | $ 817 | ($ 354) |
| Net gain (loss) on financial liabilities at fair value through profit or loss | 97 | ( 1,076) |
| Net currency exchange loss | ( 3,004) | ( 41,800) |
| Loss on disposal of property, plant and equipment | ( 12,376) | ( 204,302) |
| Bank charges | ( 8,753) | ( 8,721) |
| Impairment loss | ( 207,066) | - |
| Other losses | ( 31,295) | ( 39,683) |
| | ($ 261,580) | ($ 295,936) |

| | Six months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Forward foreign exchange contracts | | |
| Net gain on financial assets at fair value through profit or loss | $ 1,486 | $ 2,015 |
| Net gain on financial liabilities at fair value through profit or loss | 287 | 2,650 |
| Net currency exchange loss | ( 52,301) | ( 99,725) |
| Gain (loss) on disposal of property, plant and equipment | 2,165 | ( 227,990) |
| Bank charges | ( 16,026) | ( 15,157) |
| Impairment loss | ( 207,066) | - |
| Other losses | ( 52,837) | ( 69,704) |
| | ($ 324,292) | ($ 407,911) |

(25) Expenses by nature

| | Three months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Employee benefit expense | $ 1,255,150 | $ 1,190,041 |
| Depreciation charges on property, plant and equipment | 678,551 | 724,085 |
| | $ 1,933,701 | $ 1,914,126 |

| | Six months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Employee benefit expense | $ 2,487,400 | $ 2,446,968 |
| Depreciation charges on property, plant and equipment | 1,376,329 | 1,475,182 |
| | $ 3,863,729 | $ 3,922,150 |

(26) Employee benefit expense

| | Three months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Wages and salaries | $ 1,071,171 | $ 998,907 |
| Labor and health insurance fees | 99,873 | 100,511 |
| Pension costs | 55,432 | 60,518 |
| Other personnel expenses | 28,674 | 30,105 |
| | $ 1,255,150 | $ 1,190,041 |

| | | Six months ended June 30, | | |
|---|---|---|---|---|
| | | 2016 | | 2015 |
| Wages and salaries | $ | 2,108,683 | $ | 2,061,044 |
| Labor and health insurance fees | | 206,454 | | 203,232 |
| Pension costs | | 111,322 | | 121,396 |
| Other personnel expenses | | 60,941 | | 61,296 |
| | $ | 2,487,400 | $ | 2,446,968 |

A. According to the amended articles as resolved by the stockholders during their meeting on June 24, 2016, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.05%-0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.

B. For the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, employees' compensation was accrued at $1,194, $619, $2,557 and $1,083, respectively; while directors' and supervisors' remuneration was accrued at $597, $309, $1,278 and $541, respectively. The aforementioned amounts were recognized in salary expenses. The employees' bonus and directors' and supervisors' remuneration for 2015 approved by shareholders were the same as the amounts shown in the 2015 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the shareholders during their meeting were both $6,096 in the form of cash. Information on the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Finance costs

| | | Three months ended June 30, | | |
|---|---|---|---|---|
| | | 2016 | | 2015 |
| Interest expense: | | | | |
| Bank borrowings | $ | 45,922 | $ | 48,486 |
| Less: capitalisation of qualifying assets | ( | 838) | ( | 1,270) |
| Finance costs | $ | 45,084 | $ | 47,216 |

| | | Six months ended June 30, | | |
|---|---|---|---|---|
| | | 2016 | | 2015 |
| Interest expense: | | | | |
| Bank borrowings | $ | 94,825 | $ | 97,063 |
| Less: capitalisation of qualifying assets | ( | 2,630) | ( | 2,933) |
| Finance costs | $ | 92,195 | $ | 94,130 |

(28) Income tax

A. Income tax expense

| | Three months ended June 30, 2016 | Three months ended June 30, 2015 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | $ 112,639 | $ 96,335 |
| Tax on undistributed surplus earnings | 44,861 | 83,712 |
| Adjustments in respect of prior period | 47,268 | 9,531 |
| Prepayment of taxes | 386 | 466 |
| Impact of change in tax rate | 332 | 633 |
| Total current tax | 205,486 | 190,677 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 18,670) | 36,666 |
| Income tax expense | $ 186,816 | $ 227,343 |

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | $ 287,068 | $ 202,494 |
| Tax on undistributed surplus earnings | 44,861 | 83,712 |
| Adjustments in respect of prior period | 47,268 | 9,531 |
| Prepayment of taxes | 736 | 772 |
| Impact of change in tax rate | 1,709 | 947 |
| Total current tax | 381,642 | 297,456 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 25,143 | 94,613 |
| Income tax expense | $ 406,785 | $ 392,069 |

B. The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd. and Formosa Development Co., Ltd. through 2013, 2013 and 2014 have been assessed and approved by the Tax Authority, respectively.

C. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. are based on 25% of income generated within and outside Mainland China.

D. The income tax rate of the Company's subsidiary, Formosa Taffeta Vietnam Co., Ltd., was approved by Vietnam government to be 10% for 15 years from the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit – making year and 20% income tax exemption for the next 4 years.

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

F. In accordance with local tax regulations, the applicable income tax rate of the Company's subsidiary, Schoeller F.T.C. (Hong Kong) Co., Ltd., and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

G. Unappropriated retained earnings:

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Earnings generated in and after 1998 | $ 2,267,119 | $ 3,819,939 | $ 2,393,449 |

H. Shareholders' creditable tax:

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Creditable account balance | $ 148,517 | $ 95,159 | $ 254,080 |

| | For the years ended December 31, | |
|---|---|---|
| | 2015 (Expected) | 2014 (Actual) |
| Creditable tax ratio | 9.83% | 7.40% |

