

**FORMOSA TAFFETA CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
SEPTEMBER 30, 2020 AND 2019**

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

## INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and subsidiaries (the “Group”) as at September 30, 2020 and 2019, 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(6), 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\$16,708,208 thousand and NT\$21,101,934 thousand, constituting 23% and 24% of the consolidated total assets, and total liabilities of NT\$4,504,846 thousand and NT\$5,535,205 thousand, constituting 25% and 28% of the consolidated total liabilities as at September 30, 2020 and 2019, respectively, and total comprehensive (loss) income (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\$18,465) thousand, NT\$221,604 thousand, NT\$109,860 thousand and NT\$529,807 thousand, constituting 1%, (5%), (2%) and (39%) of the total comprehensive income for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, 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, 2020 and 2019, 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.

***Emphasis of matter – Disposal of partial equity in Formosa Advanced Technologies Co., Ltd.***

As stated in Note 6(6) of the 2019 consolidated financial statements, the Company's Board of Directors during its meeting on December 13, 2019 resolved to dispose its 16% equity interest in Formosa Advanced Technologies Co., Ltd. The equity transfer procedure was completed on December 16, 2019. After the disposal, the Company lost its control over Formosa Advanced Technologies Co., Ltd. Our opinion is not modified in respect of this matter.

Wu, Han-Chi

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

November 6, 2020

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

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

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

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

| Assets                    | Notes                            | September 30, 2020 |                      | December 31, 2019 |                      | September 30, 2019 |                      |            |
|---------------------------|----------------------------------|--------------------|----------------------|-------------------|----------------------|--------------------|----------------------|------------|
|                           |                                  | AMOUNT             | %                    | AMOUNT            | %                    | AMOUNT             | %                    |            |
| <b>Current assets</b>     |                                  |                    |                      |                   |                      |                    |                      |            |
| 1100                      | Cash and cash equivalents        | 6(1)               | \$ 2,919,670         | 4                 | \$ 3,236,624         | 4                  | \$ 2,404,683         | 3          |
| 1110                      | Financial assets at fair value   | 6(2)               |                      |                   |                      |                    |                      |            |
|                           | through profit or loss - current |                    | 12                   | -                 | 119                  | -                  | 625                  | -          |
| 1120                      | Current financial assets at fair | 6(3)               |                      |                   |                      |                    |                      |            |
|                           | value through other              |                    |                      |                   |                      |                    |                      |            |
|                           | comprehensive income             |                    | 1,143,823            | 2                 | 1,446,808            | 2                  | 3,360,317            | 4          |
| 1140                      | Current contract assets          |                    | -                    | -                 | -                    | -                  | 1,292,107            | 2          |
| 1150                      | Notes receivable, net            | 6(4)               | 36,159               | -                 | 27,399               | -                  | 85,852               | -          |
| 1160                      | Notes receivable - related       | 7                  |                      |                   |                      |                    |                      |            |
|                           | parties                          |                    | 10,267               | -                 | 6,395                | -                  | 3,705                | -          |
| 1170                      | Accounts receivable, net         | 6(4)               | 2,820,667            | 4                 | 3,115,039            | 4                  | 4,604,023            | 5          |
| 1180                      | Accounts receivable - related    | 7                  |                      |                   |                      |                    |                      |            |
|                           | parties                          |                    | 135,010              | -                 | 223,189              | -                  | 1,978,563            | 2          |
| 1200                      | Other receivables                | 7                  | 213,648              | -                 | 365,837              | 1                  | 365,829              | -          |
| 130X                      | Inventory                        | 6(5)               | 6,818,746            | 10                | 8,083,639            | 10                 | 8,525,015            | 10         |
| 1410                      | Prepayments                      |                    | 443,337              | 1                 | 683,781              | 1                  | 688,309              | 1          |
| 1470                      | Other current assets             |                    | 232,417              | -                 | 323,927              | -                  | 376,619              | -          |
| 11XX                      | <b>Total current assets</b>      |                    | <u>14,773,756</u>    | <u>21</u>         | <u>17,512,757</u>    | <u>22</u>          | <u>23,685,647</u>    | <u>27</u>  |
| <b>Non-current assets</b> |                                  |                    |                      |                   |                      |                    |                      |            |
| 1517                      | Non-current financial assets at  | 6(3)               |                      |                   |                      |                    |                      |            |
|                           | fair value through other         |                    |                      |                   |                      |                    |                      |            |
|                           | comprehensive income             |                    | 32,744,140           | 46                | 40,448,025           | 50                 | 42,075,838           | 47         |
| 1550                      | Investments accounted for        | 6(6)               |                      |                   |                      |                    |                      |            |
|                           | using the equity method          |                    | 9,304,568            | 13                | 8,158,239            | 10                 | 3,361,131            | 4          |
| 1600                      | Property, plant and equipment    | 6(7) and 8         | 12,569,983           | 18                | 12,698,739           | 16                 | 18,496,412           | 21         |
| 1755                      | Right-of-use assets              | 6(8)               | 1,037,953            | 1                 | 1,090,720            | 1                  | 1,121,696            | 1          |
| 1760                      | Investment property, net         | 7                  | 521,866              | 1                 | 543,924              | 1                  | -                    | -          |
| 1840                      | Deferred income tax assets       |                    | 116,295              | -                 | 137,962              | -                  | 96,317               | -          |
| 1900                      | Other non-current assets         |                    | 185,092              | -                 | 171,507              | -                  | 480,696              | -          |
| 15XX                      | <b>Total non-current assets</b>  |                    | <u>56,479,897</u>    | <u>79</u>         | <u>63,249,116</u>    | <u>78</u>          | <u>65,632,090</u>    | <u>73</u>  |
| 1XXX                      | <b>Total assets</b>              |                    | <u>\$ 71,253,653</u> | <u>100</u>        | <u>\$ 80,761,873</u> | <u>100</u>         | <u>\$ 89,317,737</u> | <u>100</u> |

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

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

| Liabilities and Equity   | Notes  | September 30, 2020 |                      | December 31, 2019 |                      | September 30, 2019 |                      |            |
|--|--|--------------------|----------------------|-------------------|----------------------|--------------------|----------------------|------------|
|  |  | AMOUNT             | %                    | AMOUNT            | %                    | AMOUNT             | %                    |            |
| <b>Current liabilities</b>   |  |                    |                      |                   |                      |                    |                      |            |
| 2100   | Short-term borrowings  | 6(10) and 8        | \$ 3,397,628         | 5                 | \$ 3,753,377         | 5                  | \$ 3,805,447         | 4          |
| 2110   | Short-term notes and bills payable                                   | 6(11)              | 700,000              | 1                 | -                    | -                  | 300,000              | 1          |
| 2120   | Financial liabilities at fair value through profit or loss - current | 6(12)              | -                    | -                 | 80                   | -                  | 448                  | -          |
| 2150   | Notes payable  |                    | 157,077              | -                 | 221,426              | -                  | 168,817              | -          |
| 2160   | Notes payable - related parties                                      | 7                  | 106,909              | -                 | 49,088               | -                  | 194,688              | -          |
| 2170   | Accounts payable   |                    | 938,210              | 1                 | 1,208,744            | 2                  | 1,856,257            | 2          |
| 2180   | Accounts payable - related parties                                   | 7                  | 714,010              | 1                 | 1,160,956            | 1                  | 1,136,130            | 1          |
| 2200   | Other payables   | 6(13) and 7        | 985,391              | 2                 | 1,375,784            | 2                  | 1,927,581            | 2          |
| 2230   | Current income tax liabilities                                       | 6(27)              | 73,572               | -                 | 397,971              | -                  | 447,192              | 1          |
| 2280   | Current lease liabilities  |                    | 137,977              | -                 | 130,043              | -                  | 133,539              | -          |
| 2300   | Other current liabilities  | 6(14)              | 230,222              | -                 | 185,281              | -                  | 247,188              | -          |
| 21XX   | <b>Total current liabilities</b>                                     |                    | <u>7,440,996</u>     | <u>10</u>         | <u>8,482,750</u>     | <u>10</u>          | <u>10,217,287</u>    | <u>11</u>  |
| <b>Non-current liabilities</b>   |  |                    |                      |                   |                      |                    |                      |            |
| 2540   | Long-term borrowings   | 6(14)              | 8,929,030            | 12                | 6,459,892            | 8                  | 7,992,654            | 9          |
| 2570   | Deferred income tax liabilities                                      |                    | 379,043              | 1                 | 373,749              | -                  | 304,267              | -          |
| 2580   | Non-current lease liabilities  |                    | 670,982              | 1                 | 719,752              | 1                  | 738,491              | 1          |
| 2600   | Other non-current liabilities  |                    | 499,062              | 1                 | 501,831              | 1                  | 573,847              | 1          |
| 25XX   | <b>Total non-current liabilities</b>                                 |                    | <u>10,478,117</u>    | <u>15</u>         | <u>8,055,224</u>     | <u>10</u>          | <u>9,609,259</u>     | <u>11</u>  |
| 2XXX   | <b>Total liabilities</b>   |                    | <u>17,919,113</u>    | <u>25</u>         | <u>16,537,974</u>    | <u>20</u>          | <u>19,826,546</u>    | <u>22</u>  |
| <b>Equity attributable to owners of parent</b>                           |  |                    |                      |                   |                      |                    |                      |            |
| Share capital  |  |                    |                      |                   |                      |                    |                      |            |
| 3110   | Common stock   | 6(16)              | 16,846,646           | 24                | 16,846,646           | 21                 | 16,846,646           | 19         |
| Capital surplus  |  |                    |                      |                   |                      |                    |                      |            |
| 3200   | Capital surplus  | 6(17)              | 1,295,085            | 2                 | 1,289,642            | 2                  | 1,274,676            | 1          |
| Retained earnings  |  |                    |                      |                   |                      |                    |                      |            |
| 3310   | Legal reserve  | 6(18)              | 8,560,207            | 12                | 8,041,335            | 10                 | 8,041,335            | 9          |
| 3320   | Special reserve  |                    | 2,214,578            | 3                 | 2,214,578            | 3                  | 2,214,578            | 3          |
| 3350   | Unappropriated retained earnings                                     |                    | 7,810,240            | 11                | 10,835,954           | 13                 | 8,986,985            | 10         |
| Other equity interest  |  |                    |                      |                   |                      |                    |                      |            |
| 3400   | Other equity interest  | 6(19)              | 16,626,848           | 23                | 25,010,157           | 31                 | 26,237,942           | 29         |
| 3500   | Treasury stocks  | 6(16)              | (19,064)             | -                 | (19,064)             | -                  | (19,065)             | -          |
| 31XX   | <b>Equity attributable to owners of the parent</b>                   |                    | <u>53,334,540</u>    | <u>75</u>         | <u>64,219,248</u>    | <u>80</u>          | <u>63,583,097</u>    | <u>71</u>  |
| 36XX   | Non-controlling interest   | 6(19)              | -                    | -                 | 4,651                | -                  | 5,908,094            | 7          |
| 3XXX   | <b>Total equity</b>  |                    | <u>53,334,540</u>    | <u>75</u>         | <u>64,223,899</u>    | <u>80</u>          | <u>69,491,191</u>    | <u>78</u>  |
| Significant contingent liabilities and unrecognized contract commitments |  |                    |                      |                   |                      |                    |                      |            |
| Significant event after the balance sheet date                           |  |                    |                      |                   |                      |                    |                      |            |
| 3X2X   | <b>Total liabilities and equity</b>                                  |                    | <u>\$ 71,253,653</u> | <u>100</u>        | <u>\$ 80,761,873</u> | <u>100</u>         | <u>\$ 89,317,737</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 earnings per share amount)  
(REVIEWED, NOT AUDITED)

| Items | Notes  | Three months ended September 30 |              |        |              | Nine months ended September 30 |               |        |               |       |
|-------|--|---------------------------------|--------------|--------|--------------|--------------------------------|---------------|--------|---------------|-------|
|       |  | 2020                            |              | 2019   |              | 2020                           |               | 2019   |               |       |
|       |  | AMOUNT                          | %            | AMOUNT | %            | AMOUNT                         | %             | AMOUNT | %             |       |
| 4000  | Sales revenue  | 6(20) and 7                     | \$ 6,595,319 | 100    | \$ 8,854,923 | 100                            | \$ 21,627,329 | 100    | \$ 28,443,860 | 100   |
| 5000  | Operating costs  | 6(5)(24)(25) and 7              | ( 6,086,725) | ( 92)  | ( 7,905,281) | ( 89)                          | ( 19,436,710) | ( 90)  | ( 25,270,924) | ( 89) |
| 5900  | Net operating margin   |                                 | 508,594      | 8      | 949,642      | 11                             | 2,190,619     | 10     | 3,172,936     | 11    |
|       | Operating expenses   | 6(24)(25) and 7                 |              |        |              |                                |               |        |               |       |
| 6100  | Selling expenses   |                                 | ( 382,721)   | ( 6)   | ( 444,525)   | ( 5)                           | ( 1,214,323)  | ( 5)   | ( 1,357,058)  | ( 5)  |
| 6200  | General and administrative expenses  |                                 | ( 204,847)   | ( 3)   | ( 242,253)   | ( 3)                           | ( 632,369)    | ( 3)   | ( 721,746)    | ( 2)  |
| 6000  | Total operating expenses   |                                 | ( 587,568)   | ( 9)   | ( 686,778)   | ( 8)                           | ( 1,846,692)  | ( 8)   | ( 2,078,804)  | ( 7)  |
| 6900  | Operating profit (loss)  |                                 | ( 78,974)    | ( 1)   | 262,864      | 3                              | 343,927       | 2      | 1,094,132     | 4     |
|       | Non-operating income and expenses  |                                 |              |        |              |                                |               |        |               |       |
| 7100  | Interest income  | 6(21)                           | 3,032        | -      | 11,705       | -                              | 10,115        | -      | 22,024        | -     |
| 7010  | Other income   | 6(22) and 7                     | 157,144      | 2      | 145,876      | 2                              | 1,376,826     | 6      | 2,101,653     | 8     |
| 7020  | Other gains and losses   | 6(23)                           | ( 72,400)    | ( 1)   | ( 13,154)    | -                              | ( 89,320)     | -      | ( 18,224)     | -     |
| 7050  | Finance costs  | 6(26)                           | ( 16,579)    | -      | ( 57,905)    | ( 1)                           | ( 118,967)    | ( 1)   | ( 174,114)    | ( 1)  |
| 7060  | Share of profit of associates and joint ventures accounted for using the equity method | 6(6)                            | 152,986      | 2      | 138,308      | 2                              | 384,260       | 2      | 234,876       | 1     |
| 7000  | Total non-operating income and expenses  |                                 | 224,183      | 3      | 224,830      | 3                              | 1,562,914     | 7      | 2,166,215     | 8     |
| 7900  | <b>Profit before income tax</b>  |                                 | 145,209      | 2      | 487,694      | 6                              | 1,906,841     | 9      | 3,260,347     | 12    |
| 7950  | Income tax expense   | 6(27)                           | 6,601        | -      | ( 58,558)    | ( 1)                           | ( 117,657)    | ( 1)   | ( 453,018)    | ( 2)  |
| 8000  | <b>Profit for the period from continuing operations</b>                                |                                 | 151,810      | 2      | 429,136      | 5                              | 1,789,184     | 8      | 2,807,329     | 10    |
| 8100  | Profit (loss) from discontinued operations   | 6(9)                            | -            | -      | 356,294      | 4                              | ( 484)        | -      | 957,739       | 3     |
| 8200  | <b>Profit for the period</b>   |                                 | \$ 151,810   | 2      | \$ 785,430   | 9                              | \$ 1,788,700  | 8      | \$ 3,765,068  | 13    |

(Continued)

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

| Items  | Notes | Three months ended September 30 |                  |                       |                  | Nine months ended September 30 |                  |                       |                  |
|--|-------|---------------------------------|------------------|-----------------------|------------------|--------------------------------|------------------|-----------------------|------------------|
|  |       | 2020                            |                  | 2019                  |                  | 2020                           |                  | 2019                  |                  |
|  |       | AMOUNT                          | %                | AMOUNT                | %                | AMOUNT                         | %                | AMOUNT                | %                |
| <b>Other comprehensive income</b>  | 6(19) |                                 |                  |                       |                  |                                |                  |                       |                  |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                        | 6(3)  |                                 |                  |                       |                  |                                |                  |                       |                  |
| 8316 Unrealized gain or loss on valuation of financial assets at fair value through other comprehensive income         |       | (\$ 3,183,685)                  | ( 48)            | (\$ 5,482,509)        | ( 62)            | (\$ 7,848,801)                 | ( 36)            | (\$ 5,202,291)        | ( 18)            |
| 8320 Share of other comprehensive loss of associates and joint ventures accounted for using the equity method          |       | ( 68,189)                       | ( 1)             | ( 3,317)              | -                | ( 200,138)                     | ( 1)             | ( 801)                | -                |
| 8310 Other comprehensive loss that will not be reclassified to profit or loss  |       | ( 3,251,874)                    | ( 49)            | ( 5,485,826)          | ( 62)            | ( 8,048,939)                   | ( 37)            | ( 5,203,092)          | ( 18)            |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                            |       |                                 |                  |                       |                  |                                |                  |                       |                  |
| 8361 Financial statements translation differences of foreign operations  |       | ( 87,801)                       | ( 1)             | ( 69,426)             | ( 1)             | ( 354,324)                     | ( 2)             | 60,674                | -                |
| 8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method |       | ( 28,566)                       | ( 1)             | 2,929                 | -                | ( 64,168)                      | -                | 22,775                | -                |
| 8360 Other comprehensive income (loss) that will be reclassified to profit or loss                                     |       | ( 116,367)                      | ( 2)             | ( 66,497)             | ( 1)             | ( 418,492)                     | ( 2)             | 83,449                | -                |
| 8300 <b>Total other comprehensive loss for the period</b>  |       | (\$ 3,368,241)                  | ( 51)            | (\$ 5,552,323)        | ( 63)            | (\$ 8,467,431)                 | ( 39)            | (\$ 5,119,643)        | ( 18)            |
| 8500 <b>Total comprehensive loss for the period</b>  |       | (\$ 3,216,431)                  | ( 49)            | (\$ 4,766,893)        | ( 54)            | (\$ 6,678,731)                 | ( 31)            | (\$ 1,354,575)        | ( 5)             |
| Profit (loss) attributable to:   |       |                                 |                  |                       |                  |                                |                  |                       |                  |
| 8610 Owners of the parent  |       | \$ 151,810                      | 2                | \$ 595,847            | 7                | \$ 1,788,942                   | 8                | \$ 3,255,474          | 11               |
| 8620 Non-controlling interest  |       | -                               | -                | 189,583               | 2                | ( 242)                         | -                | 509,594               | 2                |
|  |       | <u>\$ 151,810</u>               | <u>2</u>         | <u>\$ 785,430</u>     | <u>9</u>         | <u>\$ 1,788,700</u>            | <u>8</u>         | <u>\$ 3,765,068</u>   | <u>13</u>        |
| Comprehensive income (loss) attributable to:   |       |                                 |                  |                       |                  |                                |                  |                       |                  |
| 8710 Owners of the parent  |       | (\$ 3,216,431)                  | ( 49)            | (\$ 4,859,536)        | ( 55)            | (\$ 6,678,489)                 | ( 31)            | (\$ 1,798,562)        | ( 7)             |
| 8720 Non-controlling interest  |       | -                               | -                | 92,643                | 1                | ( 242)                         | -                | 443,987               | 2                |
|  |       | <u>(\$ 3,216,431)</u>           | <u>( 49)</u>     | <u>(\$ 4,766,893)</u> | <u>( 54)</u>     | <u>(\$ 6,678,731)</u>          | <u>( 31)</u>     | <u>(\$ 1,354,575)</u> | <u>( 5)</u>      |
|  | 6(28) | <u>Before Tax</u>               | <u>After Tax</u> | <u>Before Tax</u>     | <u>After Tax</u> | <u>Before Tax</u>              | <u>After Tax</u> | <u>Before Tax</u>     | <u>After Tax</u> |
| <b>Basic and diluted earnings per share (in dollars)</b>   |       |                                 |                  |                       |                  |                                |                  |                       |                  |
| Profit for the period from continuing operations   |       | \$ 0.09                         | \$ 0.09          | \$ 0.29               | \$ 0.26          | \$ 1.13                        | \$ 1.06          | \$ 1.94               | \$ 1.67          |
| Profit for the period from discontinued operations   |       | -                               | -                | 0.25                  | 0.21             | -                              | -                | 0.72                  | 0.56             |
| Non-controlling interest   |       | -                               | -                | ( 0.17)               | ( 0.11)          | -                              | -                | ( 0.52)               | ( 0.30)          |
| Profit attributable to common shareholders of the parent   |       | <u>\$ 0.09</u>                  | <u>\$ 0.09</u>   | <u>\$ 0.37</u>        | <u>\$ 0.36</u>   | <u>\$ 1.13</u>                 | <u>\$ 1.06</u>   | <u>\$ 2.14</u>        | <u>\$ 1.93</u>   |
| <b>Assuming shares held by subsidiaries are not deemed as treasury stock:</b>  |       |                                 |                  |                       |                  |                                |                  |                       |                  |
| Profit for the period from continuing operations   |       | \$ 0.09                         | \$ 0.09          | \$ 0.29               | \$ 0.25          | \$ 1.13                        | \$ 1.06          | \$ 1.94               | \$ 1.67          |
| Profit for the period from discontinued operations   |       | -                               | -                | 0.25                  | 0.21             | -                              | -                | 0.72                  | 0.56             |
| Non-controlling interest   |       | -                               | -                | ( 0.17)               | ( 0.11)          | -                              | -                | ( 0.52)               | ( 0.30)          |
| Profit attributable to common shareholders of the parent   |       | <u>\$ 0.09</u>                  | <u>\$ 0.09</u>   | <u>\$ 0.37</u>        | <u>\$ 0.35</u>   | <u>\$ 1.13</u>                 | <u>\$ 1.06</u>   | <u>\$ 2.14</u>        | <u>\$ 1.93</u>   |

