

**FORMOSA TAFFETA CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and subsidiaries (the "Group") as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(7), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets (including investments accounted for using the equity method) of NT\$16,904,579 thousand and NT\$16,708,208 thousand, constituting 20% and 23% of the consolidated total assets, and total liabilities of NT\$5,000,536 thousand and NT\$4,504,846 thousand, constituting 26% and 25% of the consolidated total liabilities as at September 30, 2021 and 2020, respectively, and total comprehensive income (loss) (including share of profit of associates accounted

for using the equity method and share of profit of associates and other comprehensive income of associates) amounting to (NT\$28,378) thousand, (NT\$18,465) thousand, NT\$492,784 thousand and NT\$109,860 thousand, constituting 4%, 1%, 12% and (2%) of the total comprehensive income for the three months ended September 30, 2021 and 2020, and nine months ended September 30, 2021 and 2020, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wu, Han-Chi

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

November 5, 2021

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Assets	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,241,609	4	\$ 3,083,322	4	\$ 2,919,670	4
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		359	-	82	-	12	-
1120	Current financial assets at fair	6(3)						
	value through other							
	comprehensive income		1,454,523	2	1,409,817	2	1,143,823	2
1136	Current financial assets at	6(4)						
	amortized cost		105,287	-	27,148	-	-	-
1150	Notes receivable, net	6(5)	27,244	-	43,015	-	36,159	-
1160	Notes receivable - related	7						
	parties		10,725	-	4,260	-	10,267	-
1170	Accounts receivable, net	6(5)	3,325,006	4	3,105,207	4	2,820,667	4
1180	Accounts receivable - related	7						
	parties		164,935	-	161,586	-	135,010	-
1200	Other receivables	7	367,225	1	221,203	-	213,648	-
130X	Inventory	6(6)	7,630,605	9	6,849,017	9	6,818,746	10
1410	Prepayments		515,616	1	415,065	1	443,337	1
1470	Other current assets		150,046	-	259,536	-	232,417	-
11XX	Total current assets		<u>16,993,180</u>	<u>21</u>	<u>15,579,258</u>	<u>20</u>	<u>14,773,756</u>	<u>21</u>
Non-current assets								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income		42,635,485	52	40,032,761	50	32,744,140	46
1550	Investments accounted for	6(7)						
	using the equity method		9,379,419	11	9,626,525	12	9,304,568	13
1600	Property, plant and equipment	6(8) and 8	11,710,173	14	12,322,002	16	12,569,983	18
1755	Right-of-use assets	6(9)	981,876	1	1,009,957	1	1,037,953	1
1760	Investment property, net	6(10)	583,122	1	609,408	1	521,866	1
1840	Deferred income tax assets	6(29)	68,125	-	103,811	-	116,295	-
1900	Other non-current assets		324,575	-	178,336	-	185,092	-
15XX	Total non-current assets		<u>65,682,775</u>	<u>79</u>	<u>63,882,800</u>	<u>80</u>	<u>56,479,897</u>	<u>79</u>
1XXX	Total assets		<u>\$ 82,675,955</u>	<u>100</u>	<u>\$ 79,462,058</u>	<u>100</u>	<u>\$ 71,253,653</u>	<u>100</u>

(Continued)

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

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(12) and 8	\$ 3,194,682	4	\$ 3,266,405	4	\$ 3,397,628	5
2110	Short-term notes and bills payable	6(13)	800,000	1	499,979	1	700,000	1
2120	Financial liabilities at fair value through profit or loss - current	6(14)	-	-	137	-	-	-
2150	Notes payable		197,210	-	202,880	-	157,077	-
2160	Notes payable - related parties	7	214,985	-	150,655	-	106,909	-
2170	Accounts payable		929,546	1	1,107,244	2	938,210	1
2180	Accounts payable - related parties	7	897,713	1	834,831	1	714,010	1
2200	Other payables	6(15) and 7	1,069,440	2	975,871	1	985,391	2
2230	Current income tax liabilities		227,901	-	83,539	-	73,572	-
2280	Current lease liabilities	6(9)	114,254	-	100,957	-	137,977	-
2300	Other current liabilities	6(16)	472,933	1	443,599	1	230,222	-
21XX	Total current liabilities		<u>8,118,664</u>	<u>10</u>	<u>7,666,097</u>	<u>10</u>	<u>7,440,996</u>	<u>10</u>
Non-current liabilities								
2540	Long-term borrowings	6(16)	9,200,000	11	8,900,000	11	8,929,030	12
2570	Deferred income tax liabilities	6(29)	340,293	1	399,959	1	379,043	1
2580	Non-current lease liabilities	6(9)	650,181	1	682,086	1	670,982	1
2600	Other non-current liabilities	6(17)	297,193	-	330,328	-	499,062	1
25XX	Total non-current liabilities		<u>10,487,667</u>	<u>13</u>	<u>10,312,373</u>	<u>13</u>	<u>10,478,117</u>	<u>15</u>
2XXX	Total liabilities		<u>18,606,331</u>	<u>23</u>	<u>17,978,470</u>	<u>23</u>	<u>17,919,113</u>	<u>25</u>
Equity attributable to owners of parent								
3110	Share capital	6(18)	16,846,646	20	16,846,646	21	16,846,646	24
3200	Capital surplus	6(19)	1,299,203	1	1,297,081	2	1,295,085	2
3310	Retained earnings	6(20)	8,772,558	11	8,560,207	11	8,560,207	12
3320	Legal reserve		2,214,578	3	2,214,578	3	2,214,578	3
3350	Special reserve		8,136,698	10	8,228,927	10	7,810,240	11
3400	Unappropriated retained earnings	6(21)	26,819,005	32	24,355,213	30	16,626,848	23
3500	Other equity interest	6(18)	(19,064)	-	(19,064)	-	(19,064)	-
31XX	Equity attributable to owners of the parent		<u>64,069,624</u>	<u>77</u>	<u>61,483,588</u>	<u>77</u>	<u>53,334,540</u>	<u>75</u>
36XX	Non-controlling interest	6(21)	-	-	-	-	-	-
3XXX	Total equity		<u>64,069,624</u>	<u>77</u>	<u>61,483,588</u>	<u>77</u>	<u>53,334,540</u>	<u>75</u>
3X2X	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant event after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 82,675,955</u>	<u>100</u>	<u>\$ 79,462,058</u>	<u>100</u>	<u>\$ 71,253,653</u>	<u>100</u>

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

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

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2021		2020		2021		2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(22) and 7	\$ 7,579,110	100	\$ 6,595,319	100	\$ 24,348,138	100	\$ 21,627,329	100
5000	Operating costs	6(6)(26)(27) and 7	(6,644,291)	(87)	(6,086,725)	(92)	(21,111,802)	(87)	(19,436,710)	(90)
5900	Net operating margin		934,819	13	508,594	8	3,236,336	13	2,190,619	10
	Operating expenses	6(26)(27) and 7								
6100	Selling expenses		(435,655)	(6)	(382,721)	(6)	(1,330,361)	(5)	(1,214,323)	(5)
6200	General and administrative expenses		(225,311)	(3)	(204,847)	(3)	(663,162)	(3)	(632,369)	(3)
6000	Total operating expenses		(660,966)	(9)	(587,568)	(9)	(1,993,523)	(8)	(1,846,692)	(8)
6900	Operating profit (loss)		273,853	4	(78,974)	(1)	1,242,813	5	343,927	2
	Non-operating income and expenses									
7100	Interest income	6(23)	1,976	-	3,032	-	6,416	-	10,115	-
7010	Other income	6(24) and 7	329,647	4	157,144	2	465,997	2	1,376,826	6
7020	Other gains and losses	6(25)	11,986	-	(72,400)	(1)	(124,161)	(1)	(89,320)	-
7050	Finance costs	6(28)	(35,056)	-	(16,579)	-	(105,204)	-	(118,967)	(1)
7060	Share of profit of associates and joint ventures accounted for using the equity method	6(7)	137,334	2	152,986	2	478,425	2	384,260	2
7000	Total non-operating income and expenses		445,887	6	224,183	3	721,473	3	1,562,914	7
7900	Profit before income tax		719,740	10	145,209	2	1,964,286	8	1,906,841	9
7950	Income tax expense	6(29)	(55,061)	(1)	6,601	-	(178,235)	-	(117,657)	(1)
8000	Profit for the period from continuing operations		664,679	9	151,810	2	1,786,051	8	1,789,184	8
8100	Loss from discontinued operations	6(11)	-	-	-	-	-	-	(484)	-
8200	Profit for the period		\$ 664,679	9	\$ 151,810	2	\$ 1,786,051	8	\$ 1,788,700	8

(Continued)

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

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2021		2020		2021		2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income	6(21)								
Components of other comprehensive income that will not be reclassified to profit or loss									
8316 Unrealized gain or loss on valuation of financial assets at fair value through other comprehensive income		(\$ 1,395,404)	(19)	(\$ 3,183,685)	(48)	\$ 2,644,776	11	(\$ 7,848,801)	(36)
8320 Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method		(3,814)	-	(68,189)	(1)	11,700	-	(200,138)	(1)
8310 Other comprehensive income (loss) that will not be reclassified to profit or loss		(1,399,218)	(19)	(3,251,874)	(49)	2,656,476	11	(8,048,939)	(37)
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		208,973	3	(87,801)	(1)	(86,486)	(1)	(354,324)	(2)
8370 Share of other comprehensive loss of associates and joint ventures accounted for using the equity method		(160,910)	(2)	(28,566)	(1)	(87,462)	-	(64,168)	-
8360 Other comprehensive income (loss) that will be reclassified to profit or loss		48,063	1	(116,367)	(2)	(173,948)	(1)	(418,492)	(2)
8300 Total other comprehensive income (loss) for the period		(\$ 1,351,155)	(18)	(\$ 3,368,241)	(51)	\$ 2,482,528	10	(\$ 8,467,431)	(39)
8500 Total comprehensive income (loss) for the period		(\$ 686,476)	(9)	(\$ 3,216,431)	(49)	\$ 4,268,579	18	(\$ 6,678,731)	(31)
Profit (loss) attributable to:									
8610 Owners of the parent		\$ 664,679	9	\$ 151,810	2	\$ 1,786,051	8	\$ 1,788,942	8
8620 Non-controlling interest		-	-	-	-	-	-	(242)	-
		\$ 664,679	9	\$ 151,810	2	\$ 1,786,051	8	\$ 1,788,700	8
Comprehensive income (loss) attributable to:									
8710 Owners of the parent		(\$ 686,476)	(9)	(\$ 3,216,431)	(49)	\$ 4,268,579	18	(\$ 6,678,489)	(31)
8720 Non-controlling interest		-	-	-	-	-	-	(242)	-
		(\$ 686,476)	(9)	(\$ 3,216,431)	(49)	\$ 4,268,579	18	(\$ 6,678,731)	(31)
Basic and diluted earnings per share (in dollars)	6(30)								
9750 Profit attributable to common shareholders of the parent		\$ 0.42	\$ 0.40	\$ 0.09	\$ 0.09	\$ 1.11	\$ 1.06	\$ 1.10	\$ 1.06
Assuming shares held by subsidiaries are not deemed as treasury stock:									
9750 Profit attributable to common shareholders of the parent		\$ 0.42	\$ 0.39	\$ 0.09	\$ 0.09	\$ 1.11	\$ 1.06	\$ 1.10	\$ 1.06