(29) Earnings per share

A. Basic earnings per share

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

| | Three months ended June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares | Earnings per share (in dollars) | |
| | Before tax | After tax | (in thousands) | Before tax | After tax |
| Net income | $ 695,529 | $ 508,713 | 1,682,102 | $ 0.41 | $ 0.30 |
| Profit attributable to the non-controlling interest | ( 186,562) | ( 73,941) | | ( 0.10) | ( 0.04) |
| Profit attributable to the parent | $ 508,967 | $ 434,772 | | $ 0.31 | $ 0.26 |

| | Three months ended June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) | |
| | Before tax | After tax | | Before tax | After tax |
| Net income | $ 996,382 | $ 769,039 | 1,682,069 | $ 0.59 | $ 0.46 |
| Profit attributable to the non-controlling interest | ( 207,980) | ( 81,696) | | ( 0.12) | ( 0.05) |
| Profit attributable to the parent | $ 788,402 | $ 687,343 | | $ 0.47 | $ 0.41 |

| | Six months ended June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) | |
| | Before tax | After tax | | Before tax | After tax |
| Net income | $ 1,645,652 | $ 1,238,867 | 1,682,102 | $ 0.98 | $ 0.74 |
| Profit attributable to the non-controlling interest | ( 371,075) | ( 160,503) | | ( 0.22) | ( 0.10) |
| Profit attributable to the parent | $ 1,274,577 | $ 1,078,364 | | $ 0.76 | $ 0.64 |

| | Six months ended June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) | |
| | Before tax | After tax | | Before tax | After tax |
| Net income | $ 1,777,062 | $ 1,384,993 | 1,682,069 | $ 1.06 | $ 0.82 |
| Profit attributable to the non-controlling interest | ( 397,561) | ( 180,299) | | ( 0.24) | ( 0.10) |
| Profit attributable to the parent | $ 1,379,501 | $ 1,204,694 | | $ 0.82 | $ 0.72 |

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

| | Three months ended June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) | |
| | Before tax | After tax | | Before tax | After tax |
| Net income | $ 695,529 | $ 508,713 | 1,684,665 | $ 0.41 | $ 0.30 |
| Profit attributable to the non-controlling interest | ( 180,562) | ( 73,941) | | ( 0.10) | ( 0.04) |
| Profit attributable to the parent | $ 514,967 | $ 434,772 | | $ 0.31 | $ 0.26 |

| | Three months ended June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) | |
| | Before tax | After tax | | Before tax | After tax |
| Net income | $ 996,382 | $ 769,039 | 1,684,665 | $ 0.59 | $ 0.46 |
| Profit attributable to the non-controlling interest | ( 207,980) | ( 81,696) | | ( 0.12) | ( 0.05) |
| Profit attributable to the parent | $ 788,402 | $ 687,343 | | $ 0.47 | $ 0.41 |

| | Six months ended June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) | |
| | Before tax | After tax | | Before tax | After tax |
| Net income | $ 1,645,652 | $ 1,238,867 | 1,684,665 | $ 0.98 | $ 0.74 |
| Profit attributable to the non-controlling interest | ( 371,075) | ( 160,503) | | ( 0.22) | ( 0.10) |
| Profit attributable to the parent | $ 1,274,577 | $ 1,078,364 | | $ 0.76 | $ 0.64 |

| | Six months ended June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares | Earnings per share (in dollars) | |
| | Before tax | After tax | (in thousands) | Before tax | After tax |
| Net income | $ 1,777,062 | $ 1,384,993 | 1,684,665 | $ 1.05 | $ 0.82 |
| Profit attributable to the non-controlling interest | ( 397,561) | ( 180,299) | | ( 0.23) | ( 0.10) |
| Profit attributable to the parent | $ 1,379,501 | $ 1,204,694 | | $ 0.82 | $ 0.72 |

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the six months ended June 30, 2016 and 2015.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | Six months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Purchase of property, plant and equipment | $ 1,261,489 | $ 1,027,056 |
| Add: opening balance of payable on equipment | 41,230 | 89,748 |
| Less: ending balance of payable on equipment | ( 64,365) | ( 82,695) |
| Cash paid during the period | $ 1,238,354 | $ 1,034,109 |

B. Financing activities with no cash flow effects:

| | Six months ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Cash dividends paid | $ 2,021,598 | $ 2,358,530 |

## 7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Significant related party transactions and balances

A. Operating revenue

| | Three months ended June 30, 2016 | Three months ended June 30, 2015 |
|---|---|---|
| Sales of goods: | | |
| －Ultimate parent | $ 24,677 | $ 33,912 |
| －Associates | 1,702,936 | 1,989,921 |
| | $ 1,727,613 | $ 2,023,833 |

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
|---|---|---|
| Sales of goods: | | |
| －Ultimate parent | $ 48,670 | $ 65,861 |
| －Associates | 3,608,097 | 3,946,499 |
| | $ 3,656,767 | $ 4,012,360 |

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

B. Purchases of goods

| | Three months ended June 30, 2016 | Three months ended June 30, 2015 |
|---|---|---|
| Purchases of goods: | | |
| －Ultimate parent | $ 554,456 | $ 694,128 |
| －Associates | 2,882,708 | 3,306,305 |
| | $ 3,437,164 | $ 4,000,433 |

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
|---|---|---|
| Purchases of goods: | | |
| －Ultimate parent | $ 1,064,349 | $ 1,403,171 |
| －Associates | 5,592,239 | 6,513,336 |
| | $ 6,656,588 | $ 7,916,507 |

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

C. Receivables from related parties

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Notes and accounts receivable: | | | |
| －Ultimate parent | $ 7,978 | $ 3,024 | $ 7,792 |
| －Associates | 1,298,638 | 1,279,544 | 1,651,800 |
| | $ 1,306,616 | $ 1,282,568 | $ 1,659,592 |

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

| | June 30, 2016 | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|---|
| Notes and accounts payable: | | | | | | |
| －Ultimate parent | $ | 446,240 | $ | 462,104 | $ | 447,654 |
| －Associates | | 565,350 | | 660,001 | | 608,797 |
| | $ | 1,011,590 | $ | 1,122,105 | $ | 1,056,451 |

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

E. Acquisition of financial assets:

| | | | | Period ended June 30, 2016 | |
|---|---|---|---|---|---|
| | Accounts | No. of shares | Object | Consideration | |
| Associates | Non-current available-for-sale financial assets | 15,297,204 | Nan Ya Technology Corporation | $ | 558,348 |