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 |                                 |                      |                     |                     |                                     |  |  |                      |                    |                             |                     |                      |
|---|---------------------------------|----------------------|---------------------|---------------------|-------------------------------------|--|--|----------------------|--------------------|-----------------------------|---------------------|----------------------|
|   | Retained Earnings               |                      |                     |                     |                                     | Other Equity Interest  |  |                      |                    |                             |                     |                      |
|   | Share capital -<br>common stock | Capital surplus      | Legal reserve       | Special reserve     | Unappropriated<br>retained earnings | Financial<br>statements<br>translation<br>differences of<br>foreign operations | Unrealized gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income | Treasury<br>stocks   | Total              | Non-controlling<br>interest | Total equity        |                      |
| Notes                                       |                                 |                      |                     |                     |                                     |  |  |                      |                    |                             |                     |                      |
| <b>Nine months ended September 30, 2019</b> |                                 |                      |                     |                     |                                     |  |  |                      |                    |                             |                     |                      |
|   |                                 | \$ 16,846,646        | \$ 1,268,860        | \$ 7,567,594        | \$ 2,214,578                        | \$ 9,743,048   | (\$ 744,846 )  | \$ 32,036,824        | (\$19,500 )        | \$ 68,913,204               | \$ 6,055,486        | \$ 74,968,690        |
|   |                                 | -                    | -                   | -                   | -                                   | 3,255,474  | -  | -                    | -                  | 3,255,474                   | 509,594             | 3,765,068            |
|   | 6(19)                           | -                    | -                   | -                   | -                                   | -  | 83,375   | ( 5,137,411 )        | -                  | ( 5,054,036 )               | ( 65,607 )          | ( 5,119,643 )        |
|   |                                 | -                    | -                   | -                   | -                                   | 3,255,474  | 83,375   | ( 5,137,411 )        | -                  | ( 1,798,562 )               | 443,987             | ( 1,354,575 )        |
|   | 6(18)                           |                      |                     |                     |                                     |  |  |                      |                    |                             |                     |                      |
|   |                                 | -                    | -                   | 473,741             | -                                   | ( 473,741 )  | -  | -                    | -                  | -                           | -                   | -                    |
|   |                                 | -                    | -                   | -                   | -                                   | ( 3,537,796 )  | -  | -                    | -                  | ( 3,537,796 )               | -                   | ( 3,537,796 )        |
|   | 6(16)(17)                       |                      | 1,194               | -                   | -                                   | -  | -  | -                    | 435                | 1,629                       | -                   | 1,629                |
|   |                                 | -                    | 46                  | -                   | -                                   | -  | -  | -                    | -                  | 46                          | -                   | 46                   |
|   | 6(17)                           |                      | 4,606               | -                   | -                                   | -  | -  | -                    | -                  | 4,606                       | -                   | 4,606                |
|   | 6(17)                           |                      | -                   | -                   | -                                   | -  | -  | -                    | -                  | -                           | -                   | -                    |
|   |                                 | -                    | ( 30 )              | -                   | -                                   | -  | -  | -                    | -                  | ( 30 )                      | -                   | ( 30 )               |
|   |                                 | -                    | -                   | -                   | -                                   | -  | -  | -                    | -                  | -                           | ( 591,379 )         | ( 591,379 )          |
|   |                                 | -                    | -                   | -                   | -                                   | -  | -  | -                    | -                  | -                           | -                   | -                    |
|   |                                 | <u>\$ 16,846,646</u> | <u>\$ 1,274,676</u> | <u>\$ 8,041,335</u> | <u>\$ 2,214,578</u>                 | <u>\$ 8,986,985</u>  | <u>(\$ 661,471 )</u>   | <u>\$ 26,899,413</u> | <u>(\$19,065 )</u> | <u>\$ 63,583,097</u>        | <u>\$ 5,908,094</u> | <u>\$ 69,491,191</u> |

(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  |  |                      |                    |                             |              |                      |
|   | Share capital -<br>common stock | Capital surplus      | Legal reserve       | Special reserve     | Unappropriated<br>retained earnings | Financial<br>statements<br>translation<br>differences of<br>foreign operations | Unrealized gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income | Treasury<br>stocks   | Total              | Non-controlling<br>interest | Total equity |                      |
| Notes                                       |                                 |                      |                     |                     |                                     |  |  |                      |                    |                             |              |                      |
| <b>Nine months ended September 30, 2020</b> |                                 |                      |                     |                     |                                     |  |  |                      |                    |                             |              |                      |
|   |                                 | \$ 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        |
|   |                                 | -                    | -                   | -                   | -                                   | 1,788,942  | -  | -                    | -                  | 1,788,942                   | ( 242 )      | 1,788,700            |
|   |                                 | -                    | -                   | -                   | -                                   | -  | ( 418,492 )  | ( 8,048,939 )        | -                  | ( 8,467,431 )               | -            | ( 8,467,431 )        |
|   | 6(19)                           | -                    | -                   | -                   | -                                   | 1,788,942  | ( 418,492 )  | ( 8,048,939 )        | -                  | ( 6,678,489 )               | ( 242 )      | ( 6,678,731 )        |
|   | 6(18)                           | -                    | -                   | -                   | -                                   | -  | -  | -                    | -                  | -                           | -            | -                    |
|   |                                 | -                    | -                   | 518,872             | -                                   | ( 518,872 )  | -  | -                    | -                  | -                           | -            | -                    |
|   |                                 | -                    | -                   | -                   | -                                   | ( 4,211,662 )  | -  | -                    | -                  | ( 4,211,662 )               | -            | ( 4,211,662 )        |
|   | 6(17)                           | -                    | ( 40 )              | -                   | -                                   | -  | -  | -                    | -                  | ( 40 )                      | -            | ( 40 )               |
|   | 6(17)                           | -                    | 5,483               | -                   | -                                   | -  | -  | -                    | -                  | 5,483                       | -            | 5,483                |
|   | 6(19)                           | -                    | -                   | -                   | -                                   | ( 84,122 )   | -  | 84,122               | -                  | -                           | -            | -                    |
|   | 6(19)                           | -                    | -                   | -                   | -                                   | -  | -  | -                    | -                  | -                           | ( 4,409 )    | ( 4,409 )            |
|   |                                 | <u>\$ 16,846,646</u> | <u>\$ 1,295,085</u> | <u>\$ 8,560,207</u> | <u>\$ 2,214,578</u>                 | <u>\$ 7,810,240</u>  | <u>(\$ 1,474,143 )</u>   | <u>\$ 18,100,991</u> | <u>(\$19,064 )</u> | <u>\$ 53,334,540</u>        | <u>\$ -</u>  | <u>\$ 53,334,540</u> |

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

(REVIEWED, NOT AUDITED)

|  | Notes       | Nine months ended September 30 |               |
|--|-------------|--------------------------------|---------------|
|  |             | 2020                           | 2019          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |             |                                |               |
| Profit from continuing operations before tax   |             | \$ 1,906,841                   | \$ 3,260,347  |
| (Loss) profit from discontinued operations before tax                                  | 6(9)        | ( 484 )                        | 1,220,666     |
| Profit before tax  |             | 1,906,357                      | 4,481,013     |
| Adjustments  |             |                                |               |
| Adjustments to reconcile profit (loss)   |             |                                |               |
| Depreciation   | 6(7)(8)(24) | 1,005,212                      | 2,194,542     |
| Interest expense   | 6(8)(26)    | 118,967                        | 178,336       |
| Interest income  | 6(21)       | ( 10,115 )                     | ( 31,191 )    |
| Dividend income  | 6(22)       | ( 1,156,765 )                  | ( 2,134,212 ) |
| Loss (gain) on valuation of financial assets   | 6(2)(23)    | 107                            | ( 2,010 )     |
| Gain on valuation of financial liabilities   | 6(12)(23)   | ( 80 )                         | ( 326 )       |
| Share of profit of associates and joint ventures accounted for using the equity method | 6(6)        | ( 384,260 )                    | ( 234,876 )   |
| Gain on disposal of investments  | 6(23)       | ( 165 )                        | -             |
| Gain on disposal and scrap of property, plant and equipment                            | 6(23)       | ( 1,034 )                      | ( 26,381 )    |
| Changes in operating assets and liabilities  |             |                                |               |
| Changes in operating assets  |             |                                |               |
| Financial assets at fair value through profit or loss                                  |             | -                              | 480,875       |
| Current contract assets  |             | -                              | ( 503,464 )   |
| Notes receivable, net  |             | ( 8,760 )                      | 30,659        |
| Notes receivable - related parties   |             | ( 3,872 )                      | 724           |
| Accounts receivable, net   |             | 294,877                        | ( 493,746 )   |
| Accounts receivable - related parties  |             | 88,179                         | ( 750,135 )   |
| Other receivables  |             | 151,194                        | ( 39,807 )    |
| Inventory  |             | 1,264,893                      | 185,022       |
| Prepayments  |             | 197,543                        | ( 231,306 )   |
| Other current assets   |             | 91,510                         | 107,207       |
| Guarantee deposits paid  |             | -                              | ( 3,071 )     |
| Changes in operating liabilities   |             |                                |               |
| Notes payable  |             | ( 64,349 )                     | ( 82,759 )    |
| Notes payable - related parties  |             | 57,821                         | ( 141,142 )   |
| Accounts payable   |             | ( 270,534 )                    | 543,656       |
| Accounts payable - related parties   |             | ( 446,946 )                    | 140,119       |
| Other payables   |             | ( 371,006 )                    | ( 11,526 )    |
| Other current liabilities  |             | 104,832                        | ( 28,080 )    |
| Other non-current liabilities  |             | ( 2,769 )                      | 21,738        |
| Cash inflow generated from operations  |             | 2,560,837                      | 3,649,859     |
| Interest received  |             | 11,110                         | 31,972        |
| Cash dividends received  |             | 1,595,848                      | 2,245,784     |
| Interest paid  |             | ( 127,346 )                    | ( 190,578 )   |
| Income tax paid  |             | ( 413,449 )                    | ( 652,663 )   |
| Net cash flows from operating activities   |             | 3,627,000                      | 5,084,374     |

(Continued)

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

|  | Notes | Nine months ended September 30 |               |
|--|-------|--------------------------------|---------------|
|  |       | 2020                           | 2019          |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                               |       |                                |               |
| Acquisition of financial assets at fair value through other comprehensive income |       | (\$ 129,080 )                  | (\$ 373,096 ) |
| Acquisition of property, plant and equipment                                     | 6(29) | ( 877,550 )                    | ( 1,817,317 ) |
| Proceeds from disposal of property, plant and equipment                          |       | 10,721                         | 66,503        |
| Decrease in other non-current assets   |       | ( 13,585 )                     | ( 77,550 )    |
| Acquisition of investment accounted for using the equity method                  |       | ( 1,353,514 )                  | -             |
| Disposal of subsidiary   | 6(29) | ( 23,556 )                     | -             |
| Net cash flows used in investing activities                                      |       | ( 2,386,564 )                  | ( 2,201,460 ) |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>                               |       |                                |               |
| Increase (decrease) in short-term borrowings                                     | 6(30) | ( 355,749 )                    | 166,909       |
| Increase in short-term notes and bills payable                                   | 6(30) | 700,000                        | 300,000       |
| Payment of long-term borrowings  |       | ( 7,058,059 )                  | ( 8,072,206 ) |
| Increase in long-term borrowings   |       | 9,470,652                      | 8,000,000     |
| Cash dividends paid  |       | ( 4,214,432 )                  | ( 4,129,205 ) |
| Expired cash dividends paid  |       | ( 40 )                         | ( 30 )        |
| Payment of lease principal   | 6(8)  | ( 106,742 )                    | ( 112,775 )   |
| Net cash flows used in financing activities                                      |       | ( 1,564,370 )                  | ( 3,847,307 ) |
| Effect of foreign exchange rate  |       | 6,980                          | ( 22,820 )    |
| Net decrease in cash and cash equivalents  |       | ( 316,954 )                    | ( 987,213 )   |
| Cash and cash equivalents at beginning of period                                 | 6(1)  | 3,236,624                      | 3,391,896     |
| Cash and cash equivalents at end of period                                       | 6(1)  | \$ 2,919,670                   | \$ 2,404,683  |

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, 2020 AND 2019

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

Note : The Group sold its 16% equity interest in Formosa Advanced Technologies Co., Ltd. and lost control over it on December 16, 2019. Therefore, the Group reclassified the investment from a consolidated entity to ‘investments accounted for using the equity method’. Please refer to Note 6(6) for details.

(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, 2020, the Company and its subsidiaries (collectively referred herein as the “Group”) had 7,315 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 6, 2020.

### 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 2020 are as follows:

| <u>New Standards, Interpretations and Amendments</u>                          | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’ | January 1, 2020   |
| Amendments to IFRS 3, ‘Definition of a business’                              | January 1, 2020   |
| Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’     | January 1, 2020   |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions’                     | June 1, 2020 (Note)   |

Note : Earlier application from January 1, 2020 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 2021 are as follows:

| <u>New Standards, Interpretations and Amendments</u>                              | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’ | January 1, 2021   |

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

#### (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 3, ‘Reference to the conceptual framework’   | January 1, 2022   |
| 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      |

| New Standards, Interpretations and Amendments   | Effective date by<br>International Accounting<br>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 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  |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2' | January 1, 2021  |

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2019, 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, 2019.

##### (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, 2019.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor          | Name of subsidiary                      | Main business activities   | Ownership (%)      |                   |                    | Description       |
|---------------------------|---|--|--------------------|-------------------|--------------------|-------------------|
|                           |   |  | September 30, 2020 | December 31, 2019 | September 30, 2019 |                   |
| Formosa Taffeta Co., Ltd. | Formosa Advanced Technologies Co., Ltd. | Assembly, testing, model processing and research and development of various integrated circuits  | -                  | -                 | 46.68              | Note 1            |
| Formosa Taffeta Co., Ltd. | Formosa Taffeta (Zhong Shan) Co, Ltd.   | Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products              | 100                | 100               | 100                | Note 4            |
| 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 4            |
| 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 4            |
| Formosa Taffeta Co., Ltd. | Formosa Taffeta (Hong Kong) Co., Ltd.   | Sale of nylon and polyamine goods  | 100                | 100               | 100                | Note 4            |
| Formosa Taffeta Co., Ltd. | Schoeller F.T.C. (Hong Kong) Co., Ltd.  | Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keptotec, Dynatec, Spirit and Reflex   | -                  | 50                | 50                 | Note 2 and Note 4 |

| Name of investor                      | Name of subsidiary                                       | Main business activities   | Ownership (%)      |                   |                    | Description |
|---------------------------------------|--|--|--------------------|-------------------|--------------------|-------------|
|                                       |  |  | September 30, 2020 | December 31, 2019 | September 30, 2019 |             |
| 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 | -                  | 100               | 100                | Note 3      |
| Formosa Taffeta Co., Ltd.             | Formosa Taffeta (Dong Nai) Co., Ltd.                     | Manufacturing of nylon and polyester filament products   | 100                | 100               | 100                | Note 4      |
| Formosa Taffeta Co., Ltd.             | Formosa Taffeta (Cayman)                                 | Holding Company  | 100                | 100               | 100                | Note 4      |
| Formosa Taffeta (Hong Kong) Co., Ltd. | Formosa Taffeta (Changshu) Co., Ltd.                     | Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric     | 100                | 100               | 100                | Note 4      |
| Formosa Development Co., Ltd.         | Public More Internation Company Ltd.                     | Employment service, manpower allocation and agency service etc.  | 100                | 100               | 100                | Note 4      |

Note 1: The Group sold its 16% equity interest in Formosa Advanced Technologies Co., Ltd. and lost control over it on December 16, 2019. Therefore, the Group reclassified the investment from a consolidated entity to ‘investments accounted for using the equity method’. Please refer to Note 6(6) for details.

Note 2: The Group sold all interest in Schoeller F.T.C (Hong Kong) Co., Ltd on March 16, 2020.

Note 3: In July 2020, Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. has been dissolved.

Note 4: The financial statements of the entity as of and for the nine months ended September 30, 2020 and 2019 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:

As of September 30, 2020 and December 31, 2019, the Group had no non-controlling interests that are material to the Group.