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

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

Equity attributable to owners of the parent												
	Notes	Retained Earnings					Other Equity Interest					
		Share capital - common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity
Nine months ended September 30, 2020												
Balance at January 1, 2020		\$ 16,846,646	\$ 1,289,642	\$ 8,041,335	\$ 2,214,578	\$ 10,835,954	(\$ 1,055,651)	\$ 26,065,808	(\$19,064)	\$ 64,219,248	\$ 4,651	\$ 64,223,899
Profit for the period		-	-	-	-	1,788,942	-	-	-	1,788,942	(242)	1,788,700
Other comprehensive income (loss)		-	-	-	-	-	(418,492)	(8,048,939)	-	(8,467,431)	-	(8,467,431)
Total comprehensive income (loss)		-	-	-	-	1,788,942	(418,492)	(8,048,939)	-	(6,678,489)	(242)	(6,678,731)
Appropriations of 2019 earnings	6(20)											
Legal reserve		-	-	518,872	-	(518,872)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(4,211,662)	-	-	-	(4,211,662)	-	(4,211,662)
Paid expired cash dividends transferred to capital surplus	6(19)	-	(40)	-	-	-	-	-	-	(40)	-	(40)
Adjustment of cash dividends paid to consolidated subsidiaries acquired		-	5,483	-	-	-	-	-	-	5,483	-	5,483
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	(84,122)	-	84,122	-	-	-	-
Decrease in non-controlling interest	6(21)	-	-	-	-	-	-	-	-	-	(4,409)	(4,409)
Balance at September 30, 2020		\$ 16,846,646	\$ 1,295,085	\$ 8,560,207	\$ 2,214,578	\$ 7,810,240	(\$ 1,474,143)	\$ 18,100,991	(\$19,064)	\$ 53,334,540	\$ -	\$ 53,334,540

(Continued)

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												
	Retained Earnings					Other Equity Interest						
	Notes	Share capital - common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity
<u>Nine months ended September 30, 2021</u>												
Balance at January 1, 2021		\$ 16,846,646	\$ 1,297,081	\$ 8,560,207	\$ 2,214,578	\$ 8,228,927	(\$ 1,246,441)	\$ 25,601,654	(\$19,064)	\$ 61,483,588	\$ -	\$ 61,483,588
Profit for the period		-	-	-	-	1,786,051	-	-	-	1,786,051	-	1,786,051
Other comprehensive income (loss)	6(21)	-	-	-	-	-	(173,948)	2,656,476	-	2,482,528	-	2,482,528
Total comprehensive income (loss)		-	-	-	-	1,786,051	(173,948)	2,656,476	-	4,268,579	-	4,268,579
Appropriations of 2020 earnings	6(20)											
Legal reserve		-	-	212,351	-	(212,351)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,684,665)	-	-	-	(1,684,665)	-	(1,684,665)
Paid expired cash dividends transferred to capital surplus	6(19)	-	(71)	-	-	-	-	-	-	(71)	-	(71)
Adjustment of cash dividends paid to consolidated subsidiaries acquired	6(19)	-	2,193	-	-	-	-	-	-	2,193	-	2,193
Change in the net interest of associates recognized under the equity method	6(21)	-	-	-	-	18,736	-	(18,736)	-	-	-	-
Balance at September 30, 2021		<u>\$ 16,846,646</u>	<u>\$ 1,299,203</u>	<u>\$ 8,772,558</u>	<u>\$ 2,214,578</u>	<u>\$ 8,136,698</u>	<u>(\$ 1,420,389)</u>	<u>\$ 28,239,394</u>	<u>(\$19,064)</u>	<u>\$ 64,069,624</u>	<u>\$ -</u>	<u>\$ 64,069,624</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

	Notes	Nine months ended September 30	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit from continuing operations before tax		\$ 1,964,286	\$ 1,906,841
Loss from discontinued operations before tax	6(11)	-	(484)
Profit before tax		1,964,286	1,906,357
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(10)(26)	1,013,785	1,005,212
Interest expense	6(9)(28)	105,204	118,967
Interest income	6(23)	(6,416)	(10,115)
Dividend income	6(24)	(280,873)	(1,156,765)
Gain (loss) on valuation of financial assets	6(2)(25)	(277)	107
Gain on valuation of financial liabilities	6(12)(25)	(137)	(80)
Share of profit of associates and joint ventures accounted for using the equity method	6(7)	(478,425)	(384,260)
Gain on disposal of investments	6(25)	-	(165)
Loss (gain) on disposal and scrap of property, plant and equipment	6(25)	5,160	(1,034)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		15,771	(8,760)
Notes receivable - related parties		(6,465)	(3,872)
Accounts receivable, net		(219,361)	294,877
Accounts receivable - related parties		(3,349)	88,179
Other receivables		(87,213)	151,194
Inventory		(781,588)	1,264,893
Prepayments		(98,873)	197,543
Other current assets		109,489	91,510
Changes in operating liabilities			
Notes payable		(5,670)	(64,349)
Notes payable - related parties		64,330	57,821
Accounts payable		(177,698)	(270,534)
Accounts payable - related parties		62,882	(446,946)
Other payables		110,313	(371,006)
Other current liabilities		86,156	104,832
Other non-current liabilities		(36,462)	(2,769)
Cash inflow generated from operations		1,354,569	2,560,837
Interest received		7,144	11,110
Cash dividends received		870,820	1,595,848
Interest paid		(98,492)	(127,346)
Income tax paid		(57,910)	(413,449)
Net cash flows from operating activities		2,076,131	3,627,000

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		\$ -	(\$ 129,080)
Increase in financial assets at amortized cost		(78,139)	-
Acquisition of investment accounted for using the equity method		-	(1,353,514)
Proceeds from disposal of subsidiary	6(31)	-	(23,556)
Acquisition of property, plant and equipment	6(31)	(339,446)	(877,550)
Proceeds from disposal of property, plant and equipment		1,818	10,721
Decrease in other non-current assets		(146,238)	(13,585)
Net cash flows used in investing activities		(562,005)	(2,386,564)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(32)	(71,723)	(355,749)
Increase in short-term notes and bills payable	6(32)	300,021	700,000
Payment of long-term borrowings		(7,856,408)	(7,058,059)
Increase in long-term borrowings		8,100,000	9,470,652
Cash dividends paid		(1,682,429)	(4,214,432)
Payment of lease principal	6(9)	(114,568)	(106,742)
Increase in guarantee deposits		3,327	-
Expired cash dividends paid		(71)	(40)
Net cash flows used in financing activities		(1,321,851)	(1,564,370)
Effect of foreign exchange rate		(33,988)	6,980
Net increase (decrease) in cash and cash equivalents		158,287	(316,954)
Cash and cash equivalents at beginning of period	6(1)	3,083,322	3,236,624
Cash and cash equivalents at end of period	6(1)	\$ 3,241,609	\$ 2,919,670

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

(3) As of September 30, 2021, the Company and its subsidiaries (collectively referred herein as the “Group”) had 7,448 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 November 5, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

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

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

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

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

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. The consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of the consolidated financial statements is the same with the consolidated financial statements as of and for the year ended December 31, 2020.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100	100	100	Note 3
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	100	100	Note 3
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies	100	100	100	Note 3
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100	100	100	Note 3

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	-	-	-	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100	100	100	Note 3
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding Company	-	-	100	Note 2
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted	100	100	100	Note 3
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100	100	100	Note 3

Note 1: In July 2020, Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. has been dissolved.

Note 2: The Board of Directors during its meeting on May 7, 2020 resolved to dissolve and liquidate its subsidiary, Formosa Taffeta (Cayman) Limited. Thus, 3.847% equity of Formosa HA TINH (CAYMAN) Limited held by Formosa Taffeta (Cayman) Limited was transferred to the Company. Procedures of the transaction was completed in November 2020.

Note 3: The financial statements of the entity as of and for the nine months ended September 30, 2021 and 2020 were not reviewed by independent auditors as the entity did not meet the definition of significant subsidiary.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

A. Short-term employee benefits

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

B. Pension

(a) Defined contribution plans

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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

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

(5) Income tax

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

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

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

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements as of and for the year ended December 31, 2020 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand and petty cash	\$ 67,232	\$ 61,532	\$ 72,830
Checking accounts and demand deposits	1,666,353	1,399,609	1,166,864
Time deposits	1,342,092	1,095,359	1,366,064
Commercial paper	165,932	526,822	313,912
	<u>\$ 3,241,609</u>	<u>\$ 3,083,322</u>	<u>\$ 2,919,670</u>

- A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The range of time deposit rate on September 30, 2021, December 31, 2020 and September 30, 2020 are 0.13%~4%, 0.15%~3.8% and 0.02%~4.97%, respectively.
- C. The range of commercial paper rate on September 30, 2021, December 31, 2020 and September 30, 2020 are 0.2%~0.22%, 0.19%~0.21% and 0.28%, respectively.
- D. The Group repatriates the offshore fund by adopting “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”. The Act restricts the usage of the fund; hence, in accordance with IAS 7, “Statement of cash flows”, the fund was reclassified as other financial assets. The amount on September 30, 2021 is USD 8,426 thousand equivalent to \$234,657 thousand.
- E. The Group has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current items:			
Forward foreign exchange contracts	\$ 359	\$ 82	\$ 12

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

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Forward foreign exchange contracts	\$ 359	(\$ 600)
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Forward foreign exchange contracts	\$ 277	(\$ 107)

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

<u>Derivative Instruments</u>	<u>September 30, 2021</u>			<u>December 31, 2020</u>		
	Contract Amount		<u>Contract Period</u>	Contract Amount		<u>Contract Period</u>
	(Notional Principal)			(Notional Principal)		
	(in thousands)			(in thousands)		
Current items:						
Forward foreign exchange contracts						
Taipei Fubon Bank	USD	616	2021.09-2021.10	USD	415	2020.12-2021.1

<u>Derivative Instruments</u>	<u>September 30, 2020</u>		
	Contract Amount		<u>Contract Period</u>
	(Notional Principal)		
	(in thousands)		
Current items:			
Forward foreign exchange contracts			
Taipei Fubon Bank		41,850	2020.9~2020.10

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

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current items:			
Equity instruments			
Listed stocks	\$ 900,285	\$ 900,285	\$ 900,285
Unlisted stocks	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
	1,000,285	1,000,285	1,000,285
Valuation adjustment	<u>454,238</u>	<u>409,532</u>	<u>143,538</u>
	<u>\$ 1,454,523</u>	<u>\$ 1,409,817</u>	<u>\$ 1,143,823</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 8,163,126	\$ 8,163,126	\$ 8,163,125
Unlisted stocks	<u>6,647,667</u>	<u>6,647,116</u>	<u>6,323,819</u>
	14,810,793	14,810,242	14,486,944
Valuation adjustment	<u>27,824,692</u>	<u>25,222,519</u>	<u>18,257,196</u>
	<u>\$ 42,635,485</u>	<u>\$ 40,032,761</u>	<u>\$ 32,744,140</u>

- A. The Group has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$44,090,008, \$41,442,578 and \$33,887,963 as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive loss	(\$ <u>1,389,665</u>)	(\$ <u>3,251,874</u>)
Cumulative losses reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>(\$ 84,122)</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income (loss)	\$ <u>2,646,879</u>	(\$ <u>8,048,939</u>)
Cumulative losses reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>(\$ 84,122)</u>

C. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$44,090,008, \$41,442,578 and \$33,887,963, respectively.