F. Others

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

i. Land lease expense: 3% of Formosa Industry's land rent revenue

ii. Public liquid service expense: 3% of Formosa Industry's monthly sale of electricity to lessees in investment district

iii. Management expense: the full amount of management expense collected from lessees in investment district to Formosa Industry is to be paid to the Company and its subsidiaries

For the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, Formosa Taffeta (Dong Nai) Co., Ltd. has recognized lease service in investment district of $6,175, $7,066, $15,411 and $14,029, respectively, for rendering the abovementioned consigned services. As of June 30, 2016, December 31, 2015 and June 30, 2015, the uncollected amount of $2,747, $2,973 and $5,085, respectively, was recognized under 'other receivables'. For the above land leasing, as of June 30, 2016, December 31, 2015 and June 30, 2015, the amount of management expense and utility expense which Formosa Taffeta (Dong Nai) Co., Ltd.

is due to collect from the related party, Formosa Industry, were $157,669, $248,971 and $0, respectively, and was recognized under ‘other payables’.

(3) Key management compensation

| | Three months ended June 30, 2016 | Three months ended June 30, 2015 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 4,079 | $ 3,179 |

| | Six months ended June 30, 2016 | Six months ended June 30, 2015 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 27,366 | $ 24,773 |

8. PLEDGED ASSETS

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

| | Book Value | | | |
|---|---|---|---|---|
| Item | June 30, 2016 | December 31, 2015 | June 30, 2015 | Purpose |
| Property, plant and equipment | $ 139,712 | $ 140,062 | $ 140,412 | Security for short-term borrowings |
| Inventories (Held-to-maturity land) | 21,246 | 26,798 | 40,287 | Security for short-term borrowings |
| | $ 160,958 | $ 166,860 | $ 180,699 | |

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9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Formosa Advanced Technologies Co., Ltd. is engaged in the processing of various integrated circuits packaging test and is responsible for custody for which the subsidiary needs to compensate if lost. As of June 30, 2016, the items in custody are as follows:

| | June 30, 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 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 (per stick) |
| LED | 26,850,423 | NTD 0.05~1.05 | 16 | NTD 1,080~4,300 | - | - | - | - |
| FBGA | 43,907,516 | USD 1.5~7.5 | - | - | - | - | - | - |
| TSOP | 7,526,040 | USD 0.36~0.92 | - | - | - | - | - | - |
| LED assembly | 4,039,575 | NTD 0.46~1.73 | - | - | - | - | 100 | NTD 450~800 |
| Module | 765,379 | USD 0.36~9.4 | - | - | 79,922 | USD 7.9~30.6 | - | - |
| MICRO-SD | 1,233,627 | USD 1.679~11.493 | - | - | - | - | - | - |
| Other | 11,542 | USD 1.9~9.4 | 2,825 | USD 1,500 | - | - | - | - |
| | 84,334,102 | | 2,841 | | 79,922 | | 100 | |

| 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 (per stick) |
|---|---|---|---|---|---|---|---|---|
| LED | 8,108,462 | NTD 0.05~1.05 | - | - | - | - | - | - |
| FBGA | 68,913,495 | USD 1.5~7.5 | - | - | - | - | - | - |
| TSOP | 12,654,366 | USD 0.36~0.92 | - | - | - | - | - | - |
| LED assembly | 4,490,079 | NTD 0.46~1.73 | - | - | - | - | 622 | NTD 450~800 |
| Module | - | - | - | - | 7,046 | USD 7.9~30.6 | - | - |
| MICRO-SD | 256,735 | USD 1.679~11.493 | - | - | - | - | - | - |
| Other | 2,472 | USD 1.9~9.4 | - | - | - | - | - | - |
| | 94,425,609 | | - | | 7,046 | | 622 | |

(2) As of June 30, 2016, 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 | $ 2,014 |
| JPY | 177,405 |
| EUR | 66 |
| CHF | 458 |

(3) Endorsements and guarantees

As of June 30, 2016, in order to assist the subsidiaries is obtaining credit line, the Company has guaranteed the following amounts for subsidiaries:

| Name of company | June 30, 2016 |
|---|---|
| FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. | $ 1,936,500 |
| FORMOSA TAFFETA VIETNAM CO., LTD. | 1,613,750 |
| FORMOSA TAFFETA (CHANGSHU) CO., LTD. | 2,582,000 |
| FORMOSA TAFFETA (DONG NAI) CO., LTD. | 4,347,443 |
| FORMOSA HA TINH (CAYMAN) LIMITED | 4,345,667 |

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2015 for related information.

(2) Financial instruments

A. Fair value information of financial instruments

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2015 for related information.

B. Financial risk management policies

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2015 for related information.

C. Significant financial risks and degrees of financial risks

Except for the following items, there was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2015 for related information.

(a)Market risk

a. Foreign exchange risk

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

| | June 30, 2016 | | |
|---|---|---|---|
| | Foreign Currency Amount (In Thousands) | Exchange Rate | Book Value (NTD) |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 106,998 | 32.29 | $ 3,454,965 |
| USD:RMB | 8,107 | 6.63 | 261,740 |
| Non-monetary items | | | |
| VND:NTD | 4,680,719,419 | 0.0014 | 6,553,007 |
| HKD:NTD | 256,030 | 4.16 | 1,065,085 |
| RMB:NTD | 541,454 | 4.87 | 2,636,881 |
| USD:NTD | 168,984 | 32.29 | 5,456,493 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 6,030 | 32.29 | 194,709 |
| USD:RMB | 43,041 | 6.63 | 1,389,557 |