As of September 30, 2019, the non-controlling interest amounted to \$5,908,094. The information on non-controlling interest and respective subsidiaries is as follows:

| <u>Name of subsidiary</u>               | <u>Principal place of business</u> | <u>Non-controlling interest</u> |                      |
|---|------------------------------------|---------------------------------|----------------------|
|   |                                    | <u>September 30, 2019</u>       |                      |
|   |                                    | <u>Amount</u>                   | <u>Ownership (%)</u> |
| Formosa Advanced Technologies Co., Ltd. | Taiwan                             | \$ 5,909,907                    | 53.32                |

Summarized financial information on the subsidiaries:

Balance sheets

|                         | <u>Formosa Advanced Technologies Co., Ltd.</u> |                   |
|-------------------------|--|-------------------|
|                         | <u>September 30, 2019</u>                      |                   |
| Current assets          | \$   | 6,287,991         |
| Non-current assets      |  | 6,623,131         |
| Current liabilities     | (  | 1,229,925)        |
| Non-current liabilities | (  | 597,351)          |
| Total net assets        | \$   | <u>11,083,846</u> |

Statements of comprehensive income

|   | <u>Formosa Advanced Technologies Co., Ltd.</u> |                  |
|---|--|------------------|
|   | <u>Three months ended September 30, 2019</u>   |                  |
| Revenue   | \$   | <u>2,456,336</u> |
| Profit before income tax                                      |  | 427,713          |
| Income tax expense  | (  | 71,896)          |
| Profit for the period   |  | 355,817          |
| Other comprehensive loss, net of tax                          | (  | 181,790)         |
| Total comprehensive income for the period                     | \$   | <u>174,027</u>   |
| Comprehensive income attributable to non-controlling interest | \$   | <u>92,791</u>    |

|   | Formosa Advanced<br>Technologies Co., Ltd. |
|---|--|
|   | Nine months<br>ended September 30, 2019    |
| Revenue   | \$ 6,899,134                               |
| Profit before income tax                                      | 1,218,713                                  |
| Income tax expense  | ( 262,707)                                 |
| Profit for the period   | 956,006                                    |
| Other comprehensive loss, net of tax                          | ( 123,182)                                 |
| Total comprehensive income for the period                     | \$ 832,824                                 |
| Comprehensive income attributable to non-controlling interest | \$ 444,062                                 |

#### Statements of cash flows

|  | Formosa Advanced<br>Technologies Co., Ltd. |
|--|--|
|  | Nine months<br>ended September 30, 2019    |
| Net cash provided by operating activities      | \$ 1,647,828                               |
| Net cash used in investing activities          | ( 1,557,304)                               |
| Net cash used in financing activities          | ( 1,128,287)                               |
| Decrease in cash and cash equivalents          | ( 1,037,763)                               |
| Cash and cash equivalents, beginning of period | 1,267,335                                  |
| Cash and cash equivalents, end of period       | \$ 229,572                                 |

#### (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. Pensions

###### (a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans 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' bonus 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 recognised in other comprehensive income or items recognized directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be 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, 2019 for related information.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

|                                       | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Cash on hand and petty cash           | \$ 72,830                 | \$ 50,402                | \$ 135,453                |
| Checking accounts and demand deposits | 1,166,864                 | 1,393,841                | 1,757,676                 |
| Time deposits                         | 1,366,064                 | 983,331                  | 290,625                   |
| Commercial paper                      | 313,912                   | 809,050                  | 220,929                   |
|                                       | <u>\$ 2,919,670</u>       | <u>\$ 3,236,624</u>      | <u>\$ 2,404,683</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 rate range of time deposit on September 30, 2020, December 31, 2019 and September 30, 2019 are 0.02%~4.97%, 1.58%~5.57% and 1.75%~5.35%, respectively.

C. 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, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|------------------------------------|---------------------------|--------------------------|---------------------------|
| Current items:                     |                           |                          |                           |
| Forward foreign exchange contracts | \$ 12                     | \$ 119                   | \$ 625                    |
| Beneficiary certificates           | -                         | -                        | -                         |
|                                    | 12                        | 119                      | 625                       |
| Valuation adjustment               | -                         | -                        | -                         |
|                                    | <u>\$ 12</u>              | <u>\$ 119</u>            | <u>\$ 625</u>             |

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>2020</u>                             | <u>2019</u>     |
| Forward foreign exchange contracts | (\$ 600)                                | \$ 625          |
| Beneficiary certificates           | -                                       | 395             |
|                                    | <u>(\$ 600)</u>                         | <u>\$ 1,020</u> |
|                                    | <u>Nine months ended September 30,</u>  |                 |
|                                    | <u>2020</u>                             | <u>2019</u>     |
| Forward foreign exchange contracts | (\$ 107)                                | \$ 625          |
| Beneficiary certificates           | -                                       | 1,385           |
|                                    | <u>(\$ 107)</u>                         | <u>\$ 2,010</u> |

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

| Derivative<br>Instruments          | September 30, 2020                      |        |                 | December 31, 2019                       |        |                 |
|------------------------------------|---|--------|-----------------|---|--------|-----------------|
|                                    | Contract Amount<br>(Notional Principal) |        | Contract Period | Contract Amount<br>(Notional Principal) |        | Contract Period |
|                                    | (in thousands)                          |        |                 | (in thousands)                          |        |                 |
| Current items:                     |   |        |                 |   |        |                 |
| Forward foreign exchange contracts |   |        |                 |   |        |                 |
| Taipei Fubon Bank                  | JPY                                     | 41,850 | 2020.9-2020.10  | JPY                                     | 86,800 | 2019.12-2020.2  |
| Taipei Fubon Bank                  |   | -      | -               | JPY                                     | 86,800 | 2019.12-2020.2  |

| Derivative<br>Instruments          | September 30, 2019                      |        |                 |
|------------------------------------|---|--------|-----------------|
|                                    | Contract Amount<br>(Notional Principal) |        | Contract Period |
|                                    | (in thousands)                          |        |                 |
| Current items:                     |   |        |                 |
| Forward foreign exchange contracts |   |        |                 |
| Taipei Fubon Bank                  | JPY                                     | 83,180 | 2019.8-2019.10  |

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

|                      | September 30, 2020  | December 31, 2019   | September 30, 2019  |
|----------------------|---------------------|---------------------|---------------------|
| Current items:       |                     |                     |                     |
| Equity instruments   |                     |                     |                     |
| Listed stocks        | \$ 900,285          | \$ 900,285          | \$ 2,786,029        |
| Unlisted stocks      | 100,000             | 100,000             | 100,000             |
|                      | 1,000,285           | 1,000,285           | 2,886,029           |
| Valuation adjustment | 143,538             | 446,523             | 474,288             |
|                      | <u>\$ 1,143,823</u> | <u>\$ 1,446,808</u> | <u>\$ 3,360,317</u> |

|                      | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|----------------------|---------------------------|--------------------------|---------------------------|
| Non-current items:   |                           |                          |                           |
| Equity instruments   |                           |                          |                           |
| Listed stocks        | \$ 8,163,125              | \$ 8,163,125             | \$ 8,739,607              |
| Unlisted stocks      | <u>6,323,819</u>          | <u>6,590,222</u>         | <u>6,879,771</u>          |
|                      | 14,486,944                | 14,753,347               | 15,619,378                |
| Valuation adjustment | <u>18,257,196</u>         | <u>25,694,678</u>        | <u>26,456,460</u>         |
|                      | <u>\$ 32,744,140</u>      | <u>\$ 40,448,025</u>     | <u>\$ 42,075,838</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 \$33,887,963, \$41,894,833 and \$45,436,155 as at September 30, 2020, December 31, 2019 and September 30, 2019, 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>2020</u>                             | <u>2019</u>            |
| <u>Equity instruments at fair value through other comprehensive income</u> |   |                        |
| Fair value change recognized in other comprehensive income                 | (\$ <u>3,251,874</u> )                  | (\$ <u>5,485,826</u> ) |
| Cumulative losses reclassified to retained earnings due to derecognition   | (\$ <u>84,122</u> )                     | \$ <u>-</u>            |
|  |   |                        |
|  | <u>Nine months ended September 30,</u>  |                        |
|  | <u>2020</u>                             | <u>2019</u>            |
| <u>Equity instruments at fair value through other comprehensive income</u> |   |                        |
| Fair value change recognized in other comprehensive income                 | (\$ <u>8,048,939</u> )                  | (\$ <u>5,203,092</u> ) |
| Cumulative losses reclassified to retained earnings due to derecognition   | (\$ <u>84,122</u> )                     | \$ <u>-</u>            |

C. As at September 30, 2020, December 31, 2019 and September 30, 2019, 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 \$33,887,963, \$41,894,833 and \$45,436,155, respectively.

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

(4) Notes and accounts receivable

|                               | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|-------------------------------|---------------------------|--------------------------|---------------------------|
| Notes receivable              | \$ 36,159                 | \$ 27,399                | \$ 85,852                 |
| Accounts receivable           | \$ 2,883,397              | \$ 3,178,274             | \$ 4,674,690              |
| Less: Allowance for bad debts | ( 62,730)                 | ( 63,235)                | ( 70,667)                 |
|                               | <u>\$ 2,820,667</u>       | <u>\$ 3,115,039</u>      | <u>\$ 4,604,023</u>       |

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

|               | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|---------------|---------------------------|--------------------------|---------------------------|
| Not past due  | \$ 2,883,666              | \$ 3,067,145             | \$ 4,550,105              |
| Up to 30 days | 16,295                    | 86,772                   | 140,733                   |
| 31 to 90 days | 6,252                     | 48,039                   | 66,370                    |
| Over 90 days  | 13,343                    | 3,717                    | 3,334                     |
|               | <u>\$ 2,919,556</u>       | <u>\$ 3,205,673</u>      | <u>\$ 4,760,542</u>       |

The above ageing analysis was based on past due date.

B. As of September 30, 2020, December 31, 2019 and September 30, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$2,919,556, \$3,205,673, and \$4,760,542, respectively.

C. As at September 30, 2020, December 31, 2019 and September 30, 2019, 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 \$2,856,826, \$3,142,438 and \$4,689,875, respectively.

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

(5) Inventories

|                                | <u>September 30, 2020</u> |                                     |                     |
|--------------------------------|---------------------------|-------------------------------------|---------------------|
|                                | <u>Cost</u>               | <u>Allowance for valuation loss</u> | <u>Book value</u>   |
| 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> |

| December 31, 2019              |                     |                                 |                     |
|--------------------------------|---------------------|---------------------------------|---------------------|
|                                | Cost                | Allowance for<br>valuation loss | Book value          |
| Raw materials                  | \$ 1,310,964        | (\$ 93,509)                     | \$ 1,217,455        |
| Supplies                       | 218,497             | ( 4,280)                        | 214,217             |
| Work in process                | 2,716,838           | ( 6,306)                        | 2,710,532           |
| Finished goods                 | 3,865,595           | ( 901,854)                      | 2,963,741           |
| Merchandise inventory          | 302,421             | -                               | 302,421             |
| Materials in transit           | 356,388             | -                               | 356,388             |
| Outsourced processed materials | 254,942             | ( 82)                           | 254,860             |
| Construction in progress       | 41,801              | -                               | 41,801              |
| Land for construction          | 22,224              | -                               | 22,224              |
|                                | <u>\$ 9,089,670</u> | <u>(\$ 1,006,031)</u>           | <u>\$ 8,083,639</u> |

| September 30, 2019             |                     |                                 |                     |
|--------------------------------|---------------------|---------------------------------|---------------------|
|                                | Cost                | Allowance for<br>valuation loss | Book value          |
| Raw materials                  | \$ 1,749,693        | (\$ 108,824)                    | \$ 1,640,869        |
| Supplies                       | 290,532             | ( 5,421)                        | 285,111             |
| Work in process                | 2,642,435           | ( 7,371)                        | 2,635,064           |
| Finished goods                 | 3,577,648           | ( 609,556)                      | 2,968,092           |
| Merchandise inventory          | 239,321             | -                               | 239,321             |
| Materials in transit           | 444,729             | -                               | 444,729             |
| Outsourced processed materials | 254,024             | ( 94)                           | 253,930             |
| Construction in progress       | 35,675              | -                               | 35,675              |
| Land for construction          | 22,224              | -                               | 22,224              |
|                                | <u>\$ 9,256,281</u> | <u>(\$ 731,266)</u>             | <u>\$ 8,525,015</u> |

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

The cost of inventories recognized as expense for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019 were as follows:

|   | Three months ended September 30, |                     |
|---|----------------------------------|---------------------|
|   | 2020                             | 2019                |
| Cost of inventories sold  | \$ 6,109,092                     | \$ 9,974,268        |
| Inventory valuation (gain) loss (Note 1)  | ( 10,610)                        | 8,519               |
| Others (Note 2)   | ( 11,757)                        | ( 2,048)            |
|   | 6,086,725                        | 9,980,739           |
| Less: Cost of inventories recognized<br>as expense from discontinued operations | -                                | ( 2,075,458)        |
|   | <u>\$ 6,086,725</u>              | <u>\$ 7,905,281</u> |

|   | <u>Nine months ended September 30,</u> |                      |
|---|--|----------------------|
|   | <u>2020</u>                            | <u>2019</u>          |
| Cost of inventories sold  | \$ 19,519,998                          | \$ 31,053,671        |
| Inventory valuation (gain) loss (Note 1)  | ( 74,244)                              | 47,066               |
| Others (Note 2)   | <u>3,321</u>                           | <u>( 19,931)</u>     |
|   | 19,449,075                             | 31,080,806           |
| Less: Cost of inventories recognized<br>as expense from discontinued operations | <u>( 12,365)</u>                       | <u>( 5,809,882)</u>  |
|   | <u>\$ 19,436,710</u>                   | <u>\$ 25,270,924</u> |

Note 1: Gain on inventory for the nine months ended September 30, 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.

(6) Investments accounted for using the equity method

| <u>Items</u>                            | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|---|---------------------------|--------------------------|---------------------------|
| Formosa Advanced Technologies Co., Ltd. | \$ 4,720,128              | \$ 4,884,465             | \$ -                      |
| Formosa Industries Co., Ltd.            | 1,954,089                 | 2,010,641                | 2,090,391                 |
| Schoeller Textil AG                     | 1,238,843                 | -                        | -                         |
| Quang Viet Enterprise Co., Ltd.         | 1,194,842                 | 1,247,694                | 1,255,088                 |
| Nan Ya Photonics Inc.                   | 181,118                   | -                        | -                         |
| Changshu Yu Yuan Development Co., Ltd.  | <u>15,548</u>             | <u>15,439</u>            | <u>15,652</u>             |
|   | <u>\$ 9,304,568</u>       | <u>\$ 8,158,239</u>      | <u>\$ 3,361,131</u>       |

A. 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 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 the Group has significant influence on Schoeller Textil AG, but not substantial control, the investment was accounted for using the equity method.

B. On December 13, 2019, the Company's Board of Directors resolved to dispose 16% equity interest in the Group's subsidiary, Formosa Advanced Technologies Co., Ltd., and the transfer of shares was completed on December 16, 2019. After the disposal, the Group's shareholding ratio decreased to 30.68% and the Group lost its substantial control over Formosa Advanced Technologies Co., Ltd. As the Group has significant influence on Formosa Advanced Technologies Co., Ltd., said investment was reclassified from consolidated entity to 'investments accounted for using the equity method'. Please refer to Note 6(9) for details.

- C. In August 2020, the Group increased its investment in Nan Ya Photonics Inc. by \$66,938 thousand. As of September 30, 2020, 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.
- D. The investment income of \$152,986, \$138,308, \$384,260 and \$234,876 for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, 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 is the director of Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. and has significant influence over its operations, thus, Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. are accounted for using the equity method.
- F. The Group's material associates, Quang Viet Enterprise Co., Ltd. and Formosa Advanced Technologies Co., Ltd., have quoted market prices as follows:

|   | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|---|---------------------------|--------------------------|---------------------------|
| Quang Viet Enterprise Co., Ltd.         | \$ 2,074,497              | \$ 2,826,494             | \$ 2,603,349              |
| Formosa Advanced Technologies Co., Ltd. | <u>4,751,843</u>          | <u>5,078,618</u>         | <u>-</u>                  |
|   | <u>\$ 6,826,340</u>       | <u>\$ 7,905,112</u>      | <u>\$ 2,603,349</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, 2020 | December 31, 2019 | September 30, 2019 |                        |                       |
| Formosa Advanced Technologies Co., Ltd. | Taiwan                      | 30.68%             | 30.68%            | Note               | Associate              | Equity method         |
| Formosa Industries Co., Ltd.            | Vietnam                     | 10.00%             | 10.00%            | 10.00%             | Associate              | Equity method         |
| Quang Viet Enterprise Co., Ltd.         | Taiwan                      | 17.99%             | 17.99%            | 17.99%             | Associate              | Equity method         |

| Company name                           | Principal place of business | Shareholding ratio |                   |                    | Nature of relationship | Method of measurement |
|--|-----------------------------|--------------------|-------------------|--------------------|------------------------|-----------------------|
|  |                             | September 30, 2020 | December 31, 2019 | September 30, 2019 |                        |                       |
| Changshu Yu Yuan Development Co., Ltd. | China                       | 40.78%             | 40.78%            | 40.78%             | Associate              | Equity method         |
| Schoeller Textil AG                    | Switzerland                 | 50.00%             | -                 | -                  | Associate              | Equity method         |
| Nan Ya Photonics Inc.                  | Taiwan                      | 15.22%             | -                 | -                  | Associate              | Equity method         |

Note : Formosa Advanced Technologies Co., Ltd. used to be a subsidiary included in the consolidated financial statements on September 30, 2019.