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

(4) Financial assets at amortized cost

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current items:			
Time deposit	\$ 105,287	\$ 27,148	\$ -

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

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest income	\$ 481	\$ -
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest income	\$ 578	\$ -

B. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$105,287, \$27,148 and \$0, respectively.

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

(5) Notes and accounts receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$ 27,244	\$ 43,015	\$ 36,159
Accounts receivable	\$ 3,387,623	\$ 3,168,262	\$ 2,883,397
Less: Allowance for bad debts	(62,617)	(63,055)	(62,730)
	<u>\$ 3,325,006</u>	<u>\$ 3,105,207</u>	<u>\$ 2,820,667</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Not past due	\$ 3,200,486	\$ 3,170,562	\$ 2,883,666
Up to 30 days	151,616	29,715	16,295
31 to 90 days	58,675	5,862	6,252
Over 90 days	4,090	5,138	13,343
	<u>\$ 3,414,867</u>	<u>\$ 3,211,277</u>	<u>\$ 2,919,556</u>

The above ageing analysis was based on past due date.

- B. As of September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$3,205,673.
- C. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$3,352,250, \$3,148,222 and \$2,856,826, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(3).

(6) Inventories

	September 30, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,346,073	(\$ 103,774)	\$ 1,242,299
Supplies	340,502	(2,343)	338,159
Work in process	2,572,272	-	2,572,272
Finished goods	3,439,431	(605,172)	2,834,259
Merchandise inventory	229,072	-	229,072
Materials in transit	109,196	-	109,196
Outsourced processed materials	235,502	-	235,502
Land for construction	69,846	-	69,846
	<u>\$ 8,341,894</u>	<u>(\$ 711,289)</u>	<u>\$ 7,630,605</u>
	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,192,694	(\$ 102,141)	\$ 1,090,553
Supplies	224,132	(4,372)	219,760
Work in process	2,237,676	(5,448)	2,232,228
Finished goods	3,459,449	(794,323)	2,665,126
Merchandise inventory	236,878	-	236,878
Materials in transit	119,061	-	119,061
Outsourced processed materials	207,406	(90)	207,316
Construction in progress	59,525	-	59,525
Land for construction	18,570	-	18,570
	<u>\$ 7,755,391</u>	<u>(\$ 906,374)</u>	<u>\$ 6,849,017</u>

	September 30, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,265,723	(\$ 106,179)	\$ 1,159,544
Supplies	250,524	(4,185)	246,339
Work in process	2,291,388	(5,441)	2,285,947
Finished goods	3,360,872	(815,885)	2,544,987
Merchandise inventory	165,430	-	165,430
Materials in transit	136,995	-	136,995
Outsourced processed materials	205,553	(97)	205,456
Construction in progress	55,478	-	55,478
Land for construction	18,570	-	18,570
	<u>\$ 7,750,533</u>	<u>(\$ 931,787)</u>	<u>\$ 6,818,746</u>

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

The cost of inventories recognized as expense for the nine months ended September 30, 2021 and 2020 were as follows:

	Three months ended September 30,	
	2021	2020
Cost of inventories sold	\$ 6,684,801	\$ 6,109,092
Inventory valuation gain (Note 1)	(70,919)	(10,610)
Others (Note 2)	30,409	(11,757)
	<u>\$ 6,644,291</u>	<u>\$ 6,086,725</u>
	Nine months ended September 30,	
	2021	2020
Cost of inventories sold	\$ 21,172,253	\$ 19,519,998
Inventory valuation gain (Note 1)	(195,085)	(74,244)
Others (Note 2)	134,634	3,321
	21,111,802	19,449,075
Less: Cost of inventories recognized as expense from discontinued operations	-	(12,365)
	<u>\$ 21,111,802</u>	<u>\$ 19,436,710</u>

Note 1: Gain on inventory for the nine months ended September 30, 2021 and 2020 arose from inventories which were previously provided with allowance but were subsequently sold.

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

(7) Investments accounted for using the equity method

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Formosa Advanced Technologies Co., Ltd.	\$ 5,024,948	\$ 5,003,040	\$ 4,720,128
Formosa Industries Co., Ltd.	1,834,467	1,972,294	1,954,089
Schoeller Textil AG	1,054,827	1,270,603	1,238,843
Quang Viet Enterprise Co., Ltd.	1,232,945	1,167,551	1,194,842
Nan Ya Photonics Inc.	216,270	196,554	181,118
Changshu Yu Yuan Development Co., Ltd.	15,962	16,483	15,548
	<u>\$ 9,379,419</u>	<u>\$ 9,626,525</u>	<u>\$ 9,304,568</u>

- A. In August 2020, the Group increased its investments in Nan Ya Photonics Inc. by \$66,938 thousand. As of June 30, 2021, the Group's shareholding ratio was 15.22% and the Group was the director of the company. As the Group has significant influence over its operations, the investment is accounted for using the equity method.
- B. Owing to the capital increase of Schoeller Textil AG, the Board of Directors during its meeting on October 17, 2019 resolved to invest in Schoeller Textil AG in the amount of CHF 39,580 thousand equivalent to \$1,285,507 thousand for an equity interest of 50%. The Group obtained 50% equity interest in Schoeller Textil AG after the capital increase on March 18, 2020. As significant matters concerning Schoeller Textil AG requires consensus from the majority of the Board of Directors. Accordingly, the investment was accounted for using the equity method.
- C. During its meeting on December 13, 2019, the Group's board of directors resolved to dispose its 16% equity interest in FORMOSA ADVANCED TECHNOLOGIES CO., LTD. to Nan Ya Technology Corp. After the disposal, the Group's shareholding ratio was reduced to 30.68%. Accordingly, the Group lost its control over FORMOSA ADVANCED TECHNOLOGIES CO., LTD., which became an associate accounted for using the equity method.
- D. The investment income of \$137,334, \$152,986, \$478,425 and \$384,260 for the three months and nine months ended September 30, 2021 and 2020, respectively, were accounted for using the equity method based on the unreviewed financial statements of the investee companies, except for Formosa Advanced Technologies Co., Ltd.
- E. The Group's material associates have quoted market prices as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Formosa Advanced Technologies Co., Ltd.	\$ 5,173,927	\$ 5,146,696	\$ 4,751,843
Quang Viet Enterprise Co., Ltd.	2,158,221	2,009,378	2,074,497
	<u>\$ 7,332,148</u>	<u>\$ 7,156,074</u>	<u>\$ 6,826,340</u>

F. Associates

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		September 30, 2021	December 31, 2020	September 30, 2020		
Formosa Advanced Technologies Co., Ltd.	Taiwan	30.68%	30.68%	30.68%	Investments accounted for using the equity method	Equity method
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	10.00%	Investments accounted for using the equity method	Equity method

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

Balance sheets

	Formosa Advanced Technologies Co., Ltd.		
	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 8,963,182	\$ 7,816,528	\$ 6,759,313
Non-current assets	4,742,954	5,792,482	5,903,721
Current liabilities	(1,298,350)	(1,238,254)	(1,199,534)
Non-current liabilities	(521,952)	(555,589)	(566,958)
Total net assets	<u>\$ 11,885,834</u>	<u>\$ 11,815,167</u>	<u>\$ 10,896,542</u>
Share in associate's net assets	\$ 3,659,693	\$ 3,637,785	\$ 3,343,364
Difference	<u>1,365,255</u>	<u>1,365,255</u>	<u>1,376,764</u>
Carrying amount of the associate	<u>\$ 5,024,948</u>	<u>\$ 5,003,040</u>	<u>\$ 4,720,128</u>

	Formosa Industries Co., Ltd.		
	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 17,793,986	\$ 10,071,348	\$ 15,359,426
Non-current assets	17,017,345	18,393,571	18,209,862
Current liabilities	(11,259,214)	(2,454,688)	(7,295,046)
Non-current liabilities	(6,108,797)	(7,188,638)	(7,634,702)
Total net assets	<u>\$ 17,443,320</u>	<u>\$ 18,821,593</u>	<u>\$ 18,639,540</u>
Share in associate's net assets	\$ 1,744,333	\$ 1,882,160	\$ 1,863,955
Difference	<u>90,134</u>	<u>90,134</u>	<u>90,134</u>
Carrying amount of the associate	<u>\$ 1,834,467</u>	<u>\$ 1,972,294</u>	<u>\$ 1,954,089</u>

Statements of comprehensive income

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 2,448,632	\$ 2,380,770
Profit for the period from continuing operations	\$ 413,701	\$ 354,902
Other comprehensive loss, net of tax	(94,858)	(220,023)
Total comprehensive income	\$ 318,843	\$ 134,879

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 7,449,895	\$ 7,342,406
Profit for the period from continuing operations	\$ 1,133,452	\$ 1,086,685
Other comprehensive loss, net of tax	(45,722)	(647,371)
Total comprehensive income	\$ 1,087,730	\$ 439,314

	<u>Formosa Industries Co., Ltd.</u>	
	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 6,120,248	\$ 4,721,185
Profit for the period from continuing operations		
(Total comprehensive income)	\$ 143,873	\$ 55,094

	<u>Formosa Industries Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 19,019,025	\$ 14,412,797
Profit for the period from continuing operations		
(Total comprehensive income)	\$ 1,360,311	\$ 71,717

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

As of September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amount of the Group's individually immaterial associates amounted to \$2,520,004, \$2,651,191 and \$2,630,351, respectively.