| | December 31, 2015 | | |
|---|---|---|---|
| | Foreign Currency Amount (In Thousands) | Exchange Rate | Book Value (NTD) |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 96,569 | 33.07 | $ 3,193,537 |
| USD:RMB | 6,848 | 6.49 | 226,463 |
| Non-monetary items | | | |
| VND:NTD | 4,236,760,190 | 0.0015 | 6,355,140 |
| HKD:NTD | 246,109 | 4.25 | 1,045,963 |
| RMB:NTD | 527,631 | 5.09 | 2,685,642 |
| USD:NTD | 167,516 | 33.07 | 5,539,754 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 3,332 | 33.07 | 110,189 |
| USD:RMB | 45,071 | 6.49 | 1,490,498 |

| | June 30, 2015 | | |
|---|---|---|---|
| | Foreign Currency Amount (In Thousands) | Exchange Rate | Book Value (NTD) |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 119,110 | 31.07 | $ 3,700,748 |
| USD:RMB | 7,714 | 6.11 | 239,674 |
| Non-monetary items | | | |
| VND:NTD | 4,137,363,041 | 0.0014 | 5,792,308 |
| HKD:NTD | 273,978 | 3.98 | 1,090,432 |
| RMB:NTD | 542,385 | 5.08 | 2,755,316 |
| USD:NTD | 177,343 | 31.07 | 5,510,047 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 5,375 | 31.07 | 167,001 |
| USD:RMB | 19,246 | 6.11 | 597,943 |

The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, amounted to ($3,004), ($41,800), ($52,301) and ($99,725), respectively.

(Blank)

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

| | Six months ended June 30, 2016 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 34,550 | $ - |
| USD:RMB | 1% | $ 2,617 | - |
| Non-monetary items | | | |
| VND:NTD | 1% | - | 65,530 |
| HKD:NTD | 1% | - | 10,651 |
| RMB:NTD | 1% | - | 26,369 |
| USD:NTD | 1% | - | 54,565 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 1,947 | - |
| USD:RMB | 1% | $ 13,896 | - |

| | Six months ended June 30, 2015 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| Financial assets | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| Monetary items | | | |
| USD:NTD | 1% | $ 37,007 | $ - |
| USD:RMB | 1% | 2,397 | - |
| Non-monetary items | | | |
| VND:NTD | 1% | - | 57,923 |
| HKD:NTD | 1% | - | 10,904 |
| RMB:NTD | 1% | - | 27,553 |
| USD:NTD | 1% | - | 55,100 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | 1,670 | - |
| USD:RMB | 1% | 5,980 | - |

b. Price risk

i The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii.The Group's investments in equity securities comprise domestic listed and unlisted stocks and beneficiary certificates. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the six months ended June 30, 2016 and 2015 would have increased/decreased by $5,203 and $5,428, 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 $351,168 and $314,652, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

c. Interest rate risk

i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk. During the six months ended June 30, 2016 and 2015, the Group's borrowings at variable rate were denominated in the NTD and USD.

ii.At June 30, 2016 and 2015, if interest rates on NTD-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the six months ended June 30, 2016 and 2015 would have been $82,170 and $36,935 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

iii.At June 30, 2016 and 2015, if interest rates on USD-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the six months ended June 30, 2016 and 2015 would have been $2,574 and $1,388 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

a. The equity financial instruments have active markets and are transacted through a stock exchange market or over-the counter market, or with financial institutions which are all in good credit standing. Therefore, the credit risk is low. Besides, the Company's policy requires that transactions for financial assets carried at cost be conducted with counterparties that meet the specified credit rating reqirement; thus, the possibility that credit risk will arise is remote.

b. The Company's policy requires that wholesale sales of products are made to clients with an appropriate credit review procedures. Therefore, the maximum loss arising from credit risk is equal to the book value of accounts receivable.

c. Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50% ownership. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.

d. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

e. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

(c) Liquidity risk

a. The Group's investments in equity financial instruments which have active markets are expected to be sold easily and quickly in the market at the price close to fair value. The Group's investments in equity financial instruments without active markets are exposed to liquidity risk.

b. Due to well-managed operations, the Company has an excellent credit in financial institutions and the money market, and has adequate working capital to meet commitments associated with receivables and payables. Therefore, no liquidity risk is expected to arise.

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

| June 30, 2016 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Short-term borrowings | $ 3,623,598 | $ - | $ - |
| Short-term bills payable | 1,299,732 | - | - |
| Notes payable (including related parties) | 286,626 | - | - |
| Accounts payable (including related parties) | 2,500,475 | - | - |
| Other payables | 3,774,668 | - | - |
| Long-term borrowings (including current portion) | 262,236 | 7,030,420 | 3,212,757 |
| Financial guarantee contracts | 5,752,022 | - | - |

| December 31, 2015 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Short-term borrowings | $ 3,578,543 | $ - | $ - |
| Short-term bills payable | 1,700,000 | - | - |
| Notes payable (including related parties) | 340,510 | - | - |
| Accounts payable (including related parties) | 2,583,752 | - | - |
| Other payables | 1,813,430 | - | - |
| Long-term borrowings (including current portion) | 240,864 | 7,683,355 | 2,762,769 |
| Financial guarantee contracts | 3,611,465 | - | - |

| June 30, 2015 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Short-term borrowings | $ 3,537,151 | $ - | $ - |
| Short-term bills payable | 1,800,000 | - | - |
| Notes payable (including related parties) | 358,541 | - | - |
| Accounts payable (including related parties) | 2,328,525 | - | - |
| Other payables | 4,082,718 | - | - |
| Long-term borrowings (including current portion) | 205,561 | 9,041,777 | 258,689 |
| Financial guarantee contracts | 3,369,530 | - | - |

(d) As of June 30, 2016, December 31, 2015 and June 30, 2015, the derivative financial liabilities all mature within 1 year. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

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

B. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

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

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

Level 3: Unobservable inputs for the asset or liability.