(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, 2020                      | December 31, 2019    |
| Current assets                   | \$ 6,759,313                            | \$ 6,631,748         |
| Non-current assets               | 5,903,721                               | 6,643,175            |
| Current liabilities              | ( 1,199,534)                            | ( 1,250,356)         |
| Non-current liabilities          | ( 566,958)                              | ( 594,494)           |
| Total net assets                 | <u>\$ 10,896,542</u>                    | <u>\$ 11,430,073</u> |
| Share in associate's net assets  | \$ 3,343,364                            | \$ 3,519,210         |
| Difference                       | <u>1,376,764</u>                        | <u>1,365,255</u>     |
| Carrying amount of the associate | <u>\$ 4,720,128</u>                     | <u>\$ 4,884,465</u>  |

| Formosa Industries Co., Ltd.     |                      |                      |                      |
|----------------------------------|----------------------|----------------------|----------------------|
|                                  | September 30, 2020   | December 31, 2019    | September 30, 2019   |
| Current assets                   | \$ 15,359,426        | \$ 11,143,747        | \$ 19,773,533        |
| Non-current assets               | 18,209,862           | 20,787,398           | 21,129,704           |
| Current liabilities              | ( 7,295,046)         | ( 7,560,572)         | ( 14,777,020)        |
| Non-current liabilities          | ( 7,634,702)         | ( 5,165,507)         | ( 6,123,659)         |
| Total net assets                 | <u>\$ 18,639,540</u> | <u>\$ 19,205,066</u> | <u>\$ 20,002,558</u> |
| Share in associate's net assets  | \$ 1,863,955         | \$ 1,920,507         | \$ 2,000,256         |
| Difference                       | <u>90,134</u>        | <u>90,134</u>        | <u>90,135</u>        |
| Carrying amount of the associate | <u>\$ 1,954,089</u>  | <u>\$ 2,010,641</u>  | <u>\$ 2,090,391</u>  |

Statements of comprehensive income

| Formosa Advanced Technologies Co., Ltd.          |  |   |  |
|--|--|---|--|
|  | Three months ended<br>September 30, 2020 | Nine months ended<br>September 30, 2020 |  |
| Revenue  | \$ 2,380,770                             | \$ 7,342,406                            |  |
| Profit for the period from continuing operations | \$ 354,902                               | \$ 1,086,685                            |  |
| Other comprehensive loss, net of tax             | ( 220,023)                               | ( 647,371)                              |  |
| Total comprehensive income                       | <u>\$ 134,879</u>                        | <u>\$ 439,314</u>                       |  |

| Formosa Industries Co., Ltd.                     |                                  |                   |  |
|--|----------------------------------|-------------------|--|
|  | Three months ended September 30, |                   |  |
|  | 2020                             | 2019              |  |
| Revenue  | \$ 4,721,185                     | \$ 6,626,196      |  |
| Profit for the period from continuing operations |                                  |                   |  |
| (Total comprehensive income)                     | <u>\$ 55,094</u>                 | <u>\$ 154,209</u> |  |

| Formosa Industries Co., Ltd.                     |                                 |                   |  |
|--|---------------------------------|-------------------|--|
|  | Nine months ended September 30, |                   |  |
|  | 2020                            | 2019              |  |
| Revenue  | \$ 14,412,797                   | \$ 21,178,472     |  |
| Profit for the period from continuing operations |                                 |                   |  |
| (Total comprehensive income)                     | <u>\$ 71,717</u>                | <u>\$ 572,891</u> |  |

(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, 2020, December 31, 2019 and September 30, 2019, the carrying amount of the Group's individually immaterial associates amounted to \$2,630,351, \$1,263,133 and \$1,270,740, respectively.

|  | <u>Three months ended September 30,</u> |                     |
|--|---|---------------------|
|  | <u>2020</u>                             | <u>2019</u>         |
| Loss for the period from continuing operations   | (\$ 117,039)                            | (\$ 206,454)        |
| Other comprehensive income (loss), net of tax    | <u>23,742</u>                           | <u>(39,760)</u>     |
| Total comprehensive loss                         | <u>(\$ 93,297)</u>                      | <u>(\$ 246,214)</u> |
|  | <u>Nine months ended September 30,</u>  |                     |
|  | <u>2020</u>                             | <u>2019</u>         |
| Profit for the period from continuing operations | \$ 42,815                               | \$ 175,064          |
| Other comprehensive income (loss), net of tax    | <u>1,524</u>                            | <u>(801)</u>        |
| Total comprehensive income                       | <u>\$ 44,339</u>                        | <u>\$ 174,263</u>   |

(7) Property, plant and equipment

2020

|   | Land and land<br>improvements | Buildings           | Machinery           | Transportation<br>equipment and<br>other equipment | Construction in<br>progress and equipment<br>to be inspected | Total                |
|---|-------------------------------|---------------------|---------------------|--|--|----------------------|
| <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<br>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<br>operations        | -                             | -                   | -                   | ( 15)  | -  | ( 15)                |
| Net exchange differences                      | ( 11)                         | ( 62,185)           | ( 90,886)           | ( 6,028)   | ( 11,017)  | ( 170,127)           |
| Closing net book amount<br>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> |

## 2019

|                          | <u>Land and land<br/>improvements</u> | <u>Buildings</u>    | <u>Machinery</u>    | <u>Transportation<br/>equipment and<br/>other equipment</u> | <u>Construction in<br/>progress and equipment<br/>to be inspected</u> | <u>Total</u>         |
|--------------------------|---------------------------------------|---------------------|---------------------|---|---|----------------------|
| <u>At January 1</u>      |                                       |                     |                     |   |   |                      |
| Cost                     | \$ 2,202,809                          | \$ 11,402,399       | \$ 44,120,710       | \$ 8,938,006  | \$ 1,310,921  | \$ 67,974,845        |
| Accumulated depreciation | ( 14,616)                             | ( 6,199,016)        | ( 34,499,873)       | ( 8,334,527)  | -   | ( 49,048,032)        |
| Accumulated impairment   | ( 155,738)                            | -                   | ( 117)              | -   | -   | ( 155,855)           |
|                          | <u>\$ 2,032,455</u>                   | <u>\$ 5,203,383</u> | <u>\$ 9,620,720</u> | <u>\$ 603,479</u>   | <u>\$ 1,310,921</u>   | <u>\$ 18,770,958</u> |
| Opening net book amount  |                                       |                     |                     |   |   |                      |
| as at January 1          | \$ 2,032,455                          | \$ 5,203,383        | \$ 9,620,720        | \$ 603,479  | \$ 1,310,921  | \$ 18,770,958        |
| Additions                | 3,014                                 | -                   | 1,900               | 65  | 1,821,631   | 1,826,610            |
| Disposals                | ( 53)                                 | -                   | ( 36,953)           | ( 3,116)  | -   | ( 40,122)            |
| Transfers                | -                                     | 39,808              | 1,780,769           | 70,269  | ( 1,890,846)  | -                    |
| Depreciation charge      | ( 2,864)                              | ( 270,734)          | ( 1,682,542)        | ( 123,931)  | -   | ( 2,080,071)         |
| Net exchange differences | ( 340)                                | 1,072               | 14,578              | 541   | 3,186   | 19,037               |
| Closing net book amount  | <u>\$ 2,032,212</u>                   | <u>\$ 4,973,529</u> | <u>\$ 9,698,472</u> | <u>\$ 547,307</u>   | <u>\$ 1,244,892</u>   | <u>\$ 18,496,412</u> |
| <u>At September 30</u>   |                                       |                     |                     |   |   |                      |
| Cost                     | \$ 2,202,505                          | \$ 11,414,244       | \$ 45,349,229       | \$ 8,914,773  | \$ 1,244,892  | \$ 69,125,643        |
| Accumulated depreciation | ( 14,555)                             | ( 6,440,715)        | ( 35,650,640)       | ( 8,367,466)  | -   | ( 50,473,376)        |
| Accumulated impairment   | ( 155,738)                            | -                   | ( 117)              | -   | -   | ( 155,855)           |
|                          | <u>\$ 2,032,212</u>                   | <u>\$ 4,973,529</u> | <u>\$ 9,698,472</u> | <u>\$ 547,307</u>   | <u>\$ 1,244,892</u>   | <u>\$ 18,496,412</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, |          |
|--------------------|----------------------------------|----------|
|                    | 2020                             | 2019     |
| Amount capitalized | \$ 1,354                         | \$ 2,796 |

  

|  | Nine months ended September 30, |            |
|--|---------------------------------|------------|
|  | 2020                            | 2019       |
| Amount capitalized                             | \$ 4,633                        | \$ 8,359   |
| Range of the interest rates for capitalization | 0.99%~4.25%                     | 0.99%~4.8% |

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, 2020, December 31, 2019 and September 30, 2019, the land mortgaged to the Company was \$808,300.

(8) 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, 2020 | September 30, 2019 |
|---------------------------|--------------------|--------------------|
|                           | Carrying amount    | Carrying amount    |
| Right-of-use asset - land | \$ 1,037,953       | \$ 1,121,696       |

|                           | Three months ended September 30, |                     |
|---------------------------|----------------------------------|---------------------|
|                           | 2020                             | 2019                |
|                           | Depreciation charge              | Depreciation charge |
| Right-of-use asset - land | \$ 37,534                        | \$ 38,350           |

|                           | Nine months ended September 30, |                     |
|---------------------------|---------------------------------|---------------------|
|                           | 2020                            | 2019                |
|                           | Depreciation charge             | Depreciation charge |
| Right-of-use asset - land | \$ 114,323                      | \$ 114,471          |

C. For the nine months ended September 30, 2020 and 2019, the additions to right-of-use assets were \$100,856 and \$135,997, respectively.

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

|                                       | Three months ended September 30,      |          |
|---------------------------------------|---------------------------------------|----------|
|                                       | 2020                                  | 2019     |
|                                       | <u>Items affecting profit or loss</u> |          |
| Interest expense on lease liabilities | \$ 1,957                              | \$ 2,071 |
| Expense on short-term lease contracts | 1,106                                 | 485      |

|                                       | Nine months ended September 30,       |          |
|---------------------------------------|---------------------------------------|----------|
|                                       | 2020                                  | 2019     |
|                                       | <u>Items affecting profit or loss</u> |          |
| Interest expense on lease liabilities | \$ 7,692                              | \$ 7,411 |
| Expense on short-term lease contracts | 1,802                                 | 1,561    |

E. For the nine months ended September 30, 2020 and 2019, the Group's total cash outflow for leases were \$106,742 and \$112,775, respectively.

(9) Discontinued operations

A. On October 17, 2019, the Company'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. Schoeller F.T.C (Hong Kong) Co., Ltd. was presented as discontinued operations as it has met the definition of discontinued operations. The transfer of shares was completed on March 16, 2020.

On December 13, 2019, the Company's Board of Directors resolved to sell its 16% equity interest in the Group's subsidiary, Formosa Advanced Technologies Co., Ltd., to Nan Ya Technology Corp. and Nan Ya Printed Circuit Board Corp. for a consideration of \$2,514,064. Formosa Advanced Technologies Co., Ltd. was presented as discontinued operations as it has met the definition of discontinued operations. The transfer of shares was completed on December 16, 2019. As the Group has significant influence on Formosa Advanced Technologies Co., Ltd., said investment was reclassified from a consolidated entity to 'investments accounted for using the equity method'.

Please refer to Note 6(6) for details.

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

|                      | Nine months ended September 30, |                     |
|----------------------|---------------------------------|---------------------|
|                      | 2020                            | 2019                |
| Operating cash flows | (\$ 2,519)                      | \$ 1,653,717        |
| Investing cash flows | -                               | ( 1,557)            |
| Financing cash flows | -                               | ( 1,128)            |
| Total cash flows     | <u>(\$ 2,519)</u>               | <u>\$ 1,651,032</u> |

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

|  | Three months ended<br>September 30, |                |
|--|-------------------------------------|----------------|
|  | 2019                                |                |
| Operating revenue                            | \$                                  | 2,485,874      |
| Operating costs                              | (                                   | 2,075,458)     |
| Operating expenses                           | (                                   | 55,273)        |
| Total non-operating income and expenses      |                                     | <u>73,141</u>  |
| Profit before tax of discontinued operations |                                     | 428,284        |
| Income tax expense                           | (                                   | 71,990)        |
| Profit after tax of discontinued operations  |                                     | <u>356,294</u> |
| Profit from discontinued operations          | \$                                  | <u>356,294</u> |

|   | Nine months ended September 30, |                   |
|---|---------------------------------|-------------------|
|   | 2020                            | 2019              |
| Operating revenue                                   | \$ 17,555                       | \$ 6,986,532      |
| Operating costs                                     | ( 12,365)                       | ( 5,809,882)      |
| Operating expenses                                  | ( 5,589)                        | ( 158,551)        |
| Total non-operating income and expenses             | <u>( 85)</u>                    | <u>202,567</u>    |
| (Loss) profit before tax of discontinued operations | ( 484)                          | 1,220,666         |
| Income tax expense                                  | -                               | ( 262,927)        |
| (Loss) profit after tax of discontinued operations  | <u>( 484)</u>                   | <u>957,739</u>    |
| (Loss) profit from discontinued operations          | <u>(\$ 484)</u>                 | <u>\$ 957,739</u> |

D. The proceeds for the transfer of shares of Schoeller F.T.C (Hong Kong) Co., Ltd. in March 2020 amounted to \$6,028 resulting to a gain on disposal of \$165.

E. The Group completed the Formosa Advanced Technologies Co., Ltd.'s transfer of shares in December 2019 for a disposal proceeds amounting to \$2,514,064. The gain on disposal is as follows:

|  |    |                         |
|--|----|-------------------------|
| Gain on disposal of shares                           | \$ | 684,314                 |
| Gain on retained investment remeasured at fair value |    | <u>1,332,446</u>        |
| Gain on disposal of discontinued operations          | \$ | <u><u>2,016,760</u></u> |

(10) Short-term borrowings

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

| <u>Type of borrowings</u> | <u>December 31, 2019</u> | <u>Interest rate range</u> | <u>Collateral</u>                             |
|---------------------------|--------------------------|----------------------------|---|
| Bank borrowings           |                          |                            |   |
| Secured borrowings        | \$ 3,741,053             | 1.40%~4.35%                | Property, plant and equipment and Inventories |
| Purchase loans            | <u>12,324</u>            | 0.37%                      | -   |
|                           | \$ <u>3,753,377</u>      |                            |   |

| <u>Type of borrowings</u> | <u>September 30, 2019</u> | <u>Interest rate range</u> | <u>Collateral</u>                             |
|---------------------------|---------------------------|----------------------------|---|
| Bank borrowings           |                           |                            |   |
| Mortgage loan             | \$ <u>3,805,447</u>       | 1.40%~3.70%                | Property, plant and equipment and Inventories |

(11) Short-term notes and bills payable

|                          | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|--------------------------|---------------------------|--------------------------|---------------------------|
| Commercial paper payable | \$ <u>700,000</u>         | \$ -                     | \$ <u>300,000</u>         |
| Interest rate            | <u>0.39%</u>              | <u>-</u>                 | <u>0.70%</u>              |

The abovementioned commercial paper payable is issued by Taishin International Bank and China Bills Finance Corporation, etc.

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

| <u>Items</u>                           | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|--|---------------------------|--------------------------|---------------------------|
| Financial liabilities held for trading |                           |                          |                           |
| Forward foreign exchange contracts     | \$ <u>-</u>               | \$ <u>80</u>             | \$ <u>448</u>             |

A. The Group recognized net gain of \$48, \$6, \$80 and \$326 on financial liabilities held for trading for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, 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:

| Derivative Financial Liabilities   | December 31, 2019                                   |                 | September 30, 2019                                  |                 |
|------------------------------------|---|-----------------|---|-----------------|
|                                    | Contract Amount (Notional Principal) (in thousands) | Contract Period | Contract Amount (Notional Principal) (in thousands) | Contract Period |
| Current items:                     |   |                 |   |                 |
| Forward foreign exchange contracts |   |                 |   |                 |
| Taipei Fubon Bank                  | JPY 86,800  | 2019.12~2020.2  | JPY 83,180  | 2019.8~2019.10  |
| Taipei Fubon Bank                  | -   | -               | JPY 83,180  | 2019.9~2019.10  |

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.

(13) Other payables

|                                     | September 30, 2020 | December 31, 2019   | September 30, 2019  |
|-------------------------------------|--------------------|---------------------|---------------------|
| Salaries and year-end bonus payable | \$ 351,055         | \$ 530,508          | \$ 634,120          |
| Dividends payable                   | 13,332             | 10,562              | 14,478              |
| Accrued utilities expenses          | 93,792             | 85,840              | 162,829             |
| Commission payable                  | 62,830             | 50,384              | 57,425              |
| Payable on equipment                | 2,716              | 3,262               | 72,107              |
| Others                              | 461,666            | 695,228             | 986,622             |
|                                     | <u>\$ 985,391</u>  | <u>\$ 1,375,784</u> | <u>\$ 1,927,581</u> |

(14) Long-term borrowings

|                       | September 30, 2020  | December 31, 2019   | September 30, 2019  |
|-----------------------|---------------------|---------------------|---------------------|
| Credit borrowings     | \$ 8,987,088        | \$ 6,519,783        | \$ 8,123,082        |
| Less: Current portion | ( 58,058)           | ( 59,891)           | ( 130,428)          |
|                       | <u>\$ 8,929,030</u> | <u>\$ 6,459,892</u> | <u>\$ 7,992,654</u> |
| Interest rate         | <u>0.72%~2.80%</u>  | <u>0.89%~4.25%</u>  | <u>0.94%~4.52%</u>  |

(15) Pensions

- A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 12% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned employees pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$5,482, \$7,257, \$16,444 and \$21,771 for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 are \$70,751.
- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company's Mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd., and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of the employees' monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.

- (c) The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd., have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (d) Formosa Taffeta (Hong Kong) Co., Ltd. and Schoeller FTC (Hong Kong) Co., Ltd. have defined contribution plans whereby contributions are made to the mandatory provident fund based on a percentage of the employees' salaries and wages as full-time employees' pension benefit.
- (e) Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulations.
- (f) The pension costs under the defined contribution pension plans of the Group for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019 were \$15,310, \$38,384, \$67,081 and \$113,297, respectively.

(16) Share capital

- A. As of September 30, 2020, 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, 2020 and 2019, 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, 2020</u> |                  |                 |                      |
|--|-------------------------------|---|------------------|-----------------|----------------------|
|  |                               | <u>Beginning shares</u>                     | <u>Additions</u> | <u>Disposal</u> | <u>Ending shares</u> |
| Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries | Formosa Development Co., Ltd. | 2,193                                       | -                | -               | 2,193                |

| <u>Reason for reacquisition</u>  | <u>Investee company</u>       | <u>Nine months ended September 30, 2019</u> |                  |                 |                      |
|--|-------------------------------|---|------------------|-----------------|----------------------|
|  |                               | <u>Beginning shares</u>                     | <u>Additions</u> | <u>Disposal</u> | <u>Ending shares</u> |
| Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries | Formosa Development Co., Ltd. | 2,243                                       | -                | ( 50)           | 2,193                |

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

(17) 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, 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 | Other           |
| 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> |
|  | Nine months ended September 30, 2019 |   |                         |  |                 |
|  | 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 | Other           |
| At January 1, 2019   | \$ 25,297                            | \$ 1,650  | \$ 2,032                | \$ 1,236,557   | \$ 3,324        |
| Disposal of treasury shares                                    | 1,194                                | -   | -                       | -  | -               |
| Adjustment of cash dividends paid to consolidated subsidiaries | 4,606                                | -   | -                       | -  | -               |
| Expired cash dividends transferred to capital surplus          | -                                    | -   | -                       | 46   | -               |
| Paid expired cash dividends transferred to capital surplus     | -                                    | -   | -                       | -  | ( 30)           |
| At September 30, 2019  | <u>\$ 31,097</u>                     | <u>\$ 1,650</u>   | <u>\$ 2,032</u>         | <u>\$ 1,236,603</u>  | <u>\$ 3,294</u> |

(18) Retained earnings

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

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

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

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

D. The appropriations of 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 19, 2020 and June 20, 2019, respectively. Details are summarized below:

|                | 2019 earnings |  | 2018 earnings |  |
|----------------|---------------|--|---------------|--|
|                | Amount        | Dividends<br>per share<br>(in dollars) | Amount        | Dividends<br>per share<br>(in dollars) |
| Legal reserve  | \$ 518,872    |  | \$ 473,741    |  |
| Cash dividends | 4,211,662     | \$ 2.50                                | 3,537,796     | \$ 2.10                                |

The estimated appropriations of 2019 and 2018 earnings proposed by the Board of Directors were the same as the actual appropriations approved by the shareholders. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange Corporation.