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Loss for the period from continuing operations	(\$ 4,462)	(\$ 117,039)
Other comprehensive (loss) income, net of tax	(25,289)	23,742
Total comprehensive loss	<u>(\$ 29,751)</u>	<u>(\$ 93,297)</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(Loss) profit for the period from continuing operations	(\$ 6,611)	\$ 42,815
Other comprehensive (loss) income, net of tax	(25,728)	1,524
Total comprehensive (loss) income	<u>(\$ 32,339)</u>	<u>\$ 44,339</u>

(8) Property, plant and equipment

	2021					
	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>						
Cost	\$ 2,189,947	\$ 10,365,740	\$ 23,138,515	\$ 4,941,190	\$ 613,374	\$ 41,248,766
Accumulated depreciation	(10,890)	(6,419,261)	(17,831,721)	(4,509,154)	-	(28,771,026)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,319</u>	<u>\$ 3,946,479</u>	<u>\$ 5,306,794</u>	<u>\$ 432,036</u>	<u>\$ 613,374</u>	<u>\$ 12,322,002</u>
Opening net book amount as at January 1	\$ 2,023,319	\$ 3,946,479	\$ 5,306,794	\$ 432,036	\$ 613,374	\$ 12,322,002
Additions	-	-	-	-	319,685	319,685
Disposals	-	(24)	(4,618)	(2,336)	-	(6,978)
Transfers	-	62,668	530,435	29,216	(622,319)	-
Depreciation charge	-	(227,227)	(594,316)	(52,578)	-	(874,121)
Net exchange differences	(20)	(22,520)	(19,858)	(4,482)	(3,535)	(50,415)
Closing net book amount as at September 30	<u>\$ 2,023,299</u>	<u>\$ 3,759,376</u>	<u>\$ 5,218,437</u>	<u>\$ 401,856</u>	<u>\$ 307,205</u>	<u>\$ 11,710,173</u>
<u>At September 30</u>						
Cost	\$ 2,189,746	\$ 10,376,381	\$ 23,282,706	\$ 4,888,936	\$ 307,205	\$ 41,044,974
Accumulated depreciation	(10,709)	(6,617,005)	(18,064,269)	(4,487,080)	-	(29,179,063)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,299</u>	<u>\$ 3,759,376</u>	<u>\$ 5,218,437</u>	<u>\$ 401,856</u>	<u>\$ 307,205</u>	<u>\$ 11,710,173</u>

2020

	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment and other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>At January 1</u>						
Cost	\$ 2,195,581	\$ 10,464,411	\$ 22,122,591	\$ 4,969,124	\$ 518,109	\$ 40,269,816
Accumulated depreciation	(13,535)	(6,124,307)	(16,754,076)	(4,523,421)	-	(27,415,339)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,026,308</u>	<u>\$ 4,340,104</u>	<u>\$ 5,368,515</u>	<u>\$ 445,703</u>	<u>\$ 518,109</u>	<u>\$ 12,698,739</u>
Opening net book amount as at January 1	\$ 2,026,308	\$ 4,340,104	\$ 5,368,515	\$ 445,703	\$ 518,109	\$ 12,698,739
Additions	-	-	-	212	919,692	919,904
Disposals	(2,410)	-	(4,723)	(2,529)	(25)	(9,687)
Transfers	-	84,699	708,776	55,933	(849,408)	-
Depreciation charge	-	(244,632)	(565,705)	(58,494)	-	(868,831)
Disposals - discontinued operations	-	-	-	(15)	-	(15)
Net exchange differences	(11)	(62,185)	(90,886)	(6,028)	(11,017)	(170,127)
Closing net book amount as at September 30	<u>\$ 2,023,887</u>	<u>\$ 4,117,986</u>	<u>\$ 5,415,977</u>	<u>\$ 434,782</u>	<u>\$ 577,351</u>	<u>\$ 12,569,983</u>
<u>At September 30</u>						
Cost	\$ 2,193,039	\$ 10,459,810	\$ 23,082,379	\$ 4,953,875	\$ 577,351	\$ 41,266,454
Accumulated depreciation	(13,414)	(6,341,824)	(17,666,402)	(4,519,093)	-	(28,540,733)
Accumulated impairment	(155,738)	-	-	-	-	(155,738)
	<u>\$ 2,023,887</u>	<u>\$ 4,117,986</u>	<u>\$ 5,415,977</u>	<u>\$ 434,782</u>	<u>\$ 577,351</u>	<u>\$ 12,569,983</u>

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

	Three months ended September 30,	
	2021	2020
Amount capitalized	\$ 341	\$ 1,354
	Nine months ended September 30,	
	2021	2020
Amount capitalized	\$ 1,969	\$ 4,633
Range of the interest rates for capitalization	0.80%~2.27%	0.99%~4.25%

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

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

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

- D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles of land which the Company has acquired for future plant expansion is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of September 30, 2021, December 31, 2020 and September 30, 2020, the land mortgaged to the Company was \$808,300.

(9) Leasing arrangements – lessee

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

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

	September 30, 2021	December 31, 2020	September 30, 2020
	Carrying amount	Carrying amount	Carrying amount
Right-of-use asset - land	\$ 981,876	\$ 1,009,957	\$ 1,037,953

	Three months ended September 30,	
	2021	2020
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Right-of-use asset - land	\$ 38,193	\$ 37,534
	Nine months ended September 30,	
	2021	2020
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Right-of-use asset - land	\$ 114,924	\$ 114,323

C. For the nine months ended September 30, 2021 and 2020, the additions to right-of-use assets were \$111,914 and \$100,856, respectively.

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

	Three months ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,495	\$ 1,957
Expense on short-term lease contracts	396	1,106
	Nine months ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 7,609	\$ 7,692
Expense on short-term lease contracts	1,238	1,802

E. For the nine months ended September 30, 2021 and 2020, the Group's total cash outflow for leases were \$114,568 and \$106,742, respectively.

(10) Investment property

	2021		
	Land	Buildings	Total
At January 1			
Cost	\$ 7,892	\$ 1,013,317	\$ 1,021,209
Accumulated depreciation	-	(411,801)	(411,801)
	<u>\$ 7,892</u>	<u>\$ 601,516</u>	<u>\$ 609,408</u>
Opening net book amount as at January 1	\$ 7,892	\$ 601,516	\$ 609,408
Depreciation charge	-	(24,740)	(24,740)
Net exchange differences	-	(1,546)	(1,546)
Closing net book amount as at September 30	<u>\$ 7,892</u>	<u>\$ 575,230</u>	<u>\$ 583,122</u>
At September 30			
Cost	\$ 7,892	\$ 1,011,541	\$ 1,019,433
Accumulated depreciation	-	(436,311)	(436,311)
	<u>\$ 7,892</u>	<u>\$ 575,230</u>	<u>\$ 583,122</u>

	2020		
	Land	Buildings	Total
At January 1			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	(370,090)	(370,090)
	<u>\$ 7,892</u>	<u>\$ 536,032</u>	<u>\$ 543,924</u>
Opening net book amount as at January 1	\$ 7,892	\$ 536,032	\$ 543,924
Depreciation charge	-	(22,058)	(22,058)
Closing net book amount as at September 30	<u>\$ 7,892</u>	<u>\$ 513,974</u>	<u>\$ 521,866</u>
At September 30			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	(392,148)	(392,148)
	<u>\$ 7,892</u>	<u>\$ 513,974</u>	<u>\$ 521,866</u>

A. Rental income from investment property is as follows:

	Three months ended September 30,	
	2021	2020
Rental income from investment property	<u>\$ 13,816</u>	<u>\$ 10,481</u>
	2021	2020
Rental income from investment property	<u>\$ 41,703</u>	<u>\$ 31,490</u>

B. The fair value of the investment property held by the Group as at September 30, 2021, December 31, 2020 and September 30, 2020 were \$700,924, \$675,233 and \$732,100, respectively, which was by reference to the transaction prices of similar prices in the neighboring areas.

(11) Discontinued operations

A. On October 17, 2019, the Group's Board of Directors resolved to sell all equity interest in the Group's subsidiary, Schoeller F.T.C (Hong Kong) Co., Ltd., to Schoeller Textil AG. The selling price was \$6,028 and disposal gain was \$165. Schoeller F.T.C (Hong Kong) Co., Ltd. which was presented as discontinued operations as it has met the definition of discontinued operations. The transfer of shares was completed on March 16, 2020.

B. The cash flow information of the discontinued operations is as follows:

	Nine months ended September 30, 2020
Operating cash flows	(\$ 2,519)
Investing cash flows	-
Financing cash flows	-
Total cash flows	<u>(\$ 2,519)</u>

C. Analysis of the result of discontinued operations, and the result recognized on the remeasurement of assets or disposal group, is as follows:

	<u>Nine months ended September 30, 2020</u>
Operating revenue	\$ 17,555
Operating costs	(12,365)
Operating expenses	(5,589)
Total non-operating income and expenses	(85)
Loss before tax from discontinued operations	(484)
Income tax expense	-
Loss from discontinued operations	<u>(\$ 484)</u>

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	\$ 3,107,170	0.70%~3.21%	-
Secured borrowings	70,000	1.20%	Property, plant and equipment and Inventories
Purchase loans	17,512	0.55%	-
	<u>\$ 3,194,682</u>		

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	\$ 3,221,622	0.76%~4.05%	-
Secured borrowings	40,000	1.40%	Property, plant and equipment and Inventories
Purchase loans	4,783	0.84%	-
	<u>\$ 3,266,405</u>		

<u>Type of borrowings</u>	<u>September 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	\$ 3,342,628	0.9%~3.6%	-
Secured borrowings	55,000	1.2%~1.4%	Property, plant and equipment and Inventories
	<u>\$ 3,397,628</u>		

(13) Short-term notes and bills payable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Commercial paper payable	\$ 800,000	\$ 500,000	\$ 700,000
Less: Commercial paper payable discount	-	(21)	-
	<u>\$ 800,000</u>	<u>\$ 499,979</u>	<u>\$ 700,000</u>
Interest rate	<u>0.30%</u>	<u>0.20%~0.25%</u>	<u>0.39%</u>

On September 30, 2021, December 31, 2020 and September 30, 2020, the abovementioned commercial paper payable is issued by Taishin International Bank.