C. The following table presents the Group's financial assets and liabilities that are measured at fair value at June 30, 2016, December 31, 2015 and June 30, 2015:

| June 30, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward exchange contracts | $ - | $ 268 | $ - | $ 268 |
| Beneficiary certificates | 626,658 | - | - | 626,658 |
| Available-for-sale financial assets | | | | |
| Equity securities | 34,784,903 | 331,900 | - | 35,116,803 |
| | $ 35,411,561 | $ 332,168 | $ - | $ 35,743,729 |
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward exchange contracts | $ - | $ 531 | $ - | $ 531 |

| December 31, 2015 | Level 1 | Level 2 | Level 3 | Total |
| --- | --- | --- | --- | --- |
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward exchange contracts | $ - | $ 12 | $ - | $ 12 |
| Beneficiary certificates | 655,799 | - | - | 655,799 |
| Available-for-sale financial assets | | | | |
| Equity securities | 30,951,482 | 349,300 | - | 31,300,782 |
| | $ 31,607,281 | $ 349,312 | $ - | $ 31,956,593 |
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward exchange contracts | $ - | $ 818 | $ - | $ 818 |

| June 30, 2015 | Level 1 | Level 2 | Level 3 | Total |
| --- | --- | --- | --- | --- |
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward exchange contracts | $ - | $ 688 | $ - | $ 688 |
| Beneficiary certificates | 654,028 | - | - | 654,028 |
| Available-for-sale financial assets | | | | |
| Equity securities | 31,089,433 | 375,800 | - | 31,465,233 |
| | $ 31,743,461 | $ 376,488 | $ - | $ 32,119,949 |
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward exchange contracts | $ - | $ 1,395 | $ - | $ 1,395 |

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

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

| | Listed shares | Open-end fund |
| --- | --- | --- |
| Market quoted price | Closing price | Net asset value |

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

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

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

E. For the six months ended June 30, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. For the six months ended June 30, 2016 and 2015, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

In accordance with "Rules Governing the Preparation of Financial Statements by Securities Issuers", significant transactions for the six months ended June 30, 2016 are stated as follows. Furthermore, the inter-company transactions were eliminated when preparing financial statements of investees which were audited by other independent accountants. The following disclosures are for reference only.

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(14) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

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

B. The Group has four reportable segments: First business group, Second business group consisting of Cord fabric department, Gasoline department and FORMOSA ADVANCED TECHNOLOGIES CO., LTD. (FATC) department. Details are as follows:

(a)First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries –FORMOSA TAFFETA (ZHONG SHAN) CO., LTD., FORMOSA TAFFETA VIETNAM CO., LTD. and FORMOSA TAFFETA (HONG KONG) CO., LTD.

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

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

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

(2) Measurement of segment information

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

(3) Information about segment profit or loss and assets

| | Six months ended June 30, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | 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 | $ 7,124,451 | $ 3,616,360 | $ 4,921,313 | $ 844,561 | $ 4,286,054 | $ - | $ 20,792,739 |
| Inter-segment revenue | 856,052 | 36,780 | - | 75,545 | - | ( 968,377) | - |
| Total segment revenue | $ 7,980,503 | $ 3,653,140 | $ 4,921,313 | $ 920,106 | $ 4,286,054 | ($ 968,377) | $ 20,792,739 |
| Segment income | $ 1,124,695 | $ 269,175 | $ 260,452 | $ 16,508 | $ 580,788 | ($ 605,966) | $ 1,645,652 |
| Segment assets | | | | | | | |
| Identifiable assets | $ 14,601,760 | $ 4,834,419 | $ 1,321,980 | $ 4,113,788 | $ 5,244,942 | ($ 398,781) | $ 29,718,108 |
| Long-term investments | | | | | | | 3,106,614 |
| General assets | | | | | | | 50,562,766 |
| Total assets | | | | | | | $ 83,387,488 |

| | Six months ended June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | 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 | $ 7,849,500 | $ 3,897,820 | $ 5,609,410 | $ 861,774 | $ 4,407,425 | $ - | $ 22,625,929 |
| Inter-segment revenue | 835,358 | 39,055 | - | 63,122 | - | ( 937,535) | - |
| Total segment revenue | $ 8,684,858 | $ 3,936,875 | $ 5,609,410 | $ 924,896 | $ 4,407,425 | ($ 937,535) | $ 22,625,929 |
| Segment income | $ 1,444,308 | $ 96,994 | $ 94,326 | $ 81,883 | $ 634,765 | ($ 575,214) | $ 1,777,062 |
| Segment assets | | | | | | | |
| Identifiable assets | $ 13,952,397 | $ 5,137,796 | $ 1,338,514 | $ 4,418,487 | $ 6,061,696 | ($ 390,194) | $ 30,518,696 |
| Long-term investments | | | | | | | 2,869,085 |
| General assets | | | | | | | 46,089,683 |
| Total assets | | | | | | | $ 79,477,464 |

(4) Reconciliation for segment income (loss)

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

B. The total consolidated profit (loss) after adjustment and reconciliation information for profit after tax of reportable segments are provided in Note 14(3).

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the six-month period ended June 30, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed: Company name | Relationship with the endorser/ guarantor (Note 2) | Limit on endorsements/ guarantees provided for a single party (Note 3,8) | Maximum outstanding endorsement/ guarantee amount as of June 30, 2016 (Note 4) | Outstanding endorsement/ guarantee amount at June 30, 2016 (Note 5) | Actual amount drawn down (Note 6) | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided (Note 3,8) | Provision of endorsements/ guarantees by parent company to subsidiary (Note 7) | Provision of endorsements/ guarantees by subsidiary to parent company (Note 7) | Provision of endorsements/ guarantees to the party in Mainland China (Note 7) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | FORMOSA TAFFETA CO., LTD. | FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. | 2 | $ 35,481,661 | $ 2,341,500 | $ 1,936,500 | $ 758,463 | $ - | 3.55% | $ 70,963,322 | Y | N | Y | |
| 0 | FORMOSA TAFFETA CO., LTD. | FORMOSA TAFFETA VIETNAM CO., LTD. | 2 | $ 35,481,661 | 1,672,500 | 1,613,750 | 154,334 | - | 2.96% | $ 70,963,322 | Y | N | N | |
| 0 | FORMOSA TAFFETA CO., LTD. | FORMOSA TAFFETA (CHANGSHU) CO., LTD. | 3 | $ 35,481,661 | 2,676,000 | 2,582,000 | 593,215 | - | 4.73% | $ 70,963,322 | Y | N | Y | |
| 0 | FORMOSA TAFFETA CO., LTD. | FORMOSA TAFFETA (DONG NAI) CO., LTD. | 2 | $ 35,481,661 | 4,505,715 | 4,347,443 | 2,336,400 | - | 7.96% | $ 70,963,322 | Y | N | N | |
| 0 | FORMOSA TAFFETA CO., LTD. | FORMOSA HA TINH (CAYMAN) LIMITED | 6 | $ 35,481,661 | 4,391,447 | 4,345,667 | 1,909,610 | - | 7.96% | $ 70,963,322 | N | N | N | |