E. As of September 30, 2020, December 31, 2019 and September 30, 2019, unpaid stock dividends amounted to \$13,332, \$10,562 and \$14,478, respectively.

F. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(19) Other equity items

|   | Available-for-sale<br>investments | Currency<br>translation | Non-controlling<br>interest |
|---|-----------------------------------|-------------------------|-----------------------------|
| January 1, 2020   | \$ 26,065,808                     | (\$ 1,055,651)          | \$ 4,651                    |
| Change in unrealized gain or loss on available-for-sale financial assets                                |                                   |                         |                             |
| — Parent company  | ( 7,848,801)                      | -                       | -                           |
| — Associates  | ( 200,138)                        | -                       | -                           |
| Revaluation transferred to retained earnings  | 84,122                            | -                       | -                           |
| Difference of long-term equity investment from cumulative translation differences of foreign operations |                                   |                         |                             |
| — Parent company  | -                                 | ( 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>                 |
|   | Available-for-sale                | Currency                | Non-controlling             |
|   | investments                       | translation             | interest                    |
| January 1, 2019   | \$ 32,036,824                     | (\$ 744,846)            | \$ 6,055,486                |
| Change in unrealized gain or loss on available-for-sale financial assets                                |                                   |                         |                             |
| — Parent company  | ( 5,136,610)                      | -                       | -                           |
| — Associates  | ( 801)                            | -                       | -                           |
| — Non-controlling interest  | -                                 | -                       | ( 65,681)                   |
| Difference of long-term equity investment from cumulative translation differences of foreign operations |                                   |                         |                             |
| — Parent company  | -                                 | 60,600                  | -                           |
| — Associates  | -                                 | 22,775                  | -                           |
| — Non-controlling interest  | -                                 | -                       | 74                          |
| Net income of non-controlling interest  | -                                 | -                       | 509,594                     |
| Cash dividends paid by consolidated subsidiaries  | -                                 | -                       | ( 591,379)                  |
| September 30, 2019  | <u>\$ 26,899,413</u>              | <u>(\$ 661,471)</u>     | <u>\$ 5,908,094</u>         |

(20) Operating revenue

|  | Three months ended September 30, |                     |
|--|----------------------------------|---------------------|
|  | 2020                             | 2019                |
| Sales revenue  | \$ 6,569,193                     | \$ 11,264,309       |
| Service revenue                                      | 26,126                           | 76,488              |
|  | <u>6,595,319</u>                 | <u>11,340,797</u>   |
| Less: Operating revenue from discontinued operations | -                                | ( 2,485,874)        |
|  | <u>\$ 6,595,319</u>              | <u>\$ 8,854,923</u> |

|  | Nine months ended September 30, |                      |
|--|---------------------------------|----------------------|
|  | 2020                            | 2019                 |
| Sales revenue  | \$ 21,486,941                   | \$ 35,237,026        |
| Service revenue                                      | 157,943                         | 193,366              |
|  | <u>21,644,884</u>               | <u>35,430,392</u>    |
| Less: Operating revenue from discontinued operations | ( 17,555)                       | ( 6,986,532)         |
|  | <u>\$ 21,627,329</u>            | <u>\$ 28,443,860</u> |

(21) Interest income

|  | Three months ended September 30, |                  |
|--|----------------------------------|------------------|
|  | 2020                             | 2019             |
| Interest income from bank deposits                 | \$ 3,032                         | \$ 13,831        |
| Less: Interest income from discontinued operations | -                                | ( 2,126)         |
|  | <u>\$ 3,032</u>                  | <u>\$ 11,705</u> |

|  | Nine months ended September 30, |                  |
|--|---------------------------------|------------------|
|  | 2020                            | 2019             |
| Interest income from bank deposits                 | \$ 10,187                       | \$ 31,191        |
| Less: Interest income from discontinued operations | ( 72)                           | ( 9,167)         |
|  | <u>\$ 10,115</u>                | <u>\$ 22,024</u> |

(22) Other income

|   | Three months ended September 30, |                   |
|---|----------------------------------|-------------------|
|   | 2020                             | 2019              |
| Dividend income                                 | \$ 84,585                        | \$ 190,688        |
| Other income                                    | 72,559                           | 26,596            |
|   | 157,144                          | 217,284           |
| Less: Other income from discontinued operations | -                                | ( 71,408)         |
|   | <u>\$ 157,144</u>                | <u>\$ 145,876</u> |

|   | Nine months ended September 30, |                     |
|---|---------------------------------|---------------------|
|   | 2020                            | 2019                |
| Dividend income                                 | \$ 1,156,765                    | \$ 2,134,212        |
| Other income                                    | 220,061                         | 144,520             |
|   | 1,376,826                       | 2,278,732           |
| Less: Other income from discontinued operations | -                               | ( 177,079)          |
|   | <u>\$ 1,376,826</u>             | <u>\$ 2,101,653</u> |

(23) Other gains and losses

|  | Three months ended September 30, |                    |
|--|----------------------------------|--------------------|
|  | 2020                             | 2019               |
| Gain on disposal of property, plant and equipment                        | \$ 15,841                        | \$ 4,750           |
| Foreign exchange (losses) gains  | ( 68,444)                        | 9,980              |
| Forward foreign exchange contracts                                       |                                  |                    |
| Net (loss) gain on financial assets at fair value through profit or loss | ( 600)                           | 1,020              |
| Net gain on financial liabilities at fair value through profit or loss   | 48                               | 6                  |
| Bank charges   | ( 7,567)                         | ( 9,507)           |
| Other losses   | ( 11,678)                        | ( 18,408)          |
|  | ( 72,400)                        | ( 12,159)          |
| Less: Other losses (gains) from discontinued operations                  | -                                | ( 995)             |
|  | <u>(\$ 72,400)</u>               | <u>(\$ 13,154)</u> |

|  | <u>Nine months ended September 30,</u> |                  |
|--|--|------------------|
|  | <u>2020</u>                            | <u>2019</u>      |
| Gain on disposal of property, plant and equipment                        | \$ 1,034                               | \$ 26,381        |
| Gain on disposals of investments   | 165                                    | -                |
| Foreign exchange (losses) gains  | ( 11,158)                              | 59,380           |
| Forward foreign exchange contracts                                       |  |                  |
| Net (loss) gain on financial assets at fair value through profit or loss | ( 107)                                 | 2,010            |
| Net gain on financial liabilities at fair value through profit or loss   | 80                                     | 326              |
| Bank charges   | ( 21,797)                              | ( 27,994)        |
| Other losses   | ( 57,694)                              | ( 57,784)        |
|  | ( 89,477)                              | 2,319            |
| Less: Other (gains) losses from discontinued operations                  | 157                                    | ( 20,543)        |
|  | <u>\$ 89,320</u>                       | <u>\$ 18,224</u> |

(24) Expenses by nature

|   | <u>Three months ended September 30,</u> |                     |
|---|---|---------------------|
|   | <u>2020</u>                             | <u>2019</u>         |
| Employee benefit expense                                    | \$ 749,122                              | \$ 1,251,142        |
| Depreciation charges  | 342,378                                 | 719,227             |
|   | 1,091,500                               | 1,970,369           |
| Less: Employee benefit expense from discontinued operations | -                                       | ( 381,037)          |
| Depreciation charges  | -                                       | ( 399,157)          |
|   | <u>\$ 1,091,500</u>                     | <u>\$ 1,190,175</u> |

|   | <u>Nine months ended September 30,</u> |                     |
|---|--|---------------------|
|   | <u>2020</u>                            | <u>2019</u>         |
| Employee benefit expense                                    | \$ 2,486,684                           | \$ 3,835,458        |
| Depreciation charges  | 1,005,212                              | 2,194,542           |
|   | 3,491,896                              | 6,030,000           |
| Less: Employee benefit expense from discontinued operations | ( 535)                                 | ( 1,129,313)        |
| Depreciation charges  | ( 231)                                 | ( 1,198,370)        |
|   | <u>\$ 3,491,130</u>                    | <u>\$ 3,702,317</u> |

(25) Employee benefit expense

|   | Three months ended September 30, |                   |
|---|----------------------------------|-------------------|
|   | 2020                             | 2019              |
| Wages and salaries  | \$ 618,863                       | \$ 1,042,550      |
| Labor and health insurance fees                                     | 75,384                           | 119,436           |
| Pension costs   | 20,792                           | 45,640            |
| Other personnel expenses  | 34,083                           | 43,516            |
|   | <u>749,122</u>                   | <u>1,251,142</u>  |
| Less: Employee benefit expense from<br>from discontinued operations | -                                | ( 381,037)        |
|   | <u>\$ 749,122</u>                | <u>\$ 870,105</u> |

  

|   | Nine months ended September 30, |                     |
|---|---------------------------------|---------------------|
|   | 2020                            | 2019                |
| Wages and salaries  | \$ 2,063,179                    | \$ 3,213,439        |
| Labor and health insurance fees                                     | 235,470                         | 359,129             |
| Pension costs   | 83,525                          | 135,067             |
| Other personnel expenses  | 104,510                         | 127,823             |
|   | <u>2,486,684</u>                | <u>3,835,458</u>    |
| Less: Employee benefit expense from<br>from discontinued operations | ( 535)                          | ( 1,129,313)        |
|   | <u>\$ 2,486,149</u>             | <u>\$ 2,706,145</u> |

- A. In accordance with the Company's Articles of Incorporation, a ratio of distributable profit of the current year after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.05%-0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.
- B. For the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, employees' compensation was accrued at \$500, \$500, \$1,500 and \$1,500, respectively; while directors' and supervisors' remuneration was accrued at \$250, \$250, \$750 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 Company's Articles of Incorporation of profit of current year distributable for the nine months ended September 30, 2020. The employees' compensation and directors' and supervisors' remuneration for 2019 as approved by shareholders were the same as the amounts shown in the 2019 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.

(26) Finance costs

|  | Three months ended September 30, |                  |
|--|----------------------------------|------------------|
|  | 2020                             | 2019             |
| Interest expense:                                |                                  |                  |
| Bank borrowings                                  | \$ 15,976                        | \$ 60,018        |
| Other financial expense                          | 1,957                            | 2,071            |
| Less: Capitalization of qualifying assets        | ( 1,354)                         | ( 2,796)         |
| Less: Finance costs from discontinued operations | -                                | ( 1,388)         |
|  | <u>\$ 16,579</u>                 | <u>\$ 57,905</u> |

|  | Nine months ended September 30, |                   |
|--|---------------------------------|-------------------|
|  | 2020                            | 2019              |
| Interest expense:                                |                                 |                   |
| Bank borrowings                                  | \$ 115,908                      | \$ 179,284        |
| Other financial expense                          | 7,692                           | 7,411             |
| Less: Capitalization of qualifying assets        | ( 4,633)                        | ( 8,359)          |
| Less: Finance costs from discontinued operations | -                               | ( 4,222)          |
|  | <u>\$ 118,967</u>               | <u>\$ 174,114</u> |

(27) Income tax

A. Income tax (benefit) expense

|   | Three months ended September 30, |                  |
|---|----------------------------------|------------------|
|   | 2020                             | 2019             |
| Current tax:  |                                  |                  |
| Current tax on profits for the period                 | \$ 4,583                         | \$ 132,112       |
| Tax on undistributed surplus earnings                 | ( 5,930)                         | -                |
| Adjustments in respect of prior period                | -                                | 2,520            |
| Impact of change in exchange rate                     | 327                              | ( 391)           |
| Total current tax                                     | ( 1,020)                         | 134,241          |
| Deferred tax:   |                                  |                  |
| Origination and reversal of temporary differences     | ( 5,581)                         | ( 3,693)         |
| Total deferred tax                                    | ( 5,581)                         | ( 3,693)         |
| Less: Income tax expense from discontinued operations | -                                | ( 71,990)        |
| Income tax (benefit) expense                          | <u>(\$ 6,601)</u>                | <u>\$ 58,558</u> |

|   | Nine months ended September 30, |                   |
|---|---------------------------------|-------------------|
|   | 2020                            | 2019              |
| Current tax:  |                                 |                   |
| Current tax on profits for the period                 | \$ 82,520                       | \$ 440,005        |
| Land value increment tax                              | 566                             | -                 |
| Tax on undistributed surplus earnings                 | 12,535                          | 232,354           |
| Adjustments in respect of prior period                | ( 6,104)                        | 36,369            |
| Impact of change in exchange rate                     | 360                             | ( 536)            |
| Total current tax                                     | <u>89,877</u>                   | <u>708,192</u>    |
| Deferred tax:   |                                 |                   |
| Origination and reversal of temporary differences     | <u>27,780</u>                   | <u>7,753</u>      |
| Total deferred tax                                    | <u>27,780</u>                   | <u>7,753</u>      |
| Less: Income tax expense from discontinued operations | -                               | ( 262,927)        |
| Income tax expense                                    | <u>\$ 117,657</u>               | <u>\$ 453,018</u> |

- B. The income tax returns of the Company, Formosa Development Co., Ltd. and Public More Internation Company Ltd. through 2018 have all 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 Vietnam Co., Ltd. was approved by the Vietnam government to be 10% for 15 years from the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit-making year and 20% income tax exemption for the next 4 years.
- E. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by 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.
- F. In accordance with local tax regulations, the applicable income tax rate of Schoeller F.T.C. (Hong Kong) Co., Ltd. and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

(28) Earnings per share

A. Basic earnings per share

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

|   | Three months ended September 30, 2020 |                   |  |                                    |                |
|---|---------------------------------------|-------------------|--|------------------------------------|----------------|
|   | Amount                                |                   | Weighted-average<br>outstanding<br>common shares<br>(in thousands) | Earnings per share<br>(in dollars) |                |
|   | Before tax                            | After tax         |  | Before tax                         | After tax      |
| Net income  | <u>\$ 145,209</u>                     | <u>\$ 151,810</u> | <u>1,682,471</u>   | <u>\$ 0.09</u>                     | <u>\$ 0.09</u> |
| Three months ended September 30, 2019                     |                                       |                   |  |                                    |                |
|   | Amount                                |                   | Weighted-average<br>outstanding<br>common shares<br>(in thousands) | Earnings per share<br>(in dollars) |                |
|   | Before tax                            | After tax         |  | Before tax                         | After tax      |
| Net income  | <u>\$ 487,694</u>                     | <u>\$ 429,136</u> | <u>1,682,439</u>   | <u>\$ 0.29</u>                     | <u>\$ 0.26</u> |
| Profit from<br>discontinued<br>operations                 | 428,284                               | 356,294           |  | 0.25                               | 0.21           |
| Profit attributable to<br>the non-controlling<br>interest | <u>( 288,587)</u>                     | <u>( 189,583)</u> |  | <u>( 0.17)</u>                     | <u>( 0.11)</u> |
| Profit attributable to<br>owners of the<br>parent         | <u>\$ 627,391</u>                     | <u>\$ 595,847</u> |  | <u>\$ 0.37</u>                     | <u>\$ 0.36</u> |

Nine months ended September 30, 2020

|   | Amount              |                     | Weighted-average<br>outstanding<br>common shares<br>(in thousands) | Earnings per share<br>(in dollars) |                |
|---|---------------------|---------------------|--|------------------------------------|----------------|
|   | Before tax          | After tax           |  | Before tax                         | After tax      |
|   |                     |                     |  |                                    |                |
| Net income  | \$ 1,906,841        | \$ 1,789,184        | <u>1,682,471</u>   | \$ 1.13                            | \$ 1.06        |
| Profit 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>\$ 1,906,599</u> | <u>\$ 1,788,942</u> |  | <u>\$ 1.13</u>                     | <u>\$ 1.06</u> |

Nine months ended September 30, 2019

|   | Amount              |                     | Weighted-average<br>outstanding<br>common shares<br>(in thousands) | Earnings per share<br>(in dollars) |                |
|---|---------------------|---------------------|--|------------------------------------|----------------|
|   | Before tax          | After tax           |  | Before tax                         | After tax      |
|   |                     |                     |  |                                    |                |
| Net income  | \$ 3,260,347        | \$ 2,807,329        | <u>1,682,439</u>   | \$ 1.94                            | \$ 1.67        |
| Profit from discontinued operations                 | 1,220,666           | 957,739             |  | 0.72                               | 0.56           |
| Profit attributable to the non-controlling interest | <u>( 878,536)</u>   | <u>( 509,594)</u>   |  | <u>( 0.52)</u>                     | <u>( 0.30)</u> |
| Profit attributable to owners of the parent         | <u>\$ 3,602,477</u> | <u>\$ 3,255,474</u> |  | <u>\$ 2.14</u>                     | <u>\$ 1.93</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, 2020               |                     |                     |  |                                    |                   |
|---|---------------------|---------------------|--|------------------------------------|-------------------|
|   | Amount              |                     | Weighted-average<br>outstanding<br>common shares<br>(in thousands) | Earnings per share<br>(in dollars) |                   |
|   | Before tax          | After tax           |  | Before tax                         | After tax         |
|   | <u>          </u>   | <u>          </u>   |  | <u>          </u>                  | <u>          </u> |
| Net income  | \$ 145,209          | \$ 151,810          | 1,684,665  | \$ 0.09                            | \$ 0.09           |
| Three months ended September 30, 2019               |                     |                     |  |                                    |                   |
|   | Amount              |                     | Weighted-average<br>outstanding<br>common shares<br>(in thousands) | Earnings per share<br>(in dollars) |                   |
|   | Before tax          | After tax           |  | Before tax                         | After tax         |
|   | <u>          </u>   | <u>          </u>   |  | <u>          </u>                  | <u>          </u> |
| Net income  | \$ 487,694          | \$ 429,136          | 1,684,665  | \$ 0.29                            | \$ 0.25           |
| Profit from discontinued operations                 | 428,284             | 356,294             |  | 0.25                               | 0.21              |
| Profit attributable to the non-controlling interest | ( 288,587)          | ( 189,583)          |  | ( 0.17)                            | ( 0.11)           |
| Profit attributable to owners of the parent         | <u>\$ 627,391</u>   | <u>\$ 595,847</u>   |  | <u>\$ 0.37</u>                     | <u>\$ 0.35</u>    |
| Nine months ended September 30, 2020                |                     |                     |  |                                    |                   |
|   | Amount              |                     | Weighted-average<br>outstanding<br>common shares<br>(in thousands) | Earnings per share<br>(in dollars) |                   |
|   | Before tax          | After tax           |  | Before tax                         | After tax         |
|   | <u>          </u>   | <u>          </u>   |  | <u>          </u>                  | <u>          </u> |
| Net income  | \$ 1,906,841        | \$ 1,789,184        | 1,684,665  | \$ 1.13                            | \$ 1.06           |
| Profit from discontinued operations                 | ( 484)              | ( 484)              |  | -                                  | -                 |
| Profit attributable to the non-controlling interest | <u>242</u>          | <u>242</u>          |  | <u>-</u>                           | <u>-</u>          |
| Profit attributable to owners of the parent         | <u>\$ 1,906,599</u> | <u>\$ 1,788,942</u> |  | <u>\$ 1.13</u>                     | <u>\$ 1.06</u>    |

Nine months ended September 30, 2019

|   | Amount              |                     | Weighted-average<br>outstanding<br>common shares | Earnings per share<br>(in dollars) |                |
|---|---------------------|---------------------|--|------------------------------------|----------------|
|   | Before tax          | After tax           | (in thousands)                                   | Before tax                         | After tax      |
|   |                     |                     | <u>1,684,665</u>                                 | \$ 1.94                            | \$ 1.67        |
| Net income  | \$ 3,260,347        | \$ 2,807,329        |  |                                    |                |
| Profit from discontinued operations                 | 1,220,666           | 957,739             |  | 0.72                               | 0.56           |
| Profit attributable to the non-controlling interest | ( 878,536)          | ( 509,594)          |  | ( 0.52)                            | ( 0.30)        |
| Profit attributable to owners of the parent         | <u>\$ 3,602,477</u> | <u>\$ 3,255,474</u> |  | <u>\$ 2.14</u>                     | <u>\$ 1.93</u> |

B. Employees' compensation could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

|  | Nine months ended September 30, |                     |
|--|---------------------------------|---------------------|
|  | 2020                            | 2019                |
| Purchase of property, plant and equipment    | \$ 919,904                      | \$ 1,826,610        |
| Add: Opening balance of payable on equipment | 3,262                           | 62,814              |
| Ending balance of prepayment on equipment    | 95,499                          | -                   |
| Less: Ending balance of payable on equipment | ( 2,716)                        | ( 72,107)           |
| Opening balance of prepayment on equipment   | ( 138,399)                      | -                   |
| Cash paid during the period                  | <u>\$ 877,550</u>               | <u>\$ 1,817,317</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>                   |

Net value of Schoeller F.T.C. (Hong Kong) Co., Ltd. on March 16, 2020 was \$5,863.