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

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial liabilities held for trading			
Forward foreign exchange contracts	\$ -	\$ 137	\$ -

- A. The Group recognized net gain of \$0, \$48, \$137 and \$80 on financial liabilities held for trading for the three months and nine months ended September 30, 2021 and 2020, respectively.
- B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

<u>Derivative Financial Liabilities</u>	<u>December 31, 2020</u>	
	<u>Contract Amount (Notional Principal) (in thousands)</u>	<u>Contract Period</u>
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	USD 415	2020.12~2021.1
Taipei Fubon Bank	USD 583	2020.12~2021.2

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

(15) Other payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Salaries and year-end bonus payable	\$ 386,692	\$ 430,180	\$ 351,055
Accrued utilities expenses	111,284	90,683	93,792
Commission payable	74,385	59,763	62,830
Payable on equipment	67,479	85,562	2,716
Dividends payable	15,221	12,985	13,332
Others	414,379	296,698	461,666
	<u>\$ 1,069,440</u>	<u>\$ 975,871</u>	<u>\$ 985,391</u>

(16) Long-term borrowings

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Credit borrowings	\$ 9,200,000	\$ 8,956,822	\$ 8,987,088
Less: Current portion	-	(56,822)	(58,058)
	<u>\$ 9,200,000</u>	<u>\$ 8,900,000</u>	<u>\$ 8,929,030</u>
Interest rate	<u>0.72%~0.86%</u>	<u>0.72%~2.27%</u>	<u>0.72%~2.80%</u>

(17) Pensions

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

(b) For the aforementioned pension plan, the Group recognized pension costs of \$3,625, \$5,482, \$10,876 and \$16,444 for the three months and nine months ended September 30, 2021 and 2020, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 are \$60,530.

- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s Mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., and Formosa Taffeta (Changshu) Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of the employees’ monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.
- (c) The Company’s subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd., have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees’ salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (d) Formosa Taffeta (Hong Kong) Co., Ltd. has a defined contribution plan whereby contributions are made to the mandatory provident fund based on a percentage of the employees’ salaries and wages as full-time employees’ pension benefit.
- (e) 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 and nine months ended September 30, 2021 and 2020 were \$24,467, \$15,310, \$70,988 and \$67,081, respectively.

(18) Share capital

- A. As of September 30, 2021, 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 nine months ended September 30, 2021 and 2020, changes in the number of treasury stocks are as follows (in thousands of shares):

<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>Nine months ended September 30, 2021</u>			<u>Ending shares</u>
		<u>Beginning shares</u>	<u>Additions</u>	<u>Disposal</u>	
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	<u>2,193</u>	<u>-</u>	<u>-</u>	<u>2,193</u>

<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>Nine months ended September 30, 2020</u>			<u>Ending shares</u>
		<u>Beginning shares</u>	<u>Additions</u>	<u>Disposal</u>	
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	<u>2,193</u>	<u>-</u>	<u>-</u>	<u>2,193</u>

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

(19) Capital surplus

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

	Nine months ended September 30, 2021				
	Treasury share transactions	Difference between carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Others
At January 1, 2021	\$ 36,580	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 7,543
Paid expired cash dividends transferred to capital surplus	-	-	-	-	(71)
Adjustment of cash dividends paid to consolidated subsidiaries	2,193	-	-	-	-
At September 30, 2021	<u>\$ 38,773</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,249,276</u>	<u>\$ 7,472</u>
	Nine months ended September 30, 2020				
	Treasury share transactions	Difference between carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Others
At January 1, 2020	\$ 31,097	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 5,587
Paid expired cash dividends transferred to capital surplus	-	-	-	-	(40)
Adjustment of cash dividends paid to consolidated subsidiaries	5,483	-	-	-	-
At September 30, 2020	<u>\$ 36,580</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,249,276</u>	<u>\$ 5,547</u>

(20) Retained earnings

A. According to the R.O.C. Securities Exchange Law No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. If the valuation or contra-account in stockholders' equity belongs to prior periods, the same amount from prior period earnings should be considered special reserve and cannot be distributed. The special reserve includes:

i) Reserve for special purposes.

ii) Investment income recognized under the equity method.

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

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 2020 and 2019 earnings had been resolved by the stockholders during their meeting on July 30, 2021 and June 19, 2020, respectively. Details are summarized below:

	<u>2020 earnings</u>		<u>2019 earnings</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 212,351		\$ 518,872	
Cash dividends	1,684,665	\$ 1.00	4,211,662	\$ 2.50

E. As of September 30, 2021, December 31, 2020 and September 30, 2020, unpaid stock dividends amounted to \$15,221, \$12,985 and \$13,332, respectively.

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

G. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(27).

(21) Other equity items

	<u>Unrealized gains on valuation</u>	<u>Currency translation</u>	<u>Non-controlling interest</u>
January 1, 2021	\$ 25,601,654	(\$ 1,246,441)	\$ -
Revaluation			
– Group	2,644,776	-	-
– Associates	11,700	-	-
Revaluation transferred to retained earnings			
– Associates	(18,736)	-	-
Difference of currency translation			
– Group	-	(86,486)	-
– Associates	-	(87,462)	-
September 30, 2021	<u>\$ 28,239,394</u>	<u>(\$ 1,420,389)</u>	<u>\$ -</u>
	<u>Unrealized gains on valuation</u>	<u>Currency translation</u>	<u>Non-controlling interest</u>
January 1, 2020	\$ 26,065,808	(\$ 1,055,651)	\$ 4,651
Revaluation			
– Group	(7,848,801)	-	-
– Associates	(200,138)	-	-
Revaluation transferred to retained earnings	84,122	-	-
Difference of currency translation			
– Group	-	(354,324)	-
– Associates	-	(64,168)	-
Net income of non-controlling interest	-	-	(242)
Net change of non-controlling interest	-	-	(4,409)
September 30, 2020	<u>\$ 18,100,991</u>	<u>(\$ 1,474,143)</u>	<u>\$ -</u>

(22) Operating revenue

	Three months ended September 30,	
	2021	2020
Sales revenue	\$ 7,492,805	\$ 6,569,193
Service revenue	86,305	26,126
	<u>\$ 7,579,110</u>	<u>\$ 6,595,319</u>
	Nine months ended September 30,	
	2021	2020
Sales revenue	\$ 24,120,719	\$ 21,486,941
Service revenue	227,419	157,943
	<u>24,348,138</u>	<u>21,644,884</u>
Less: Operating revenue from discontinued operations	-	(17,555)
	<u>\$ 24,348,138</u>	<u>\$ 21,627,329</u>

(23) Interest income

	Three months ended September 30,	
	2021	2020
Interest income from bank deposits	<u>\$ 1,976</u>	<u>\$ 3,032</u>
	Nine months ended September 30,	
	2021	2020
Interest income from bank deposits	\$ 6,416	\$ 10,187
Less: Interest income from discontinued operations	-	(72)
	<u>\$ 6,416</u>	<u>\$ 10,115</u>

(24) Other income

	Three months ended September 30,	
	2021	2020
Dividend income	\$ 267,878	\$ 84,585
Other income	61,769	72,559
	<u>\$ 329,647</u>	<u>\$ 157,144</u>
	Nine months ended September 30,	
	2021	2020
Dividend income	\$ 280,873	\$ 1,156,765
Other income	185,124	220,061
	<u>\$ 465,997</u>	<u>\$ 1,376,826</u>

(25) Other gains and losses

	Three months ended September 30,	
	2021	2020
(Loss) gain on disposal of property, plant and equipment	(\$ 803)	\$ 15,841
Foreign exchange gains (losses)	41,159	(68,444)
Forward foreign exchange contracts		
Net gain (loss) on financial assets at fair value through profit or loss	359	(600)
Net gain on financial liabilities at fair value through profit or loss	-	48
Bank charges	(8,851)	(7,567)
Other losses	(19,878)	(11,678)
	<u>\$ 11,986</u>	<u>(\$ 72,400)</u>
	Nine months ended September 30,	
	2021	2020
(Loss) gain on disposal of property, plant and equipment	(\$ 5,160)	\$ 1,034
Gain on disposals of investments	-	165
Foreign exchange losses	(46,769)	(11,158)
Forward foreign exchange contracts		
Net gain (loss) on financial assets at fair value through profit or loss	277	(107)
Net gain on financial liabilities at fair value through profit or loss	137	80
Bank charges	(24,857)	(21,797)
Other losses	(47,789)	(57,694)
	(124,161)	(89,477)
Less: Other losses from discontinued operations	-	157
	<u>(\$ 124,161)</u>	<u>(\$ 89,320)</u>

(26) Expenses by nature

	Three months ended September 30,	
	2021	2020
Employee benefit expense	\$ 845,312	\$ 749,122
Depreciation charges (including right-of-use assets and investment property)	337,384	342,378
	<u>\$ 1,182,696</u>	<u>\$ 1,091,500</u>
Nine months ended September 30,		
	2021	2020
Employee benefit expense	\$ 2,585,119	\$ 2,486,684
Depreciation charges (including right-of-use assets and investment property)	1,013,785	1,005,212
	<u>3,598,904</u>	<u>3,491,896</u>
Less: Employee benefit expense from discontinued operations	-	(535)
Depreciation charges from discontinued operations	-	(231)
	<u>\$ 3,598,904</u>	<u>\$ 3,491,130</u>

(27) Employee benefit expense

	Three months ended September 30,	
	2021	2020
Wages and salaries	\$ 696,036	\$ 618,863
Labor and health insurance fees	85,010	75,384
Pension costs	28,092	20,792
Other personnel expenses	36,174	34,083
	<u>\$ 845,312</u>	<u>\$ 749,122</u>
Nine months ended September 30,		
	2021	2020
Wages and salaries	\$ 2,140,960	\$ 2,063,179
Labor and health insurance fees	257,796	235,470
Pension costs	81,864	83,525
Other personnel expenses	104,499	104,510
	<u>2,585,119</u>	<u>2,486,684</u>
Less: Employee benefit expense from from discontinued operations	-	(535)
	<u>\$ 2,585,119</u>	<u>\$ 2,486,149</u>

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

B. For the three months and nine months ended September 30, 2021 and 2020, employees' compensation was accrued at \$1,500, \$500, \$4,500 and \$1,500, respectively; while directors' and supervisors' remuneration was accrued at \$750, \$250, \$2,250 and \$750, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current period for the nine months ended September 30, 2021.

The employees' compensation and directors' and supervisors' remuneration for 2020 as approved by shareholders were the same as the amounts shown in the 2020 financial statements.

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

(28) Finance costs

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest expense:		
Bank borrowings	\$ 32,902	\$ 15,976
Other financial expense	2,495	1,957
Less: Capitalization of qualifying assets	(341)	(1,354)
	<u>\$ 35,056</u>	<u>\$ 16,579</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest expense:		
Bank borrowings	\$ 99,564	\$ 115,908
Other financial expense	7,609	7,692
Less: Capitalization of qualifying assets	(1,969)	(4,633)
	<u>\$ 105,204</u>	<u>\$ 118,967</u>

(29) Income tax

A. Income tax expense (benefit)

	Three months ended September 30,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 16,926	\$ 4,583
Tax on undistributed surplus earnings	-	(5,930)
Impact of change in exchange rate	767	327
Total current tax	17,693	(1,020)
Deferred tax:		
Origination and reversal of temporary differences	37,368	(5,581)
Total deferred tax	37,368	(5,581)
Income tax expense (benefit)	\$ 55,061	(\$ 6,601)
	Nine months ended September 30,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 231,917	\$ 82,520
Land value increment tax	-	566
Tax on undistributed surplus earnings	11,325	12,535
Adjustments in respect of prior period	(41,238)	(6,104)
Impact of change in exchange rate	211	360
Total current tax	202,215	89,877
Deferred tax:		
Origination and reversal of temporary differences	(23,980)	27,780
Total deferred tax	(23,980)	27,780
Income tax expense	\$ 178,235	\$ 117,657

B. The income tax returns of the Company through 2018, and of Formosa Development Co., Ltd. and Public More Internation Company Ltd. through 2019, have been assessed and approved by the Tax Authority.

C. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. is based on 25% of income generated within and outside Mainland China. In addition, Formosa Taffeta (Zhong Shan) Co., Ltd. was certified as high-tech enterprise by Guangdong Provincial Government and accordingly, is entitled to the applicable income tax rate of 15% for 3 years from 2018.

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

E. In accordance with local tax regulations, the applicable income tax rate of Formosa Taffeta Vietnam Co., Ltd. was 20%.

F. In accordance with local tax regulations, the applicable income tax rate of Formosa Taffeta (Hong Kong) Co., Ltd. was 16.5%.

(30) Earnings per share

A. Basic earnings per share

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

Three months ended September 30, 2021					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Profit attributable to owners of the parent	\$ 703,669		\$ 664,679	1,682,471	$ 0.42	$ 0.40
Three months ended September 30, 2020					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Profit attributable to owners of the parent	\$ 154,702		\$ 151,810	1,682,471	$ 0.09	$ 0.09
Nine months ended September 30, 2021					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Profit attributable to owners of the parent	\$ 1,871,220		\$ 1,786,051	1,682,471	$ 1.11	$ 1.06

Nine months ended September 30, 2020

	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	\$ 1,851,081	\$ 1,789,184	<u>1,682,471</u>	\$ 1.10	\$ 1.06
Loss from discontinued operations	(484)	(484)		-	-
Profit attributable to the non-controlling interest	<u>242</u>	<u>242</u>		-	-
Profit attributable to owners of the parent	<u>\$ 1,850,839</u>	<u>\$ 1,788,942</u>		<u>\$ 1.10</u>	<u>\$ 1.06</u>

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

Three months ended September 30, 2021

	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 703,669</u>	<u>\$ 664,679</u>	<u>1,684,665</u>	<u>\$ 0.42</u>	<u>\$ 0.39</u>

Three months ended September 30, 2020

	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Profit attributable to owners of the parent	<u>\$ 154,702</u>	<u>\$ 151,810</u>	<u>1,684,665</u>	<u>\$ 0.09</u>	<u>\$ 0.09</u>

Nine months ended September 30, 2021

	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Profit attributable to owners of the parent	<u>\$1,871,220</u>	<u>\$ 1,786,051</u>	<u>1,684,665</u>	<u>\$ 1.11</u>	<u>\$ 1.06</u>

Nine months ended September 30, 2020

	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 1,851,081	\$ 1,789,184	<u>1,684,665</u>	\$ 1.10	\$ 1.06
Loss from discontinued operations	(484)	(484)		-	-
Profit attributable to the non-controlling interest	<u>242</u>	<u>242</u>		-	-
Profit attributable to owners of the parent	<u>\$ 1,850,839</u>	<u>\$ 1,788,942</u>		<u>\$ 1.10</u>	<u>\$ 1.06</u>

B. Employees' compensation could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the three months and nine months ended September 30, 2021 and 2020.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine months ended September 30,	
	2021	2020
Purchase of property, plant and equipment	\$ 319,685	\$ 919,904
Add: Opening balance of payable on equipment	85,562	3,262
Ending balance of prepayment on equipment	89,881	95,449
Less: Ending balance of payable on equipment	(67,479)	(2,716)
Opening balance of prepayment on equipment	(88,203)	(138,399)
Cash paid during the period	<u>\$ 339,446</u>	<u>\$ 877,500</u>

B. Disposal of subsidiaries:

	Nine months ended September 30, 2020
Selling price	\$ 6,028
Less: Cash of subsidiaries	(29,584)
	<u>(\$ 23,556)</u>

(32) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2021	\$3,266,405	\$ 499,979	\$ 8,956,822	\$ 12,723,206
Changes in cash flow from financing activities	(71,723)	300,021	243,592	471,890
Impact of changes in foreign exchange rate	-	-	(414)	(414)
At September 30, 2021	<u>\$3,194,682</u>	<u>\$ 800,000</u>	<u>\$ 9,200,000</u>	<u>\$ 13,194,682</u>

	Short-term borrowings	Short-term notes payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2020	\$3,753,377	\$ -	\$ 6,519,783	\$ 10,273,160
Changes in cash flow from financing activities	(355,749)	700,000	2,470,652	2,814,903
Impact of changes in foreign exchange rate	-	-	(3,347)	(3,347)
At September 30, 2020	<u>\$3,397,628</u>	<u>\$ 700,000</u>	<u>\$ 8,987,088</u>	<u>\$ 13,084,716</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Formosa Chemicals & Fibre Corporation	Ultimate Parent company
Formosa Advanced Technologies Co., Ltd.	Associate
Quang Viet Enterprise Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Schoeller Textil AG	Associate
Nan Ya Photonics Inc.	Associate
Schoeller Asia Co., Ltd. (Note 1) (Shoeller F.T.C (Hong Kong) Co., Ltd.)	Other related party

Names of related parties	Relationship with the Company
Formosa Biomedical Technology Corp.	Other related party
Toa Resin Corp.	Other related party
Formosa Petrochemical Corp.	Other related party
Formosa Heavy Industries Corp.	Other related party
Formosa Network Technology Corp.	Other related party
Formosa Plastics Corp.	Other related party
Formosa Plastics Transport Corp.	Other related party
Formosa Asahi Spandex Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Nan Ya PCB Corp.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nan Ya Plastic (Guangzhou) Co., Ltd.	Other related party
Nan Ya Plastic (Nantong) Co., Ltd.	Other related party
Nan Ya Technology Corp.	Other related party
Nan Ya Printed Circuit Board (Kunshan) Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
KONG YOU INDUSTRIAL CO., LTD.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party
Albers & Co AG (Note 2)	Other related party
FG INC	Other related party
Formosa HA TINH (CAYMAN) LIMITED	Other related party
NKFG Corp.	Other related party

Note 1: The Group disposed all its equity investment in Shoeller F.T.C (Hong Kong) Co., Ltd. on March 16, 2020. Therefore, Shoeller F.T.C (Hong Kong) Co., Ltd. was reclassified as other related party.

Note 2: Schoeller Holding AG merged with its parent company, Albers & Co AG, in September 2021, with Albers & Co AG as the surviving company. Accordingly, Schoeller Textile AG was extinguished.

(3) Significant related party transactions and balances

A. Operating revenue

	Three months ended September 30,	
	2021	2020
Sales of goods:		
– Ultimate parent company	\$ 101	\$ 54
– Associates	31,505	24,131
– Other related party	162,537	137,910
	<u>\$ 194,143</u>	<u>\$ 162,095</u>
	Nine months ended September 30,	
	2021	2020
Sales of goods:		
– Ultimate parent company	\$ 232	\$ 987
– Associates	277,848	239,001
– Other related party	700,587	806,403
	<u>\$ 978,667</u>	<u>\$ 1,046,391</u>

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

B. Purchases of goods

	Three months ended September 30,	
	2021	2020
Purchases of goods:		
– Ultimate parent company	\$ 491,645	\$ 326,094
– Associates	258,913	135,032
– Other related party		
Formosa Petrochemical Corp.	2,396,546	2,105,523
Others	325,051	175,715
	<u>\$ 3,472,155</u>	<u>\$ 2,742,364</u>
	Nine months ended September 30,	
	2021	2020
Purchases of goods:		
– Ultimate parent company	\$ 1,327,272	\$ 1,102,169
– Associates	751,053	456,587
– Other related party		
Formosa Petrochemical Corp.	6,938,048	6,009,980
Others	979,923	734,056
	<u>\$ 9,996,296</u>	<u>\$ 8,302,792</u>

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

C. Receivables from related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes and accounts receivable:			
– Ultimate parent company	\$ 66	\$ 31	\$ 9
– Associates	19,359	39,427	18,900
– Other related party	<u>156,235</u>	<u>126,388</u>	<u>126,368</u>
	<u>\$ 175,660</u>	<u>\$ 165,846</u>	<u>\$ 145,277</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sale. There are no provisions held against receivables from related parties.

D. Notes and accounts payable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes and accounts payable:			
– Ultimate parent company	\$ 418,517	\$ 339,547	\$ 306,825
– Associates	105,443	137,555	54,610
– Other related party			
Formosa Petrochemical Corp.	460,703	401,483	390,611
Others	<u>128,035</u>	<u>106,901</u>	<u>68,873</u>
	<u>\$ 1,112,698</u>	<u>\$ 985,486</u>	<u>\$ 820,919</u>

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

E. Property transactions and investment property

(a) Acquisition of property, plant and equipment:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Other related party	<u>\$ 10,652</u>	<u>\$ -</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Other related party	<u>\$ 10,652</u>	<u>\$ -</u>

(b) Acquisition of financial assets:

Three months ended September 30, 2021 and 2020: None.

Nine months ended September 30, 2021: None.

	Accounts	No. of shares (in thousand shares)	Object	Nine months ended September 30, 2020 Consideration
Other related party	Non-current financial assets at fair value through other comprehensive income	-	FG INC.	\$ 73,680
Other related party	Non-current financial assets at fair value through other comprehensive income	5,540	NKFG Corp.	\$ 55,400
Associates	Investments accounted for using the equity method	22	Scheoller Textil AG	\$ 1,285,507

F. Others

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

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

For the three months and nine months ended September 30, 2021 and 2020, Formosa Taffeta (Dong Nai) Co., Ltd. has recognized lease service income in investment district of \$7,437, \$7,996, \$24,207 and \$23,529, respectively, for rendering the abovementioned consigned services. As of September 30, 2021, December 31, 2020 and September 30, 2020, the uncollected amount of \$5,105, \$3,135 and \$2,977, respectively, was recognized under 'other receivables'.

For the above land leasing, as of September 30, 2021, December 31, 2020 and September 30, 2020, the management expense and utility expense which Formosa Taffeta (Dong Nai) Co., Ltd. is due to collect from the related party, Formosa Industry, amounted to \$14,142, \$28,125 and \$19,304, respectively.

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

The Group leases buildings at No. 319, 329 and 331, Henan St., Douliu City, Yunlin County, No. 497-1, Sec. Neilin, land and employees’ dorms at No. 132 and 136, Sec. Meilin river, Douliu City to Formosa Advanced Technologies Co., Ltd. Rents which were determined by reference to general rental price in local market are payable at the beginning of each month based on the mutual agreement. Rent income for the three months and nine months ended September 30, 2021 and 2020 amounted to \$10,568, \$10,481, \$31,735 and \$31,490, respectively.