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1)The Company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:
(1)Having business relationship.
(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
(5)Mutual guarantee of the trade as required by the construction contract.
(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | As of June 30, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|
| Securities held by | Marketable securities （Note 1） | Relationship with the securities issuer （Note 2） | General ledger account | Number of shares | Book value （Note 3） | Ownership (%) | Fair value | Footnote （Note 4） |
| FORMOSA TAFFETA CO., LTD. | FORMOSA CHEMICAL & FIBRE CORPORATION | Parent company | Available-for-sale financial assets - current | 11,219,610 | $ 908,788 | 0.19 | $ 908,788 | |
| FORMOSA TAFFETA CO., LTD. | PACIFIC ELECTRIC WIRE AND CABLE CO., LTD. | - | Available-for-sale financial assets - current | 32 | - | - | - | |
| FORMOSA TAFFETA CO., LTD. | FORMOSA PLASTICS CORPORATION | The Company's Chairman is the issuer's director | Available-for-sale financial assets - current | 640 | 50 | - | 50 | |
| FORMOSA TAFFETA CO., LTD. | NAN YA PLASTICS CORPORATION | The Company's Chairman is the issuer's director | Available-for-sale financial assets - current | 482,194 | 29,414 | 0.01 | 29,414 | |
| FORMOSA TAFFETA CO., LTD. | INOTERA MEMORIES INC. | - | Available-for-sale financial assets - current | 2,712,345 | 68,080 | 0.04 | 68,080 | |
| FORMOSA TAFFETA CO., LTD. | ASIA PACIFIC INVESTMENT CO. (APIC) | The Company's Chairman is the issuer's director | Available-for-sale financial assets - current | 10,000,000 | 331,900 | 2.35 | 331,900 | |
| FORMOSA TAFFETA CO., LTD. | NAN YA TECHNOLOGY CORPORATION | The Company's Chairman is the issuer's director | Available-for-sale financial assets - non-current | 15,421,010 | 607,587 | 0.56 | 607,587 | |
| FORMOSA TAFFETA CO., LTD. | FORMOSA PETROCHEMICAL CORP. (FPCC) | The Company's Chairman is the issuer's director | Available-for-sale financial assets - non-current | 365,267,576 | 31,960,913 | 3.83 | 31,960,913 | |
| FORMOSA TAFFETA CO., LTD. | SYNTRONIX CORPORATION | - | Financial assets measured at cost – non-current | 174,441 | 3,236 | 0.45 | 3,236 | |
| FORMOSA TAFFETA CO., LTD. | TOA RESIN CORPORATION LIMITED | The Company is the issuer's corporate director | Financial assets measured at cost – non-current | 14,400 | 3,000 | 10.00 | 3,000 | |
| FORMOSA TAFFETA CO., LTD. | SHIN YUN GAS CO., LTD. | - | Financial assets measured at cost – non-current | 568,105 | 3,099 | 1.20 | 3,099 | |
| FORMOSA TAFFETA CO., LTD. | WK TECHNOLOGY FUND Ⅳ LIMITED | - | Financial assets measured at cost – non-current | 4,281,686 | 23,813 | 3.17 | 23,813 | |
| FORMOSA TAFFETA CO., LTD. | NAN YA PHOTONICS INC. | The Company's Chairman and the issuer's Chairman are in second degree of kinship | Financial assets measured at cost – non-current | 19,066,860 | 58,345 | 9.53 | 58,345 | |
| FORMOSA TAFFETA (CAYMAN) LIMITED | FORMOSA HA TINH (CAYMAN) LIMITED | The Company's Chairman is the issuer's director | Financial assets measured at cost – non-current | 171,008,736 | 5,317,865 | 3.85 | 5,317,865 | |
| FORMOSA DEVELOPMENT CO., LTD. | FORMOSA TAFFETA CO., LTD. | The Company is the parent of FORMOSA DEVELOPMENT CO., LTD. | Available-for-sale financial assets - non-current | 2,563,228 | 79,588 | 0.15 | 79,588 | |
| XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. | Association of R.O.C. | - | Financial assets measured at cost – non-current | - | 146 | 0.11 | 146 | |

| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer (Note 2) | General ledger account | As of June 30, 2016 Number of shares | Book value (Note 3) | Ownership (%) | Fair value | Footnote (Note 4) |
|---|---|---|---|---|---|---|---|---|
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | FORMOSA PLASTICS CORPORATION | The Company's Chairman is the issuer's director | Available-for-sale financial assets - current | 74,388 | 5,787 | - | 5,787 | |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | NAN YA PLASTICS CORPORATION | The Company's Chairman is the issuer's director | Available-for-sale financial assets - current | 312,512 | 19,063 | - | 19,063 | |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | FORMOSA CHEMICAL & FIBRE CORPORATION | Parent company | Available-for-sale financial assets - current | 7,316,000 | 592,596 | 0.12 | 592,596 | |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | JIH SUN MONEY MARKET FUND | - | Financial assets at fair value through profit or loss - current | 25,512,583 | 373,736 | - | 373,736 | |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | MEGA DIAMOND MONEY MARKET FUND | - | Financial assets at fair value through profit or loss - current | 20,396,748 | 252,922 | - | 252,922 | |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | NAN YA TECHNOLOGY CORPORATION | The Company's Chairman is the issuer's director | Available-for-sale financial assets - non-current | 15,041,215 | 592,625 | 0.55 | 592,625 | |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | NAN YA PHOTONICS INC. | The Company's Chairman and the issuer's Chairman are in second degree of kinship | Financial assets measured at cost – non-current | 9,533,430 | 29,172 | 4.77 | 29,172 | |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | SYNTRONIX CORPORATION | - | Financial assets measured at cost – non-current | 59,945 | 1,181 | 0.15 | 1,181 | |