(30) 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, 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>                        |

|  | Short-term borrowings | Short-term notes payable | Long-term borrowings (including current portion) | Liabilities from financing activities-gross |
|--|-----------------------|--------------------------|--|---|
| At January 1, 2019                             | \$3,638,538           | \$ -                     | \$ 8,192,200                                     | \$ 11,830,738                               |
| Changes in cash flow from financing activities | 166,909               | 300,000                  | ( 72,206)  | 394,703                                     |
| Impact of changes in foreign exchange rate     | -                     | -                        | 3,088  | 3,088                                       |
| At September 30, 2019                          | <u>\$3,805,447</u>    | <u>\$ 300,000</u>        | <u>\$ 8,123,082</u>                              | <u>\$ 12,228,529</u>                        |

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by Formosa Chemical & 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 Chemical & 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            | Parent company                       |
| Formosa Advanced Technologies Co., Ltd. (Note 1) | 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 2)                | Other related party                  |
| Formosa Biomedical Technology Corp.              | Other related party                  |
| Toa Resin Corp.                                  | Other related party                  |
| Formosa Petrochemical Corp.                      | Other related party                  |
| Formosa Heavy Industries Corp.                   | Other related party                  |
| Formosa Network Technology Corp.                 | Other related party                  |
| Formosa Plastics Corp.                           | Other related party                  |
| Formosa Plastics Transport Corp.                 | Other related party                  |
| Formosa Asahi Spandex Corp.                      | Other related party                  |
| Nan Ya Plastics Corp.                            | Other related party                  |
| 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 Technology Corp.                          | Other related party                  |
| Nan Ya Printed Circuit Board (Kunshan) Corp.     | Other related party                  |
| Jiaxing Quang 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                  |
| Kwang Viet Garment Co., Ltd.                     | Other related party                  |
| FG INC   | Other related party                  |
| NKFG Corp.                                       | Other related party                  |
| Schoeller Holding AG                             | Other related party                  |

Note1 : The Group sold its 16% equity interest and lost its control over Formosa Advanced Technologies Co., Ltd. on December 16, 2019. Therefore, the investment in Formosa Advanced Technologies Co., Ltd. was reclassified as investment accounted for using the equity method.

Note 2 : The Group disposed all equity investment of 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.

(3) Significant related party transactions and balances

A. Operating revenue

|                           | <u>Three months ended September 30,</u> |                     |
|---------------------------|---|---------------------|
|                           | <u>2020</u>                             | <u>2019</u>         |
| Sales of goods:           |   |                     |
| – Ultimate parent company | \$ 54                                   | \$ 126              |
| – Associates              | 24,131                                  | 23,098              |
| – Other related party     |   |                     |
| Nan Ya Technology Corp.   | -                                       | 1,833,392           |
| Others                    | 137,910                                 | 243,321             |
|                           | <u>\$ 162,095</u>                       | <u>\$ 2,099,937</u> |
|                           |   |                     |
|                           | <u>Nine months ended September 30,</u>  |                     |
|                           | <u>2020</u>                             | <u>2019</u>         |
| Sales of goods:           |   |                     |
| – Ultimate parent company | \$ 987                                  | \$ 781              |
| – Associates              | 239,001                                 | 299,973             |
| – Other related party     |   |                     |
| Nan Ya Technology Corp.   | -                                       | 5,183,993           |
| Others                    | 806,403                                 | 916,886             |
|                           | <u>\$ 1,046,391</u>                     | <u>\$ 6,401,633</u> |

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

B. Purchases of goods

|                             | <u>Three months ended September 30,</u> |                     |
|-----------------------------|---|---------------------|
|                             | <u>2020</u>                             | <u>2019</u>         |
| Purchases of goods:         |   |                     |
| – Ultimate parent company   | \$ 326,094                              | \$ 465,897          |
| – Associates                | 135,032                                 | 195,332             |
| – Other related party       |   |                     |
| Formosa Petrochemical Corp. | 2,105,523                               | 2,609,711           |
| Others                      | 175,715                                 | 438,122             |
|                             | <u>\$ 2,742,364</u>                     | <u>\$ 3,709,062</u> |

|                             | Nine months ended September 30, |                      |
|-----------------------------|---------------------------------|----------------------|
|                             | 2020                            | 2019                 |
| Purchases of goods:         |                                 |                      |
| – Ultimate parent company   | \$ 1,102,169                    | \$ 1,531,803         |
| – Associates                | 456,587                         | 693,013              |
| – Other related party       |                                 |                      |
| Formosa Petrochemical Corp. | 6,009,980                       | 8,069,789            |
| Others                      | 734,056                         | 1,373,524            |
|                             | <u>\$ 8,302,792</u>             | <u>\$ 11,668,129</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, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|--------------------------------|---------------------------|--------------------------|---------------------------|
| Notes and accounts receivable: |                           |                          |                           |
| – Ultimate parent company      | \$ 9                      | \$ 82                    | \$ 78                     |
| – Associates                   | 18,900                    | 72,254                   | 19,607                    |
| – Other related party          |                           |                          |                           |
| Nan Ya Technology Corp.        | -                         | -                        | 1,700,716                 |
| Others                         | 126,368                   | 157,248                  | 261,867                   |
|                                | <u>\$ 145,277</u>         | <u>\$ 229,584</u>        | <u>\$ 1,982,268</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, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|-----------------------------|---------------------------|--------------------------|---------------------------|
| Notes and accounts payable: |                           |                          |                           |
| – Ultimate parent company   | \$ 306,825                | \$ 550,298               | \$ 628,951                |
| – Associates                | 54,610                    | 70,536                   | 50,344                    |
| – Other related party       |                           |                          |                           |
| Formosa Petrochemical Corp. | 390,611                   | 440,852                  | 436,180                   |
| Others                      | 68,873                    | 148,358                  | 215,343                   |
|                             | <u>\$ 820,919</u>         | <u>\$ 1,210,044</u>      | <u>\$ 1,330,818</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:

|                     | Three months ended September 30, |           | Nine months ended September 30, |           |
|---------------------|----------------------------------|-----------|---------------------------------|-----------|
|                     | 2020                             | 2019      | 2020                            | 2019      |
| Other related party | \$ -                             | \$ 46,354 | \$ -                            | \$ 54,164 |

(b) Acquisition of financial assets:

|                     |   |                                       |                     | Nine months ended<br>September 30, 2020 |
|---------------------|---|---------------------------------------|---------------------|---|
|                     | Accounts  | No. of shares<br>(in thousand shares) | Object              | 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                            |
|                     |   |                                       |                     | Nine months ended<br>September 30, 2019 |
|                     | Accounts  | No. of shares<br>(in thousand shares) | Object              | Consideration                           |
| Other related party | Non-current financial assets at fair value through other comprehensive income | -                                     | FG INC.             | \$ 69,570                               |

The group had no transaction from July 1 to September 30, 2020 and 2019, respectively.

(c) Rent income (shown as 'other income')

The Group leases buildings at No. 319, 329 and 331, Henan St., Douliu City, Yunlin County, No. 497-1, Sec. Neilin, land and employees' dorms at No. 132 and 136, Sec. Meilin river, Douliu City to Formosa Advanced Technologies Co., Ltd. Rents which were determined by reference to general rental price in local market are payable at the beginning of each month based on the mutual agreement. Rent income for the three months ended September 30, 2020 and nine months ended September 30, 2020 amounted to \$19,689 and \$40,698, respectively.

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

Note: It mainly refers to transfers from property, plant and equipment to the investment property held by the Group. The fair value of the investment property held by the Group as at September 30, 2020 was \$732,100, which was by reference to the transaction prices of similar prices in the neighbouring areas.

#### F. Others

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

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

For the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, Formosa Taffeta (Dong Nai) Co., Ltd. has recognized lease service income in investment district of \$7,996, \$8,867, \$23,529 and \$26,228, respectively, for rendering the abovementioned consigned services. As of September 30, 2020, December 31, 2019 and September 30, 2019, the uncollected amount of \$2,977, \$3,220 and \$3,196, respectively, was

recognized under ‘other receivables’. For the above land leasing, as of September 30, 2020, December 31, 2019 and September 30, 2019, 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 \$19,304, \$30,901 and \$34,553, respectively.

(4) Key management compensation

|   | Three months ended September 30, |                 |
|---|----------------------------------|-----------------|
|   | 2020                             | 2019            |
| Salaries and other short-term employee benefits | \$ 2,264                         | \$ 8,356        |
| Post-employment benefits                        | -                                | 14              |
|   | <u>\$ 2,264</u>                  | <u>\$ 8,370</u> |

  

|   | Nine months ended September 30, |                  |
|---|---------------------------------|------------------|
|   | 2020                            | 2019             |
| Salaries and other short-term employee benefits | \$ 23,250                       | \$ 37,692        |
| Post-employment benefits                        | -                               | 68               |
|   | <u>\$ 23,250</u>                | <u>\$ 37,760</u> |

8. PLEDGED ASSETS

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

| Item                                | Book Value         |                   |                    | Purpose                            |
|-------------------------------------|--------------------|-------------------|--------------------|------------------------------------|
|                                     | September 30, 2020 | December 31, 2019 | September 30, 2019 |                                    |
| Property, plant and equipment       | \$ 136,736         | \$ 137,261        | \$ 137,436         | Security for short-term borrowings |
| Inventories (Held-to-maturity land) | 17,610             | 21,264            | 21,264             | Security for short-term borrowings |
|                                     | <u>\$ 154,346</u>  | <u>\$ 158,525</u> | <u>\$ 158,700</u>  |                                    |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of September 30, 2020, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

| Currency | Amount |
|----------|--------|
| USD      | \$ 296 |
| JPY      | 35,520 |
| EUR      | 1,198  |

(2) Endorsements and guarantees

As of September 30, 2020, in order to assist the subsidiaries is obtaining credit line, the Company has guaranteed the following amounts for subsidiaries:

| Name of company                        | September 30, 2020 |
|--|--------------------|
| Formosa Taffeta (Zhong Shan) Co., Ltd. | \$ 960,300         |
| Formosa Taffeta Vietnam Co., Ltd.      | 1,542,300          |
| Formosa Taffeta (Changshu) Co., Ltd.   | 1,600,500          |
| Formosa Taffeta Dong Nai Co., Ltd.     | 4,132,200          |
| Formosa HA Tinh (Cayman) Limited       | 6,632,901          |

(3) Contingencies - Significant lawsuit

- A. In August 2019, Taiwan Cooperative Bank Ltd. and DBS Bank (Taiwan) Ltd. filed a complaint against the Company and the subsidiary, Formosa Taffeta Dong Nai Co., Ltd, alleging that several employees of the Company and Formosa Taffeta Dong Nai Co., Ltd., instead of making the truthful representations during the credit assessment procedures, cooperated with New Site Industries Inc. and New Brite Industries Inc. to conduct false statements and provide misleading information with regard to the fact that New Site Industries Inc. and New Brite Industries Inc. owned the accounts receivable due from the Company and Formosa Taffeta Dong Nai Co., Ltd., thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that the Company and Formosa Taffeta Dong Nai Co., Ltd. shall be liable for the losses incurred due to poor supervision. The Company and Formosa Taffeta Dong Nai Co., Ltd. have appointed a legal counsel to represent them. Based on the opinion of the legal counsel, the ultimate outcome of this litigation is not presently determinable as the case is still in oral arguments proceedings, and no evidence investigation or substantive trial has been conducted.
- B. In August 2019, O-Bank Co., Ltd. filed a complaint against the Company. Several employees of the Company, instead of making the truthful representations during the credit assessment procedures, cooperated with New Site Industries Inc., New Brite Industries Inc., Highlite Industries, Inc. and Loomtech Industries Inc. (together referred herein as New Brite Group) to conduct false statements and provide misleading information with regard to the fact that New Site Industries Inc. and New Brite Industries Inc. owned the accounts receivable due from the Company, thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that the Company shall be liable for the losses incurred due to poor supervision. The Company has appointed a legal counsel to represent them. Based on the opinion of the legal counsel, the ultimate outcome of this litigation is not presently determinable as the case is still in the course of debate process.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

(1) The Group's operating revenue for the first three seasons of 2020 was less than 20% compared with the same period in 2019. This decline was driven by the COVID-19 outbreak, resulting in a sluggish global economy and the reduction and cancellation of major sporting events. In addition, the demand in the overall consumer market decreased due to the COVID-19 pandemic. However, there was no significant effect on the Group's financial position and assets impairment and the Group will continue to monitor the impact of future pandemic control conditions and consumer market demand.

### (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, 2019 for related information.

### (3) Financial instruments

#### A. Financial instruments by category

|   | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
|---|---------------------------|--------------------------|---------------------------|
| <u>Financial assets</u>   |                           |                          |                           |
| Financial assets at fair value through profit or loss             | \$ 12                     | \$ 119                   | \$ 625                    |
| Financial assets at fair value through other comprehensive income | 33,887,963                | 41,894,833               | 45,436,155                |
| Financial assets at amortized cost                                | <u>6,135,421</u>          | <u>6,974,483</u>         | <u>9,442,655</u>          |
|   | <u>\$ 40,023,396</u>      | <u>\$ 48,869,435</u>     | <u>\$ 54,879,435</u>      |
|   | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>September 30, 2019</u> |
| <u>Financial liabilities</u>                                      |                           |                          |                           |
| Financial liabilities at fair value through profit or loss        | \$ -                      | \$ 80                    | \$ 448                    |
| Financial liabilities at amortized cost                           | 15,986,313                | 14,289,158               | 17,512,002                |
| Lease liabilities   | <u>808,959</u>            | <u>849,795</u>           | <u>872,030</u>            |
|   | <u>\$ 16,795,272</u>      | <u>\$ 15,139,033</u>     | <u>\$ 18,384,480</u>      |

Note: Financial assets at amortized cost includes cash, notes and accounts receivable (including related parties) 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 are as follows:

|                              | September 30, 2020                           |               |                     |
|------------------------------|--|---------------|---------------------|
|                              | Foreign Currency<br>Amount<br>(In Thousands) | Exchange Rate | Book Value<br>(NTD) |
| <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           |

| December 31, 2019            |                          |               |                     |
|------------------------------|--------------------------|---------------|---------------------|
|                              | Foreign Currency         |               | Book Value<br>(NTD) |
|                              | Amount<br>(In Thousands) | Exchange Rate |                     |
| <u>Financial assets</u>      |                          |               |                     |
| <u>Monetary items</u>        |                          |               |                     |
| USD:NTD                      | \$ 76,526                | 30.11         | \$ 2,304,198        |
| <u>Non-monetary items</u>    |                          |               |                     |
| VND:NTD                      | 4,953,113,164            | 0.0013        | 6,439,047           |
| HKD:NTD                      | 299,251                  | 3.86          | 1,155,108           |
| RMB:NTD                      | 467,986                  | 4.32          | 2,021,701           |
| USD:NTD                      | 125,391                  | 30.11         | 3,775,523           |
| <u>Financial liabilities</u> |                          |               |                     |
| <u>Monetary items</u>        |                          |               |                     |
| USD:RMB                      | 5,930                    | 6.98          | 178,552             |
| September 30, 2019           |                          |               |                     |
|                              | Foreign Currency         |               | Book Value<br>(NTD) |
|                              | Amount<br>(In Thousands) | Exchange Rate |                     |
| <u>Financial assets</u>      |                          |               |                     |
| <u>Monetary items</u>        |                          |               |                     |
| USD:NTD                      | \$ 121,969               | 31.04         | \$ 3,785,918        |
| USD:RMB                      | 10,095                   | 7.07          | 313,349             |
| <u>Non-monetary items</u>    |                          |               |                     |
| VND:NTD                      | 4,914,689,836            | 0.0013        | 6,389,097           |
| HKD:NTD                      | 297,039                  | 3.96          | 1,176,274           |
| RMB:NTD                      | 643,818                  | 4.39          | 2,826,361           |
| USD:NTD                      | 146,319                  | 31.04         | 4,541,742           |
| <u>Financial liabilities</u> |                          |               |                     |
| <u>Monetary items</u>        |                          |               |                     |
| USD:NTD                      | 4,173                    | 31.04         | 129,530             |
| USD:RMB                      | 13,446                   | 7.07          | 417,364             |

- ii. The total exchange (loss) income, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019 amounted to (\$68,444), \$9,980, (\$11,158) and \$59,380, respectively.