(c) Other income pertains to the Group’s collections and payment transfer of utilities, steam and waste disposal costs, etc. for Formosa Advanced Technologies Co., Ltd. for the three months and nine months ended September 30, 2021 and 2020 in the amount of \$6,136, \$2,782, \$16,237 and \$9,207, respectively.

(4) Key management compensation

	Three months ended September 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 4,809	\$ 4,241
	Nine months ended September 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 13,826	\$ 12,283

8. PLEDGED ASSETS

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

Item	Book Value			Purpose
	September 30, 2021	December 31, 2020	September 30, 2020	
Property, plant and equipment	\$ 136,036	\$ 136,561	\$ 136,736	Security for short-term borrowings
Inventories (Held-to-maturity land)	17,610	17,610	17,610	Security for short-term borrowings
	\$ 153,646	\$ 154,171	\$ 154,346	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of September 30, 2021, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

<u>Currency</u>	<u>Amount</u>
USD	\$ 1,595
JPY	64,206
EUR	1,337

(2) Endorsements and guarantees

As of September 30, 2021, in order to assist the subsidiaries is obtaining credit line, the Group has guaranteed the following amounts for subsidiaries:

<u>Name of company</u>	<u>September 30, 2021</u>
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 919,050
Formosa Taffeta Vietnam Co., Ltd.	1,476,050
Formosa Taffeta (Changshu) Co., Ltd.	1,531,750
Formosa Taffeta Dong Nai Co., Ltd.	3,871,150
Formosa HA TINH (CAYMAN) LIMITED	2,839,182

(3) Contingencies - Significant lawsuit

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

B. DBS (Taiwan) Commercial Bank Co., Ltd. (hereinafter referred to as DBS) filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company at Taipei District Court in September 2019. The former employees of the Company and Formosa Dong Nai colluded with New Site Industries Inc. (hereinafter referred to as New Site) to make the false statements. DBS was misled with the fact that New Site has accounts receivable due from the Company and Formosa Dong Nai, causing damage to DBS. Therefore, DBS claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome

and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.

- C. O-Bank filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company at Taipei District Court in February 2020. The former employees of the Company and Formosa Dong Nai colluded with I Chin Young Inc. (hereinafter referred to as I Chin Young) to make false statements. O-Bank was misled with the fact that I Chin Young has accounts receivable due from the Company and Formosa Dong Nai, causing damage to O-Bank. Therefore, O-Bank claimed that the Company and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, the Company and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect the Company's rights and interests.
- D. Yuanta Commercial Bank (hereinafter referred to as YCB) filed a civil lawsuit against the Company at Taipei District Court in October 2020. The former employees of the Company colluded with Loomtech Industries Inc. (hereinafter referred to as Loomtech) to make false statements. YCB was misled with the fact that Loomtech has accounts receivable due from the Company, causing damage to YCB. Therefore, YCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As of November 5, 2021, the court was not in session, hence the ultimate outcome of this litigation is not presently determinable.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

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

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

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

(2) Capital management

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2020 for related information.

(3) Financial instruments

A. Financial instruments by category

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	\$ 359	\$ 82	\$ 12
Financial assets at fair value through other comprehensive income	44,090,008	41,442,578	33,887,963
Financial assets at amortized cost	<u>7,242,031</u>	<u>6,645,741</u>	<u>6,135,421</u>
	<u>\$ 51,332,398</u>	<u>\$ 48,088,401</u>	<u>\$ 40,023,396</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss	\$ -	\$ 137	\$ -
Financial liabilities at amortized cost	16,503,576	15,994,687	15,986,313
Lease liabilities	<u>764,435</u>	<u>783,043</u>	<u>808,959</u>
	<u>\$ 17,268,011</u>	<u>\$ 16,777,867</u>	<u>\$ 16,795,272</u>

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

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Group focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.

(b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	September 30, 2021		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 132,744	\$ 27.87	\$ 3,699,575
EUR:NTD	3,442	32.32	111,245
<u>Non-monetary items</u>			
VND:NTD	5,241,355,103	0.0012	6,289,626
RMB:NTD	684,849	4.30	2,944,851
HKD:NTD	333,268	3.58	1,193,099
CHF:NTD	35,373	29.82	1,054,823
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	6,295	6.49	175,442
USD:VND	105,892	22,751.02	2,951,210
	December 31, 2020		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 71,317	\$ 28.51	\$ 2,033,248
USD:VND	22,503	23,103.73	641,561
USD:RMB	23,305	6.53	664,426
<u>Non-monetary items</u>			
VND:NTD	5,088,833,063	0.0012	6,106,600
HKD:NTD	326,280	3.63	1,184,396
RMB:NTD	675,069	4.37	2,950,052
USD:NTD	89,780	28.51	2,559,628
CHF:NTD	39,325	32.31	1,270,591
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	106,046	23,103.73	3,023,371

September 30, 2020

	Foreign Currency			Book Value (NTD)
	Amount (In Thousands)	Exchange Rate		
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 71,708	29.13	\$	2,088,854
USD:VND	15,243	23,192.68		444,029
USD:RMB	18,475	6.81		538,177
<u>Non-monetary items</u>				
VND:NTD	5,003,518,312	0.0013		6,504,574
HKD:NTD	313,864	3.74		1,173,851
RMB:NTD	481,792	4.28		2,062,070
USD:NTD	89,864	29.13		2,617,738
CHF:NTD	39,216	31.59		1,238,833
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:RMB	5,667	6.81		165,080
USD:VND	105,999	23,192.68		3,087,751

- ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2021 and 2020 amounted to \$41,159, (\$68,444), (\$46,769) and (\$11,158), respectively.

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

Nine months ended September 30, 2021			
Sensitivity analysis			
<u>Degree of variation</u>		<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 36,996	\$ -
EUR:NTD	1%	1,112	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	62,896
RMB:NTD	1%	-	29,449
HKD:NTD	1%	-	11,931
CHF:NTD	1%	-	10,548
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	1%	1,754	-
USD:VND	1%	29,512	-
Nine months ended September 30, 2020			
Sensitivity analysis			
<u>Degree of variation</u>		<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 20,889	\$ -
USD:VND	1%	4,440	-
USD:RMB	1%	5,382	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	65,046
HKD:NTD	1%	-	11,739
RMB:NTD	1%	-	20,621
USD:NTD	1%	-	26,177
CHF:NTD	1%	-	12,388
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	1%	1,651	-
USD:VND	1%	30,878	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the nine months ended September 30, 2021 and 2020 would have increased/decreased by \$0.03 and \$0.1, 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 \$440,900 and \$338,880, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the nine months ended September 30, 2021 and 2020, the Group's borrowings at variable rate were denominated in the NTD and USD.
- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate of NTD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the nine months ended September 30, 2021 and 2020 would have decreased/increased by \$73,600 and \$71,200, respectively. The main factor is that changes in interest expense result from floating rate borrowings.
- iv. If the borrowing interest rate of USD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the nine months ended September 30, 2021 and 2020 would have decreased/increased by \$0 and \$232, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Group applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On September 30, 2021, December 31, 2020 and September 30, 2020, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>At September 30, 2021</u>					
Expected loss rate	1%	9%	18%	100%	
Total book value	\$ 3,200,486	\$ 151,616	\$ 58,675	\$ 4,090	\$ 3,414,867
Loss allowance	35,263	12,936	10,328	4,090	62,617
<u>At December 31, 2020</u>					
Expected loss rate	2%	11%	93%	100%	
Total book value	\$ 3,170,562	\$ 29,715	\$ 5,862	\$ 5,138	\$ 3,211,277
Loss allowance	49,333	3,122	5,462	5,138	63,055
<u>At September 30, 2020</u>					
Expected loss rate	1%	93%	100%	100%	
Total book value	\$ 2,883,666	\$ 16,295	\$ 6,252	\$ 13,343	\$ 2,919,556
Loss allowance	27,918	15,217	6,252	13,343	62,730

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

	2021	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 63,055)
Effect of foreign exchange	-	438
At September 30	\$ -	(\$ 62,617)
	2020	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 63,235)
Effect of foreign exchange	-	505
At September 30	\$ -	(\$ 62,730)

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, commercial paper and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at September 30, 2021, December 31, 2020 and September 30, 2020, the Group held money market position of \$47,264,385, \$44,464,449 and \$36,734,803, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Long-term borrowings (including current portion)				
September 30, 2021	\$ -	\$ 9,000,000	\$ 200,000	\$ -
December 31, 2020	56,822	8,000,000	900,000	-
September 30, 2020	58,058	8,229,030	700,000	-
Lease liability				
September 30, 2021	\$ 114,254	\$ 107,955	\$ 254,375	\$ 287,853
December 31, 2020	100,957	115,729	260,377	305,980
September 30, 2020	137,977	118,430	255,907	296,645

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

(4) Fair value estimation

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 359	\$ -	\$ 359
Financial assets at fair value through other comprehensive income assets				
Equity securities	<u>37,807,923</u>	<u>389,300</u>	<u>5,892,785</u>	<u>44,090,008</u>
	<u>\$37,807,923</u>	<u>\$389,659</u>	<u>\$ 5,892,785</u>	<u>\$44,090,367</u>

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 82	\$ -	\$ 82
Financial assets at fair value through other comprehensive income assets				
Equity securities	<u>38,188,517</u>	<u>344,320</u>	<u>2,909,741</u>	<u>41,442,578</u>
	<u>\$38,188,517</u>	<u>\$344,402</u>	<u>\$2,909,741</u>	<u>\$41,442,660</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 137</u>
<u>September 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 12	\$ -	\$ 12
Financial assets at fair value through other comprehensive income assets				
Equity securities	<u>30,517,413</u>	<u>291,199</u>	<u>3,079,351</u>	<u>33,887,963</u>
	<u>\$30,517,413</u>	<u>\$291,211</u>	<u>\$3,079,351</u>	<u>\$33,887,975</u>

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

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

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

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

- iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- D. For the nine months ended September 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the nine months ended September 30, 2021 and 2020:

	<u>Nine months ended September 30, 2021</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 2,909,741
Acquired during the period	550
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	2,982,494
At September 30	<u>\$ 5,892,785</u>
	<u>Nine months ended September 30, 2020</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 4,191,338
Acquired during the period	129,080
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(921,780)
Transfers out from level 3	(196,388)
Effect of exchange rate changes	(122,899)
At September 30	<u>\$ 3,079,351</u>

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

department monthly. The supervisor is responsible for managing and reviewing valuation processes.