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Marketable securities (Note 1) | General ledger account | Counterparty (Note 2) | Relationship with the investor (Note 2) | Balance as at January 1, 2016 | | Addition (Note 3) | | Disposal (Note 3) | | | | Balance as at June 30, 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Amount | Number of shares | Amount | Number of shares | Selling price | Book value | Gain (loss) on disposal | Number of shares | Amount |
| FORMOSA TAFFETA CO., LTD. | Stock of NAN YA TECHNOLOGY CORPORATION | Financial assets measured at cost – non-current | - | - | 13,950,464 | $ 637,536 | 1,470,546 | $ 53,675 | - | $ - | $ - | $ - | 15,421,010 | $ 607,587 |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | Stock of NAN YA TECHNOLOGY CORPORATION | Investments accounted for under equity method | - | - | 1,214,557 | 55,505 | 13,826,658 | 504,673 | - | - | - | - | 15,041,215 | 592,625 |

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

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

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

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

Note 5: Beginning balance plus addition amount is not equal to balance at June 30, 2016 because of valuation in exchange rate.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2016

Table 4

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. | Investee company accounted for under the equity method | Sales | ($ 241,591) | ( 1.91) | Pay by mail transfer 60 days after delivery | $ - | - | Accounts receivable $ 41,927 | 2.01 | |
| FORMOSA TAFFETA CO., LTD. | Schoeller F.T.C (Hong Kong) Co. Ltd. | Subsidiary | Sales | ($ 189,922) | ( 1.50) | 120 days after delivery | - | - | Accounts receivable $ 33,511 | 1.61 | |
| FORMOSA TAFFETA CO., LTD. | YUGEN CO., LTD. | The Company's managing director and counterparty's person in charge are in first degree of kinship | Sales | ($ 166,349) | ( 1.32) | 120 days after delivery | - | - | Accounts receivable $ 87,636 | 4.20 | |
| FORMOSA TAFFETA CO., LTD. | FORMOSA PETROCHEMICAL CORP. (FPCC) | The Company's Chairman is the issuer's director | Purchases | 4,383,117 | 46.39 | Pay every 15 days by mail transfer | | | Accounts payable ( 393,200) | ( 26.70) | |
| FORMOSA TAFFETA CO., LTD. | FORMOSA CHEMICAL & FIBRE CORPORATION | Ultimate parent company | Purchases | 906,600 | 9.60 | Draw promissory notes due in 2 months after inspection | - | - | Accounts payable ( 348,278)<br>Notes payable ( 77,689) | ( 23.65)<br>( 55.09) | |
| FORMOSA TAFFETA CO., LTD. | NAN YA PLASTICS CORPORATION | The Company's Chairman is the issuer's director | Purchases | 332,301 | 3.52 | Pay every 15 days by mail transfer | - | - | Accounts payable ( 65,774) | ( 4.47) | |
| FORMOSA TAFFETA CO., LTD. | FORMOSA PLASTICS CORPORATION | The Company's Chairman is the counterparty's managing director | Purchases | 163,375 | 1.73 | Pay every 15 days by mail transfer | - | - | Accounts payable ( 15,985) | 1.09 | |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | NAN YA TECHNOLOGY CORPORATION | The Company's Chairman is the issuer's director | Sales | ( 2,873,265) | ( 67.04) | 60 days after monthly billings | - | - | Accounts receivable 1,002,097 | 60.72 | |
| FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. | FORMOSA TAFFETA (CHANGSHU) CO., LTD. | Affiliated company | Sales | ( 185,207) | ( 20.64) | 60 days after monthly billings | - | - | Accounts receivable 159,933 | 46.26 | |

| | | | 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 VIETNAM CO., LTD. | FORMOSA INDUSTRIES COPORATION | The counterparty is the parent company's investee accounted for under the equity method | Purchases | $ 103,176 | 13.40 | 60 days after monthly billings | $ - | - | Accounts payable | ($ 20,542) | ( 15.13) | |
| FORMOSA TAFFETA (DONG NAI) CO., LTD. | FORMOSA TAFFETA VIETNAM CO., LTD. | Affiliated company | Sales | ( 194,529) | ( 11.79) | 60 days after monthly billings | - | - | Accounts receivable | 80,600 | 10.72 | |
| FORMOSA TAFFETA (DONG NAI) CO., LTD. | FORMOSA INDUSTRY CO., LTD | The counterparty is the parent company's investee accounted for under the equity method | Purchases | 267,176 | 17.25 | 60 days after monthly billings | - | - | Accounts payable | ( 25,723) | ( 5.20) | |
| FORMOSA TAFFETA (DONG NAI) CO., LTD. | FORMOSA CHEMICAL & FIBRE CORPORATION | Ultimate parent company | Purchases | 143,074 | 9.24 | 60 days after monthly billings | - | - | Accounts payable | ( 19,536) | ( 3.95) | |
| FORMOSA TAFFETA (CHANGSHU) CO., LTD. | JIAXING GUANYUE COSTUME LIMITED COMPANY | The counterparty is the parent company's investee accounted for under the equity method | Sales | ( 108,439) | ( 14.00) | Pay by mail transfer 60 days after delivery | - | - | Accounts receivable | 39,745 | 13.60 | |

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at June 30, 2016 (Note 1) | Turnover rate | Overdue receivables Amount | Overdue receivables Action taken | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|
| FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. | FORMOSA TAFFETA (CHANGSHU) CO., LTD. | Affilated company | $ 159,933 | 2.97 | $ - | - | $ 45,549 | $ - |
| FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | NAN YA TECHNOLOGY CORPORATION | The Company's Chairman is the counterparty's director | 1,002,097 | 5.51 | - | - | $ 502,087 | - |