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

| 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                                      | -      |
| Nine months ended September 30, 2019 |                                 |   |        |
| 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%                              | \$ 37,859                                   | \$ -   |
| USD:RMB                              | 1%                              | 3,133                                       | -      |
| <u>Non-monetary items</u>            |                                 |   |        |
| VND:NTD                              | 1%                              | -   | 63,891 |
| HKD:NTD                              | 1%                              | -   | 11,763 |
| RMB:NTD                              | 1%                              | -   | 28,264 |
| USD:NTD                              | 1%                              | -   | 45,417 |
| <u>Financial liabilities</u>         |                                 |   |        |
| <u>Monetary items</u>                |                                 |   |        |
| USD:NTD                              | 1%                              | 1,295                                       | -      |
| USD:RMB                              | 1%                              | 4,174                                       | -      |

### 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, 2020 and 2019 would have increased/decreased by \$0.1 and \$5, 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 \$338,880 and \$454,362, 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, 2020 and 2019, 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, 2020 and 2019 would have decreased/increased by \$71,200 and \$63,200, 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, 2020 and 2019 would have decreased/increased by \$232 and \$741, 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 provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On September 30, 2020, December 31, 2019 and September 30, 2019, the provision matrix is as follows:

|                              | Not past<br>due | Up to 30<br>days past<br>due | 31~90 days<br>past due | Over 90<br>days<br>past due | Total        |
|------------------------------|-----------------|------------------------------|------------------------|-----------------------------|--------------|
| <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       |

|                              | Not past due | Up to 30 days past due | 31~90 days past due | Over 90 days past due | Total        |
|------------------------------|--------------|------------------------|---------------------|-----------------------|--------------|
| <u>At December 31, 2019</u>  |              |                        |                     |                       |              |
| Expected loss rate           | 1%           | 7%                     | 55%                 | 97%                   |              |
| Total book value             | \$ 3,067,145 | \$ 86,772              | \$ 48,039           | \$ 3,717              | \$ 3,205,673 |
| Loss allowance               | 26,581       | 6,504                  | 26,532              | 3,618                 | 63,235       |
|                              | Not past due | Up to 30 days past due | 31~90 days past due | Over 90 days past due | Total        |
| <u>At September 30, 2019</u> |              |                        |                     |                       |              |
| Expected loss rate           | 0%           | 7%                     | 62%                 | 100%                  |              |
| Total book value             | \$ 4,550,105 | \$ 140,733             | \$ 66,370           | \$ 3,334              | \$ 4,760,542 |
| Loss allowance               | 16,273       | 9,890                  | 41,170              | 3,334                 | 70,667       |

- 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:

|                            | 2020             |                     |                 |
|----------------------------|------------------|---------------------|-----------------|
|                            | Notes receivable | Accounts receivable |                 |
| At January 1               | \$ -             | (\$ 63,235)         |                 |
| Effect of foreign exchange | -                | 505                 |                 |
| At September 30            | \$ -             | (\$ 62,730)         |                 |
|                            | 2019             |                     |                 |
|                            | Notes receivable | Accounts receivable | Contract assets |
| At January 1               | \$ -             | (\$ 71,033)         | \$ -            |
| Effect of foreign exchange | -                | 366                 | -               |
| At September 30            | \$ -             | (\$ 70,667)         | \$ -            |

(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, 2020, December 31, 2019 and September 30, 2019, the Group held money market position of \$36,734,803, \$45,081,174 and \$47,706,010, 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.

|  | <u>Less<br/>than 1 year</u> | <u>Between 1 and<br/>2 years</u> | <u>Between 2 and<br/>5 years</u> | <u>More<br/>than 5 years</u> |
|--|-----------------------------|----------------------------------|----------------------------------|------------------------------|
| Long-term borrowings<br>(including current<br>portion) |                             |                                  |                                  |                              |
| September 30, 2020                                     | \$ 58,058                   | \$ 8,229,030                     | \$ 700,000                       | \$ -                         |
| December 31, 2019                                      | 59,891                      | 4,259,892                        | 2,200,000                        | -                            |
| September 30, 2019                                     | 130,428                     | 5,561,769                        | 2,430,885                        | -                            |
| Lease liability  |                             |                                  |                                  |                              |
| September 30, 2020                                     | \$ 137,977                  | \$ 118,430                       | \$ 255,907                       | \$ 296,645                   |
| December 31, 2019                                      | 130,043                     | 106,487                          | 232,019                          | 381,246                      |
| September 30, 2019                                     | 133,539                     | 129,307                          | 276,513                          | 332,671                      |

- (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, 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 |                     |                  |                    |                     |
| 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> |
| <br>  |                     |                  |                    |                     |
| <u>December 31, 2019</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  | \$ -                | \$ 119           | \$ -               | \$ 119              |
| Financial assets at fair value through other comprehensive income |                     |                  |                    |                     |
| Equity securities   | <u>37,356,695</u>   | <u>346,800</u>   | <u>4,191,338</u>   | <u>41,894,833</u>   |
|   | <u>\$37,356,695</u> | <u>\$346,919</u> | <u>\$4,191,338</u> | <u>\$41,894,952</u> |
| Liabilities   |                     |                  |                    |                     |
| <u>Recurring fair value measurements</u>                          |                     |                  |                    |                     |
| Financial liabilities at fair value through profit or loss        |                     |                  |                    |                     |
| Forward exchange contracts  | \$ -                | \$ 80            | \$ -               | \$ 80               |

| <u>September 30, 2019</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  | \$ -                | \$ 625           | \$ -               | \$ 625              |
| Financial assets at fair value through other comprehensive income |                     |                  |                    |                     |
| Equity securities   | <u>40,111,015</u>   | <u>333,100</u>   | <u>4,992,040</u>   | <u>45,436,155</u>   |
|   | <u>\$40,111,015</u> | <u>\$333,725</u> | <u>\$4,992,040</u> | <u>\$45,436,780</u> |
| Liabilities   |                     |                  |                    |                     |
| <u>Recurring fair value measurements</u>                          |                     |                  |                    |                     |
| Financial liabilities at fair value through profit or loss        |                     |                  |                    |                     |
| Forward exchange contracts  | <u>\$ -</u>         | <u>\$ 448</u>    | <u>\$ -</u>        | <u>\$ 448</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 | Closing price        | Net asset value      |

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

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

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

D. For the nine months ended September 30, 2020 and 2019, 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, 2020 and 2019:

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

|   | <u>Nine months ended September 30, 2019</u> |                  |
|---|---|------------------|
|   | <u>Non-derivative equity instruments</u>    |                  |
| At January 1  | \$  | 5,868,738        |
| Gains and losses recognized in other comprehensive income   |   |                  |
| Recorded as unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | (   | 932,240)         |
| Effect of exchange rate changes   |   | 55,542           |
| At September 30   | \$  | <u>4,992,040</u> |

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

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

G. The following is the qualitative information on 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<br>September<br>30, 2020 | Valuation<br>technique      | Significant<br>unobservable input   | Relationship<br>of inputs to fair value   |
|-----------------------------------|--|-----------------------------|---|---|
| Non-derivative equity instrument: |  |                             |   |   |
| Unlisted shares                   | \$ 461,663                             | 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 |
|                                   | 2,617,687                              | Net asset value             | Not applicable  | Not applicable  |
|                                   | Fair value at<br>December 31,<br>2019  | Valuation<br>technique      | Significant<br>unobservable input   | Relationship<br>of inputs to fair value   |
| Non-derivative equity instrument: |  |                             |   |   |
| Unlisted shares                   | \$ 415,853                             | Market comparable companies | Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability | The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value |
|                                   | 3,775,485                              | Net asset value             | Not applicable  | Not applicable  |

|   | Fair value at<br>September<br>30, 2019 | Valuation<br>technique            | Significant<br>unobservable input   | Relationship<br>of inputs to fair value  |
|---|--|-----------------------------------|---|--|
| Non-derivative<br>equity<br>instrument: |  |                                   |   |  |
| Unlisted shares                         | \$ 450,364                             | Market<br>comparable<br>companies | Price to earnings ratio<br>multiple, price to book<br>ratio multiple,<br>enterprise value to<br>operating income ratio<br>multiple, enterprise<br>value to EBITA<br>multiple, discount for<br>lack of marketability | The higher the multiple<br>and control premium, the<br>higher the fair value;<br>the higher the discount for<br>lack of marketability, the<br>lower the fair value |
|   | 4,541,676                              | Net asset<br>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, 2020</u>           |  |               |                              |                                |
|-------------------------------------|--|---------------|------------------------------|--------------------------------|
| <u>Recognized in profit or loss</u> |  |               |                              |                                |
|                                     | <u>Input</u>   | <u>Change</u> | <u>Favourable<br/>change</u> | <u>Unfavourable<br/>change</u> |
| Financial assets                    |  |               |                              |                                |
| Equity instrument                   | Price to earnings ratio multiple,<br>price to book ratio multiple,<br>enterprise value to EBITA<br>multiple, discount for lack of<br>marketability | ±1%           | \$ 4,617                     | \$ 4,617                       |

|                   |  | <u>December 31, 2019</u>            |                              |                                |
|-------------------|--|-------------------------------------|------------------------------|--------------------------------|
|                   |  | <u>Recognized in profit or loss</u> |                              |                                |
|                   |  | <u>Change</u>                       | <u>Favourable<br/>change</u> | <u>Unfavourable<br/>change</u> |
|                   |  | <u>Input</u>                        |                              |                                |
| Financial assets  |  |                                     |                              |                                |
| Equity instrument | Price to earnings ratio multiple,<br>price to book ratio multiple,<br>enterprise value to EBITA<br>multiple, discount for lack of<br>marketability | ±1%                                 | <u>\$ 4,159</u>              | <u>\$ 4,159</u>                |

|                   |  | <u>September 30, 2019</u>           |                              |                                |
|-------------------|--|-------------------------------------|------------------------------|--------------------------------|
|                   |  | <u>Recognized in profit or loss</u> |                              |                                |
|                   |  | <u>Change</u>                       | <u>Favourable<br/>change</u> | <u>Unfavourable<br/>change</u> |
|                   |  | <u>Input</u>                        |                              |                                |
| Financial assets  |  |                                     |                              |                                |
| Equity instrument | Price to earnings ratio multiple,<br>price to book ratio multiple,<br>enterprise value to EBITA<br>multiple, discount for lack of<br>marketability | ±1%                                 | <u>\$ 4,504</u>              | <u>\$ 4,504</u>                |

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the nine months ended September 30, 2020 are stated as follows. Furthermore, the inter-company transactions were eliminated based on the financial statements of investees which were not reviewed by other independent auditors, except for the reviewed financial statements of Formosa Advanced Technologies Co., Ltd. The following disclosures are for reference only.

A. Loans to others: None.

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

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

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

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

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

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

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(12) 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 four reportable segments: First business group, Second business group consisting of Cord fabric department, Gasoline department and Formosa Advanced Technologies Co., Ltd. (FATC) department. Details are as follows:
  - (a) First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries—Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Hong Kong) Co., Ltd., etc.
  - (b) Cord fabric department: Mainly produces and provides tire cords.
  - (c) Gasoline department: Mainly operates gasoline stations, sells gasoline and provides car washing.

##### (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, 2020 |                           |                        |                     |                             |                            |                      |
|--------------------------|--------------------------------------|---------------------------|------------------------|---------------------|-----------------------------|----------------------------|----------------------|
|                          | First business<br>group              | Second business group     |                        |                     | Adjustment<br>and write-off | Discontinued<br>operations | Total                |
|                          |                                      | Cord fabric<br>department | Gasoline<br>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    | <u>683,803</u>                       | <u>72,031</u>             | <u>-</u>               | <u>144,849</u>      | <u>( 900,683)</u>           | <u>-</u>                   | <u>-</u>             |
| Total segment<br>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>                | \$ 22,390,832        |
| Long-term investments    |                                      |                           |                        |                     |                             |                            | 9,304,568            |
| General assets           |                                      |                           |                        |                     |                             |                            | <u>39,558,253</u>    |
| Total assets             |                                      |                           |                        |                     |                             |                            | <u>\$ 71,253,653</u> |

Nine months ended September 30, 2019

|                        | Second business group |                        |                     |                     |                     |                          | Discontinued operations | Total                |
|------------------------|-----------------------|------------------------|---------------------|---------------------|---------------------|--------------------------|-------------------------|----------------------|
|                        | First business group  | Cord fabric department | Gasoline department | Other segment       | FATC department     | Adjustment and write-off |                         |                      |
| <u>Segment revenue</u> |                       |                        |                     |                     |                     |                          |                         |                      |
| Revenue from           |                       |                        |                     |                     |                     |                          |                         |                      |
| external customers     | \$ 12,367,703         | \$ 5,986,294           | \$ 8,841,303        | \$ 1,335,958        | \$ 6,899,134        | \$ -                     | (\$ 6,986,532)          | \$ 28,443,860        |
| Inter-segment revenue  | <u>1,166,406</u>      | <u>251,747</u>         | <u>-</u>            | <u>222,141</u>      | <u>-</u>            | <u>( 1,640,294)</u>      | <u>-</u>                | <u>-</u>             |
| Total segment revenue  | <u>\$ 13,534,109</u>  | <u>\$ 6,238,041</u>    | <u>\$ 8,841,303</u> | <u>\$ 1,558,099</u> | <u>\$ 6,899,134</u> | <u>(\$ 1,640,294)</u>    | <u>(\$ 6,986,532)</u>   | <u>\$ 28,443,860</u> |
| Segment income         | <u>\$ 3,691,445</u>   | <u>(\$ 25,300)</u>     | <u>\$ 329,136</u>   | <u>\$ 58,698</u>    | <u>\$ 1,218,713</u> | <u>(\$ 1,054,606)</u>    | <u>(\$ 957,739)</u>     | <u>\$ 3,260,347</u>  |
| <u>Segment assets</u>  |                       |                        |                     |                     |                     |                          |                         |                      |
| Identifiable assets    | <u>\$ 14,593,354</u>  | <u>\$ 6,607,639</u>    | <u>\$ 1,282,502</u> | <u>\$ 3,245,612</u> | <u>\$ 7,967,989</u> | <u>(\$ 3,525)</u>        | <u>(\$ 7,970,167)</u>   | \$ 25,723,404        |
| Long-term investments  |                       |                        |                     |                     |                     |                          |                         | 3,361,131            |
| General assets         |                       |                        |                     |                     |                     |                          |                         | <u>60,233,202</u>    |
| Total assets           |                       |                        |                     |                     |                     |                          |                         | <u>\$ 89,317,737</u> |

(4) Reconciliation for segment income (loss)

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine months ended September 30, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| Number<br>(Note 1) | Endorser/<br>guarantor              | Party being<br>endorsed/guaranteed<br>Company name | Relationship<br>with the<br>endorser/<br>guarantor<br>(Note 2) | Limit on<br>endorsements/<br>provided for a<br>single party<br>(Note 3,8) | Maximum   | Outstanding   | Actual amount<br>drawn down<br>(Note 6) | Amount of<br>endorsements/<br>guarantees<br>secured with<br>collateral | Ratio of  | Ceiling on<br>total amount of<br>endorsements/<br>guarantees<br>provided<br>(Note 3,8) | Provision of<br>endorsements/<br>guarantees by<br>parent<br>company to<br>subsidiary<br>(Note 7) | Provision of<br>endorsements/<br>guarantees by<br>subsidiary to<br>parent<br>company<br>(Note 7) | Provision of<br>endorsements/g<br>uarantees to the<br>party in<br>Mainland<br>China<br>(Note 7) | Footnote |
|--------------------|-------------------------------------|--|--|---|---|---|---|--|---|--|--|--|---|----------|
|                    |                                     |  |  |   | outstanding<br>endorsement/<br>guarantee<br>amount as of<br>September 30,<br>2020<br>(Note 4) | endorsement/<br>guarantee<br>amount at<br>September 30,<br>2020<br>(Note 5) |   |  | accumulated<br>endorsement/<br>guarantee amount<br>of the endorser/<br>guarantor<br>company |  |  |  |   |          |
| 0                  | FORMOSA<br>TAFFETA CO.,<br>LTD.     | FORMOSA TAFFETA<br>(ZHONG SHAN) CO.,<br>LTD.       | 2  | \$ 34,667,451   | \$ 998,250  | \$ 960,300  | \$ 14,550                               | \$ -   | 1.80  | \$ 69,334,902  | Y  | N  | Y   |          |
| 0                  | FORMOSA<br>TAFFETA CO.,<br>LTD.     | FORMOSA TAFFETA<br>VIETNAM CO., LTD.               | 2  | 34,667,451  | 1,603,250   | 1,542,300   | 381,867                                 | -  | 2.89  | \$ 69,334,902  | Y  | N  | N   |          |
| 0                  | FORMOSA<br>TAFFETA CO.,<br>LTD.     | FORMOSA TAFFETA<br>(CHANGSHU) CO.,<br>LTD.         | 2  | 34,667,451  | 1,663,750   | 1,600,500   | 375,424                                 | -  | 3.00  | \$ 69,334,902  | Y  | N  | Y   |          |
| 0                  | FORMOSA<br>TAFFETA CO.,<br>LTD.     | FORMOSA TAFFETA<br>DONG NAI CO., LTD.              | 2  | 34,667,451  | 4,295,500   | 4,132,200   | 2,642,773                               | -  | 7.75  | \$ 69,334,902  | Y  | N  | N   |          |
| 0                  | FORMOSA<br>TAFFETA CO.,<br>LTD.     | FORMOSA HA TINH<br>(CAYMAN) LIMITED                | 6  | 34,667,451  | 7,017,217   | 6,632,901   | 6,632,901                               | -  | 12.44   | \$ 69,334,902  | N  | N  | N   |          |
| 1                  | FORMOSA<br>DEVELOPMENT<br>CO., LTD. | PUBLIC MORE<br>INTERNATIONAL<br>COMPANY LTD.       | 2  | 185,030   | 3,000   | -   | -                                       | -  | -   | 370,060  | Y  | N  | N   |          |

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

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

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

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

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

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

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

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

Note 5: Fill in the amount approved by the Board of Directors or the 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, 2020

Table 2 Expressed in thousands of NTD  
(Except as otherwise indicated)

| Securities held by        | Marketable securities<br>(Note 1)            | Relationship with the<br>securities issuer (Note 2) | General<br>ledger account   | As of September 30, 2020 |            |               |            | Footnote<br>(Note 4) |
|---------------------------|--|---|---|--------------------------|------------|---------------|------------|----------------------|
|                           |  |   |   | Book value               |            | Ownership (%) | Fair value |                      |
|                           |  |   |   | Number of shares         | (Note 3)   |               |            |                      |
| FORMOSA TAFFETA CO., LTD. | FORMOSA CHEMICALS &<br>FIBRE CORPORATION     | Ultimate parent company                             | Current financial assets at fair value  | 12,169,610               | \$ 823,882 | 0.21          | \$ 823,882 |                      |
| FORMOSA TAFFETA CO., LTD. | PACIFIC ELECTRIC WIRE<br>AND CABLE CO., LTD. | -   | through other comprehensive income<br>Current financial assets at fair value  | 32                       | -          | -             | -          |                      |
| FORMOSA TAFFETA CO., LTD. | FORMOSA PLASTICS<br>CORPORATION              | Other related party                                 | through other comprehensive income<br>Current financial assets at fair value  | 640                      | 50         | -             | 50         |                      |
| FORMOSA TAFFETA CO., LTD. | NAN YA PLASTICS<br>CORPORATION               | Other related party                                 | through other comprehensive income<br>Current financial assets at fair value  | 482,194                  | 28,691     | 0.01          | 28,691     |                      |
| FORMOSA TAFFETA CO., LTD. | ASIA PACIFIC INVESTMENT<br>CO. (APIC)        | Other related party                                 | through other comprehensive income<br>Current financial assets at fair value  | 10,000,000               | 291,199    | 2.35          | 291,199    |                      |
| FORMOSA TAFFETA CO., LTD. | NAN YA TECHNOLOGY<br>CORPORATION             | Other related party                                 | through other comprehensive income<br>Non-current financial assets at fair<br>value through other comprehensive<br>income | 7,711,010                | 443,383    | 0.25          | 443,383    |                      |
| FORMOSA TAFFETA CO., LTD. | FORMOSA<br>PETROCHEMICAL CORP.               | Other related party                                 | through other comprehensive income<br>Non-current financial assets at fair<br>value through other comprehensive<br>income | 365,267,576              | 29,221,406 | 3.83          | 29,221,406 |                      |
| FORMOSA TAFFETA CO., LTD. | SYNTRONIX CORPORATION                        | -   | through other comprehensive income<br>Non-current financial assets at fair<br>value through other comprehensive<br>income | 191,885                  | 6,481      | 0.45          | 6,481      |                      |
| FORMOSA TAFFETA CO., LTD. | TOA RESIN CORPORATION<br>LIMITED             | Other related party                                 | through other comprehensive income<br>Non-current financial assets at fair<br>value through other comprehensive<br>income | 14,400                   | 38,345     | 10.00         | 38,345     |                      |
| FORMOSA TAFFETA CO., LTD. | SHIN YUN GAS CO., LTD.                       | -   | through other comprehensive income<br>Non-current financial assets at fair<br>value through other comprehensive<br>income | 789,000                  | 20,699     | 1.20          | 20,699     |                      |