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

	Fair value at September 30, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 120,030	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	5,772,755	Net asset value	Not applicable	Not applicable
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 87,005	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	2,822,736	Net asset value	Not applicable	Not applicable

	Fair value at September 30, 2020	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 120,925	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	2,958,426	Net asset value	Not applicable	Not applicable

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

		<u>September 30, 2021</u>		
		<u>Recognized in other comprehensive income</u>		
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	\$ 1,200	\$ 1,200

		<u>December 31, 2020</u>		
		Recognized in other comprehensive income		
		<u>Favourable</u>	<u>Unfavourable</u>	
		<u>change</u>	<u>change</u>	
	<u>Input</u>	<u>Change</u>		
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	\$ 870	\$ 870
		<u>September 30, 2020</u>		
		Recognized in other comprehensive income		
		<u>Favourable</u>	<u>Unfavourable</u>	
		<u>change</u>	<u>change</u>	
	<u>Input</u>	<u>Change</u>		
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	\$ 1,209	\$ 1,209

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(14) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

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

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

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

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

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

(2) Measurement of segment information

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

(3) Information about segment profit or loss and assets

Nine months ended September 30, 2021

	First business group	Second business group			Adjustment and write-off	Total
		Cord fabric department	Gasoline department	Other segment		
<u>Segment revenue</u>						
Revenue from						
external customers	\$ 9,848,393	\$ 5,271,809	\$ 7,803,833	\$ 1,424,103	\$ -	\$ 24,348,138
Inter-segment revenue	922,122	100,969	-	101,879	(1,124,970)	-
Total segment revenue	<u>\$ 10,770,515</u>	<u>\$ 5,372,778</u>	<u>\$ 7,803,833</u>	<u>\$ 1,525,982</u>	<u>(\$ 1,124,970)</u>	<u>\$ 24,348,138</u>
Segment income	<u>\$ 1,482,621</u>	<u>\$ 532,993</u>	<u>\$ 331,862</u>	<u>\$ 40,873</u>	<u>(\$ 424,063)</u>	<u>\$ 1,964,286</u>
<u>Segment assets</u>						
Identifiable assets	<u>\$ 12,939,863</u>	<u>\$ 5,628,612</u>	<u>\$ 1,191,344</u>	<u>\$ 3,562,102</u>	<u>(\$ 453,233)</u>	\$ 22,868,688
Investments using the equity method						9,379,419
General assets						<u>50,427,848</u>
Total assets						<u>\$ 82,675,955</u>

Nine months ended September 30, 2020

	Second business group				Adjustment and write-off	Discontinued operations	Total
	First business group	Cord fabric department	Gasoline department	Other segment			
<u>Segment revenue</u>							
Revenue from external customers	\$ 9,166,198	\$ 4,345,959	\$ 7,016,883	\$ 1,115,844	\$ -	(\$ 17,555)	\$ 21,627,329
Inter-segment revenue	683,803	72,031	-	144,849	(900,683)	-	-
Total segment revenue	<u>\$ 9,850,001</u>	<u>\$ 4,417,990</u>	<u>\$ 7,016,883</u>	<u>\$ 1,260,693</u>	<u>(\$ 900,683)</u>	<u>(\$ 17,555)</u>	<u>\$ 21,627,329</u>
Segment income	<u>\$ 1,567,613</u>	<u>\$ 60,782</u>	<u>\$ 279,851</u>	<u>\$ 125,243</u>	<u>(\$ 127,132)</u>	<u>\$ 484</u>	<u>\$ 1,906,841</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 12,650,592</u>	<u>\$ 5,296,568</u>	<u>\$ 1,276,213</u>	<u>\$ 3,417,540</u>	<u>(\$ 250,081)</u>	<u>\$ -</u>	<u>\$ 22,390,832</u>
Investments using the equity method							9,304,568
General assets							<u>39,558,253</u>
Total assets							<u>\$ 71,253,653</u>

(4) Reconciliation for segment income (loss)

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

(Blank)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine months ended September 30, 2021

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	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/g uarantees to the party in Mainland China (Note 7)	Footnote
					outstanding endorsement/ guarantee amount as of September 30, 2021 (Note 4)	endorsement/ guarantee amount at September 30, 2021 (Note 5)			accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company					
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 41,645,255	\$ 941,655	\$ 919,050	\$ 13,925	\$ -	1.43	\$ 83,290,511	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	41,645,255	1,512,355	1,476,050	454,816	-	2.30	83,290,511	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	41,645,255	1,569,425	1,531,750	223,761	-	2.39	83,290,511	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	41,645,255	4,031,380	3,871,150	2,400,331	-	6.04	83,290,511	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	41,645,255	6,356,390	2,839,182	2,839,182	-	4.43	83,290,511	N	N	N	

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

(1) The Company is '0'.

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

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

(1) Having business relationship.

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

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

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the nine months ended September 30, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	\$ 1,021,029	0.21	\$ 1,021,029	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	35	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	73	-	73	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	44,121	0.01	44,121	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Current financial assets at fair value through other comprehensive income	10,000,000	389,300	2.35	389,300	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,711,010	508,156	0.25	508,156	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	36,234,544	3.83	36,234,544	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	234,166	15,667	0.54	15,667	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	42,812	10.00	42,812	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	852,120	25,574	1.30	25,574	

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 nine months ended September 30, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	337,183	\$ 503	3.17	\$ 503	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	242,352	3.00	242,352	
FORMOSA TAFFETA CO., LTD.	NKFG	Other related party	Non-current financial assets at fair value through other comprehensive income	5,540,000	35,977	2.50	35,977	
FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	5,529,900	3.85	5,529,900	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,193,228	65,907	0.13	65,907	

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the nine months ended September 30, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 268,383) (	1.49)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 18,347	0.87
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(139,568) (	0.77)	Pay 120 days after delivery	-	-	Accounts receivable	49,945	2.37
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Subsidiary	Sales	(154,337) (	0.85)	60 days after monthly billings	-	-	Accounts receivable	73,735	3.49
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	6,938,048	30.46	Pay every 15 days by mail transfer	-	-	Accounts payable	(460,703) (	35.17)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	993,421	4.36	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	(214,985) (	16.41)
									Accounts payable	(146,591) (	11.19)
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	555,045	2.44	Pay every 15 days by mail transfer	-	-	Accounts payable	(42,877) (	3.27)
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	147,210	0.65	Pay every 15 days by mail transfer	-	-	Accounts payable	(17,746) (	1.35)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Affiliate	Sales	(277,939) (	22.04)	60 days after monthly billings	-	-	Accounts receivable	147,040	48.56
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	101,847	19.44	60 days after monthly billings	-	-	Accounts payable	(30,351) (	23.56)
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	181,360	18.68	60 days after monthly billings	-	-	Accounts payable	(16,298) (	16.57)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Affiliate	Sales	(239,132) (	7.41)	60 days after monthly billings	-	-	Accounts receivable	107,252	11.90

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 nine months ended September 30, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(\$ 141,642)	(4.39)	60 days after monthly billings	\$ -	-	Accounts receivable	\$ 9,161	1.02
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	467,846	26.54	60 days after monthly billings	-	-	Accounts payable	(58,793)	(15.22)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	329,857	18.71	60 days after monthly billings	-	-	Accounts payable	(56,399)	(14.60)
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	121,255	6.88	60 days after monthly billings	-	-	Accounts payable	(33,951)	(8.79)
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(113,362)	10.64	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	5,984	4.11

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 nine months ended September 30, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2021 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	\$ 147,040	3.00	-	-	\$ 31,677	-
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	107,252	4.38	-	-	20,860	-

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the nine months ended September 30, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	\$ 993,421	Draw promissory notes due in 2 months after inspection	4.08
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	214,985	Draw promissory notes due in 2 months after inspection	0.26
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	146,591	Draw promissory notes due in 2 months after inspection	0.18

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the nine months ended September 30, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for the nine	recognized by the	
				September 30, 2021	December 31, 2020				months ended September	company for the nine	
								30, 2021	months ended September		
								(Note 2(2))	(Note 2(3))		
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	\$ 114,912	\$ 114,912	16,100,000	100.00	\$ 186,953	(\$ 14,194)	(\$ 16,387)	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	1,762,711	1,762,711	135,686,472	30.68	5,007,617	1,133,452	347,744	
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	1,193,098	27,343	27,343	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,125,230	52,531	52,531	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	213,771	213,771	18,595,352	17.99	1,231,885	505,896	125,929	
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	2,460,963	253,966	253,966	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the nine months ended September 30, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for the nine	recognized by the	
				September 30, 2021	December 31, 2020				months ended September	company for the nine	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	\$ 1,987,122	\$ 1,987,122	-	10.00	\$ 1,834,467	\$ 1,360,311	\$ 136,031	
FORMOSA TAFFETA CO., LTD.	SCHOELLER TEXTIL AG	Switzerland	Textile R&D, production and sales	1,285,507	1,285,507	21,874	50.00	1,054,827	(285,588)	(142,794)	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INCORPORATION	Taiwan	Manufacturing, installing, and supervising the engineer design of LED illumination systems/illumination arrangements	263,327	263,327	7,013,871	15.22	216,270	67,948	10,339	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	17,331	1,133,452	1,262	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATIONAL COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	12,776	4,520	4,520	
PUBLIC MORE INTERNATIONAL COMPANY LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	1,069	1,069	10,000	0.01	1,060	505,896	63	

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 September 30, 2021' 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 nine months ended September 30, 2021' 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 nine months ended September 30, 2021' column should fill in the Company (public company) recognized 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 nine months ended September 30, 2021

Table 7 Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Net income of investee for the nine months ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2021 (Note 2)	Book value of investments in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	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	\$ 99,896	100.00	\$ 99,896	\$ 1,861,537	\$ 43,914	Note 3
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	26,963	100.00	26,963	1,082,489	-	Note 4
CHANG SHU YU YUAN DEVELOPMENT CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	- (366)	40.78	(149)	15,962	-	-	Note 5

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

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

Note 2: The amount of 'Investment income (loss) recognized by the Company for the nine months ended September 30, 2021 was derived from financial statements which were not reviewed by independent auditors.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 and September 30, 2021 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, 2021 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 September 30, 2021 was US\$41,100,000.

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the nine months ended September 30, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	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	\$ 1,293,168	\$ 38,441,774
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,170,540	38,441,774

Note :

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

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

(3)The original currency of paid-in capital was translated at USD:TWD = 1:27.87

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 nine months ended September 30, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at September 30, 2021	%	Balance at September 30, 2021	Purpose	Maximum balance during the nine months ended September 30, 2021	Balance at September 30, 2021	Interest rate	Interest during the nine months ended September 30, 2021	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 5,359	0.03	\$ -	-	\$ 764	0.04	\$ 919,050	For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -	-
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	17,668	0.10	-	-	2,436	0.12	1,531,750	For short-tem loans from financial institutions	-	-	-	-	-

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

September 30, 2021

Table 9

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
FORMOSA CHEMICALS & FIBRE CORPORATION	630,022,431	37.39
CHANG GUNG MEDICAL FOUNDATION	97,599,254	5.79