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 periods

For the six-month period ended June 30, 2016

Table 6

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 | $ 909,900 | Draw promissory notes due in 2 months after inspection | 4.38 |

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

(1) Parent company is ‘0’.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the six-month period ended June 30, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount: Balance as June 30, 2016 | Initial investment amount: Balance as at December 31, 2015 | Shares held as at June 30, 2016: Number of shares | Shares held as at June 30, 2016: Ownership (%) | Shares held as at June 30, 2016: Book value | Net profit (loss) of the investee for the six-month period ended June 30, 2016 (Note 2(2)) | Investment income (loss) recognized by the company for the six-month period ended June 30, 2016 (Note 2(3)) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FORMOSA TAFFETA CO., LTD. | FORMOSA DEVELOPMENT CO., LTD. | Taiwan | 1.Handling urban land consolidation 2.Development, rent and sale of industrial plants, residences and building | $ 114,912 | $ 114,912 | 16,100,000 | 100.00 | $ 188,191 | $ 615 | $ 615 | |
| FORMOSA TAFFETA CO., LTD. | FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | Taiwan | IC assembly, testing and modules | 3,773,440 | 3,773,440 | 290,464,472 | 65.68 | 6,284,755 | 452,336 | 297,094 | |
| 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 | 1,042,876 | 52,415 | 51,019 | |
| FORMOSA TAFFETA CO., LTD. | FORMOSA TAFFETA VIETNAM CO., LTD. | Vietnam | Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets | 1,709,221 | 1,709,221 | - | 100.00 | 1,749,035 | 138,860 | 139,725 | |
| 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 | 20.16 | 818,952 | 80,264 | 14,166 | |

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount: Balance as June 30, 2016 | Initial investment amount: Balance as at December 31, 2015 | Shares held as at June 30, 2016: Number of shares | Shares held as at June 30, 2016: Ownership (%) | Shares held as at June 30, 2016: Book value | Net profit (loss) of the investee for the six-month period ended June 30, 2016 (Note 2(2)) | Investment income (loss) recognized by the company for the six-month period ended June 30, 2016 (Note 2(3)) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FORMOSA TAFFETA CO., LTD. | SCHOELLER FTC (HONG KONG) CO., LTD. | Hong Kong | Trading of textiles | $ 2,958 | $ 2,958 | - | 43.00 | $ 13,152 | $ 10,074 | $ 4,346 | |
| 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 | 2,426,548 | 91,560 | 92,366 | |
| 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 | 2,259,446 | 1,186,855 | 114,964 | |
| FORMOSA TAFFETA CO., LTD. | FORMOSA TAFFETA (CAYMAN) LIMITED | Cayman Islands | Investments | 5,090,180 | 5,090,180 | 171,028,736 | 100.00 | 5,318,209 | - | - | |
| FORMOSA DEVELOPMENT CO., LTD. | FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | Taiwan | IC assembly, testing and modules | 21,119 | 21,119 | 469,500 | 0.11 | 22,751 | 452,336 | 480 | |

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

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

(1)The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at June 30, 2016’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column..

(2)The ‘Net profit (loss) of the investee for the six-month period ended June 30, 2016’ column should fill in amount of net profit (loss) of the investee for this period.

(3)The ‘Investment income (loss) recognised by the Company for the six-month period ended June 30, 2016’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the six-month period ended June 30, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method （Note 1） | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2016 | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016 | Net income of investee for the six-month period ended June 30, 2016 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the six-month period ended June 30, 2016 （Note 2） | Book value of investments in Mainland China as of June 30, 2016 | Accumulated amount of investment income remitted back to Taiwan as of June 30, 2016 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. | Production and sale of polyester and polyamide fabrics | $ 1,402,085 | (1) | $ 1,402,085 | $ - | $ - | $ 1,402,085 | $ 20,641 | 100.00 | $ 20,641 | $ 1,670,320 | $ - | 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 | 371 | 100.00 | 371 | 8,253 | - | 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 | 48,533 | 100.00 | 48,533 | 957,660 | - | Note 5 |
| CHANG SHU YU YUAN DEVELOPMENT. CO., LTD. | Building and selling real estate | 70,788 | (2) | - | - | - | - | 12,365 | 40.78 | 5,042 | 28,216 | - | Note 6 |

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

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

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

(3) Others

Note 2: The amount of ‘Investment income (loss) recognised by the Company for the six-month period ended June 30, 2016 were derived from financial statements which were reviewed by independent accountants.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016 and June 30, 2016 are both US$46,400,000 (remitted out US$46,388,800 and equipment amounted to US$11,200).

Note 4: The Company’s paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016 and June 30, 2016 are both US$570,000.

Note 5: The Company’s paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016 is US$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of June 30, 2016 was US$41,100,000.

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

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. | $ 1,402,085 | $ 1,497,792 | $ 34,706,237 |
| XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. | 15,273 | 18,400 | $ 34,706,237 |
| FORMOSA TAFFETA (CHANGSHU) CO., LTD. | 1,334,739 | 1,355,760 | $ 34,706,237 |

Note 1：

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

(2)The investment in XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US$570,000.

(3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US$42,000,000, while the company reduced its capital and divided some part of housing land to Changshu Fushun Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.

(4)The original currency of paid-in capital was translated at USD:TWD = 1:32.29

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee in Mainland China | Amount | % | Amount | % | Balance at June 30, 2016 | % | Balance at June 30, 2016 | Purpose | Maximum balance during the six-month period ended June 30, 2016 | Balance at June 30, 2016 | Interest rate | Interest during the six-month period ended June 30, 2016 | Others |
| FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. | $ 8,297 | 0.07 | $ - | - | $ 2,679 | 0.13 | $ 1,936,500 | For short-tem loans from financial institutions | $ - | $ - | - | $ - | |
| FORMOSA TAFFETA (CHANGSHU) CO., LTD. | 59,166 | 0.47 | - | - | 2,401 | 0.12 | 2,582,000 | For short-tem loans from financial institutions | - | - | - | - | |