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, 2020

Table 2 Expressed in thousands of NTD  
(Except as otherwise indicated)

| Securities held by               | Marketable securities<br>(Note 1)   | Relationship with the<br>securities issuer (Note 2) | General<br>ledger account   | As of September 30, 2020 |                        |               |            | Footnote<br>(Note 4) |
|----------------------------------|-------------------------------------|---|---|--------------------------|------------------------|---------------|------------|----------------------|
|                                  |                                     |   |   | Number of shares         | Book value<br>(Note 3) | Ownership (%) | Fair value |                      |
| FORMOSA TAFFETA CO., LTD.        | WK TECHNOLOGY FUND<br>IV LIMITED    | -   | Non-current financial assets at fair<br>value through other comprehensive<br>income | 1,348,731                | \$ 11,617              | 3.17          | \$ 11,617  |                      |
| FORMOSA TAFFETA CO., LTD.        | FG INC                              | Other related party                                 | Non-current financial assets at fair<br>value through other comprehensive<br>income | 600                      | 329,122                | 3.00          | 329,122    |                      |
| FORMOSA TAFFETA CO., LTD.        | NKFG                                | Other related party                                 | Non-current financial assets at fair<br>value through other comprehensive<br>income | 5,540,000                | 55,400                 | 2.50          | 55,400     |                      |
| FORMOSA TAFFETA CO., LTD.        | FORMOSA HA TINH<br>(CAYMAN) LIMITED | Other related party                                 | Non-current financial assets at fair<br>value through other comprehensive<br>income | 209,010,676              | 2,617,687              | 3.85          | 2,617,687  |                      |
| FORMOSA DEVELOPMENT CO.,<br>LTD. | FORMOSA TAFFETA CO.,<br>LTD.        | Parent company                                      | Non-current financial assets at fair<br>value through other comprehensive<br>income | 2,193,228                | 68,538                 | 0.13          | 68,538     |                      |

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the nine months ended September 30, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor                  | Marketable securities (Note 1) | General ledger account                            | Counterparty (Note 2) | Relationship with the investor (Note 2) | Balance as at January 1, 2020 |        | Addition (Note 3)(Note 4) |              | Disposal (Note 3) |               |            | Balance as at September 30, 2020 |                  | Note   |                 |  |
|---------------------------|--------------------------------|---|-----------------------|---|-------------------------------|--------|---------------------------|--------------|-------------------|---------------|------------|----------------------------------|------------------|--------|-----------------|--|
|                           |                                |   |                       |   | Number of shares              | Amount | Number of shares          | Amount       | Number of shares  | Selling price | Book value | Gain (loss) on disposal          | Number of shares |        | Amount (Note 5) |  |
| FORMOSA TAFFETA CO., LTD. | SCHOELLER TEXTIL AG            | Investments accounted for using the equity method | SCHOELLER TEXTIL AG   | Associate                               | -                             | \$ -   | 21,874                    | \$ 1,285,507 | -                 | \$ -          | \$ -       | \$ -                             | -                | 21,874 | \$ 1,238,843    |  |

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

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

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

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

Note 5: The difference between the amount of January 1, 2020 plus the purchases and minus the sales during the period, and the amount of September 30, 2020 is to recognize investment losses and financial statements translation differences of foreign operations.

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, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Purchaser/seller                       | Counterparty                          | Relationship with the counterparty | Transaction       |              |                                       | Differences in transaction terms compared to third party transactions (Note 1) |            | Notes/accounts receivable (payable) |                     |   | Footnote (Note 2) |
|--|---------------------------------------|------------------------------------|-------------------|--------------|---------------------------------------|--|------------|-------------------------------------|---------------------|---|-------------------|
|  |                                       |                                    | Purchases (sales) | Amount       | Percentage of total purchases (sales) | Credit term  | Unit price | Credit term                         | Balance             | Percentage of total notes/accounts receivable (payable) |                   |
| FORMOSA TAFFETA CO., LTD.              | QUANG VIET ENTERPRISE CO., LTD.       | Associate                          | Sales             | (\$ 230,960) | ( 1.43)                               | Pay by mail transfer 60 days after delivery                                    | \$ -       | -                                   | Accounts receivable | \$ 18,013   | 1.01              |
| FORMOSA TAFFETA CO., LTD.              | YUGEN YUEH CO., LTD.                  | Other related party                | Sales             | ( 181,185)   | ( 1.12)                               | Pay 120 days after delivery  | -          | -                                   | Accounts receivable | 30,651  | 1.72              |
| FORMOSA TAFFETA CO., LTD.              | FORMOSA TAFFETA DONG NAI CO., LTD.    | Subsidiary                         | Sales             | ( 121,390)   | ( 0.75)                               | 60 days after monthly billings   | -          | -                                   | Accounts receivable | 16,645  | 0.93              |
| FORMOSA TAFFETA CO., LTD.              | FORMOSA PETROCHEMICAL CORP. (FPCC)    | Other related party                | Purchases         | 6,009,980    | 26.38                                 | Pay every 15 days by mail transfer   | -          | -                                   | Accounts payable    | ( 390,611)  | ( 31.91)          |
| FORMOSA TAFFETA CO., LTD.              | FORMOSA CHEMICALS & FIBRE CORPORATION | Ultimate parent company            | Purchases         | 712,013      | 3.13                                  | Draw promissory notes due in 2 months after inspection                         | -          | -                                   | Notes payable       | ( 71,168)   | ( 5.81)           |
|  |                                       |                                    |                   |              |                                       |  |            |                                     | Accounts payable    | ( 180,994)  | ( 14.79)          |
| FORMOSA TAFFETA CO., LTD.              | NAN YA PLASTICS CORPORATION           | Other related party                | Purchases         | 442,010      | 1.94                                  | Pay every 15 days by mail transfer   | -          | -                                   | Accounts payable    | ( 39,550)   | ( 3.23)           |
| FORMOSA TAFFETA CO., LTD.              | FORMOSA PLASTICS CORP.                | Other related party                | Purchases         | 156,654      | 0.69                                  | Pay every 15 days by mail transfer   | -          | -                                   | Accounts payable    | ( 16,825)   | ( 1.37)           |
| FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. | FORMOSA TAFFETA (CHANGSHU) CO., LTD.  | Associate                          | Sales             | ( 177,162)   | ( 17.55)                              | 60 days after monthly billings   | -          | -                                   | Accounts receivable | 79,036  | 47.91             |
| FORMOSA TAFFETA DONG NAI CO., LTD.     | FORMOSA TAFFETA VIETNAM CO., LTD.     | Associate                          | Sales             | ( 153,720)   | ( 5.78)                               | 60 days after monthly billings   | -          | -                                   | Accounts receivable | 32,071  | 4.99              |
| FORMOSA TAFFETA DONG NAI CO., LTD.     | FORMOSA TAFFETA CO., LTD.             | Parent company                     | Sales             | ( 126,640)   | ( 4.77)                               | 60 days after monthly billings   | -          | -                                   | Accounts receivable | 14,863  | 2.31              |

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, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Purchaser/seller                      | Counterparty                             | Relationship with the<br>counterparty | Transaction       |                |   | Differences in transaction<br>terms compared to third party<br>transactions<br>(Note 1) |            | Notes/accounts receivable (payable) |                     |   | Footnote<br>(Note 2) |
|---------------------------------------|--|---------------------------------------|-------------------|----------------|---|---|------------|-------------------------------------|---------------------|---|----------------------|
|                                       |  |                                       | Purchases (sales) | Amount         | Percentage of<br>total purchases<br>(sales) | Credit term   | Unit price | Credit term                         | Balance             | Percentage of<br>total notes/accounts<br>receivable (payable) |                      |
| FORMOSA TAFFETA DONG NAI<br>CO., LTD. | KWANG VIET<br>GARMENT CO., LTD.          | Other related party                   | Sales             | (\$ 223,497) ( | 8.41)                                       | 60 days after<br>monthly<br>billings  | \$ -       | -                                   | Accounts receivable | \$ 16,033   | 2.49                 |
| FORMOSA TAFFETA DONG NAI<br>CO., LTD. | FORMOSA INDUSTRY CO.,<br>LTD             | Associate                             | Purchases         | 346,824        | 8.69  | 60 days after<br>monthly<br>billings  | -          | -                                   | Accounts payable    | ( 33,576) (   | 9.21)                |
| FORMOSA TAFFETA DONG NAI<br>CO., LTD. | FORMOSA CHEMICALS &<br>FIBRE CORPORATION | Ultimate parent<br>company            | Purchases         | 385,842        | 9.67  | 60 days after<br>monthly<br>billings  | -          | -                                   | Accounts payable    | ( 54,663) (   | 14.99)               |
| FORMOSA TAFFETA VIETNAM CO.,<br>LTD.  | KWANG VIET<br>GARMENT CO., LTD.          | Other related party                   | Sales             | ( 123,618) (   | 7.42)                                       | 60 days after<br>monthly<br>billings  | -          | -                                   | Accounts receivable | 16,428  | 4.18                 |

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  
Significant inter-company transactions during the reporting period  
For the nine months ended September 30, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Number<br>(Note 1) | Company name              | Counterparty                             | Relationship<br>(Note 2) | Transaction            |            |   | Percentage of consolidated total operating<br>revenues or total assets (Note 3) |
|--------------------|---------------------------|--|--------------------------|------------------------|------------|---|---|
|                    |                           |  |                          | General ledger account | Amount     | Transaction terms   |   |
| 0                  | FORMOSA TAFFETA CO., LTD. | FORMOSA CHEMICALS &<br>FIBRE CORPORATION | 1                        | Purchases              | \$ 712,013 | Draw promissory notes due in<br>2 months after inspection | 3.29  |
| 0                  | FORMOSA TAFFETA CO., LTD. | FORMOSA CHEMICALS &<br>FIBRE CORPORATION | 1                        | Accounts payable       | 180,994    | Draw promissory notes due in<br>2 months after inspection | 0.25  |
| 0                  | FORMOSA TAFFETA CO., LTD. | FORMOSA CHEMICALS &<br>FIBRE CORPORATION | 1                        | Notes payable          | 71,168     | Draw promissory notes due in<br>2 months after inspection | 0.10  |

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, 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor                  | Investee<br>(Notes 1 and 2)             | Location  | Main business activities  | Initial investment amount |                   | Shares held as at September 30, 2020 |               |             | 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, 2020        | December 31, 2019 |                                      |               |             | months ended September       | company for the nine     |          |
|                           |   |           |   |                           |                   |                                      |               | 30, 2020    | 30, 2020                     |                          |          |
|                           |   |           |   |                           |                   |                                      |               | (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        | \$ 220,832  | \$ 21,669                    | \$ 16,186                |          |
| FORMOSA TAFFETA CO., LTD. | FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | Taiwan    | IC assembly, testing and modules  | 2,681,906                 | 2,681,906         | 135,686,472                          | 30.68         | 4,703,807   | 1,086,685                    | 333,117                  |          |
| 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        | 1,173,851   | 33,302                       | 33,302                   |          |
| 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        | 2,098,490   | 30,928                       | 30,928                   |          |
| 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         | 1,193,800   | 476,125                      | 78,185                   |          |
| FORMOSA TAFFETA CO., LTD. | SCHOELLER FTC (HONG KONG) CO., LTD.     | Hong Kong | Trading of textiles   | -                         | 2,958             | -                                    | 0.00          | -           | - (                          | 242)                     |          |
| 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        | 2,231,840 ( | 16,311) (                    | 16,311)                  |          |

## FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

## Information on investees

For the nine months ended September 30, 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor                               | Investee<br>(Notes 1 and 2)             | Location       | Main business activities   | Initial investment amount |                   | Shares held as at September 30, 2020 |               |              | 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, 2020        | December 31, 2019 |                                      |               |              | months ended September       | company for the nine     |          |
|  |   |                |  |                           |                   |                                      |               | 30, 2020     | 30, 2020                     |                          |          |
|  |   |                |  |                           |                   |                                      |               | (Note 2(2))  | (Note 2(3))                  |                          |          |
| 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            | \$ 1,954,089 | \$ 71,717                    | \$ 7,172                 |          |
| FORMOSA TAFFETA CO., LTD.              | FORMOSA TAFFETA (CAYMAN) LIMITED        | Cayman Islands | Investments  | 957,500                   | 6,241,670         | -                                    | 100.00        | 2,617,737    | -                            | -                        |          |
| FORMOSA TAFFETA CO., LTD.              | SCHOELLER TEXTIL AG                     | Switzerland    | Textile R&D, production and sales  | 1,285,507                 | -                 | 21,874                               | 50.00         | 1,238,843    | ( 75,991)                    | ( 37,996)                |          |
| FORMOSA TAFFETA CO., LTD.              | NAN YA PHOTONICS INCORPORATION          | Taiwan         | Manufacturing, installing, and supervising the engineer design of LED illumination systems/illumination arrangements                     | 179,204                   | -                 | 7,013,871                            | 15.22         | 181,118      | 4,683                        | 2,600                    |          |
| FORMOSA DEVELOPMENT CO., LTD.          | FORMOSA ADVANCED TECHNOLOGIES CO., LTD. | Taiwan         | IC assembly, testing and modules   | 21,119                    | 21,119            | 469,500                              | 0.11          | 16,321       | 1,086,685                    | 1,157                    |          |
| FORMOSA DEVELOPMENT CO., LTD.          | PUBLIC MORE INTERNATIONAL COMPANY LTD.  | Taiwan         | Employment service, manpower allocation and agency service etc   | 5,000                     | 5,000             | -                                    | 100.00        | 12,339       | 5,403                        | 5,403                    |          |
| 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                     | -                 | 10,000                               | 0.01          | 1,042        | 476,125                      | 48                       |          |

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, 2020' 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, 2020' 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, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the nine months ended September 30, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland<br>China                                     | Main business activities   | Paid-in capital | Investment<br>method<br>(Note 1) | Accumulated<br>amount of<br>remittance from<br>Taiwan to<br>Mainland China as<br>of January 1, 2020 | Amount remitted from Taiwan<br>to Mainland China/<br>Amount remitted back<br>to Taiwan for the nine months<br>ended September 30, 2020 |                            | Accumulated amount<br>of remittance from<br>Taiwan to Mainland<br>China as of<br>September 30, 2020 | Net income<br>of investee<br>for the nine<br>months<br>ended<br>September<br>30,<br>2020 | Ownership<br>held by the<br>Company<br>(direct or<br>indirect) | Investment income<br>(loss) recognized by<br>the Company for the<br>nine months ended<br>September 30, 2020<br>(Note 2) | Book value of<br>investments in<br>Mainland China<br>as of September<br>30, 2020 | Accumulated<br>amount of<br>investment<br>income remitted<br>back to Taiwan<br>as of September<br>30, 2020 | Footnote |
|---|--|-----------------|----------------------------------|---|--|----------------------------|---|--|--|---|--|--|----------|
|   |  |                 |                                  |   | Remitted to<br>Mainland China  | Remitted back<br>to Taiwan |   |  |  |   |  |  |          |
| FORMOSA TAFFETA<br>(ZHONG SHAN) CO.,<br>LTD.                      | Production and sale of<br>polyester and polyamide<br>fabrics   | \$ 1,402,085    | (1)                              | \$ 1,402,085  | \$ -   | \$ -                       | \$ 1,402,085  | \$ 52,842  | 100.00   | \$ 52,842   | \$ 1,778,532   | \$ -   | Note 3   |
| XIAMEN XIANGYU<br>FORMOSA IMPORT &<br>EXPORT TRADING<br>CO., LTD. | Import and export, entrepot<br>trade, merchandise export<br>processing, warehousing<br>and design and drawing of<br>black and white and colour<br>graphs | 15,273          | (1)                              | 15,273  | -  | 12,008                     | 3,265   | ( 347)   | 100.00   | ( 347)  | -  | -  | Note 4   |
| FORMOSA TAFFETA<br>(CHANGSHU) CO., LTD.                           | Weaving and dyeing as<br>well as post dressing of<br>high-grade loomage face<br>fabric   | 1,302,019       | (2)                              | 1,334,739   | -  | -                          | 1,334,739   | 34,180   | 100.00   | 34,180  | 1,060,887  | -  | Note 5   |
| CHANG SHU YU<br>YUAN<br>DEVELOPMENT.CO.,<br>LTD.                  | Building and selling real<br>estate  | 70,788          | (2)                              | -   | -  | -                          | -   | ( 56)  | 40.78  | ( 23)   | 15,548   | -  | Note 6   |

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

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

Note 2: The amount of 'Investment income (loss) recognized by the Company for the nine months ended September 30, 2020 was derived from financial statements which were 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, 2020 and September 30, 2020 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, 2020 are both US\$570,000.

In July 2020, the Company has been dissolved, and the remaining property US\$409,496 has been remitted to Taiwan.

Note 5: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 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, 2020 was US\$41,100,000.

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

| Company name                           | Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020 | 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  | \$ 1,351,632   | \$ 32,000,724   |
| FORMOSA TAFFETA (CHANGSHU) CO., LTD.   | 1,334,739   | 1,223,460  | 32,000,724  |

Note :

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

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

In August 2020, the investment of XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. has been written off by the Investment Commission of the Ministry of Economic Affairs (MOEA).

(3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US\$42,000,000.

Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.

(4)The original currency of paid-in capital was translated at USD:TWD = 1:29.13

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, 2020

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, 2020 | %    | Balance at September 30, 2020                       | Purpose   | Maximum balance during the nine months ended September 30, 2020 | Balance at September 30, 2020 | Interest rate | Interest during the nine months ended September 30, 2020 |        |
| FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. | \$ 8,283        | 0.05 | \$ -                 | - | \$ 932                        | 0.05 | \$ 998,250  | For short-tem loans from financial institutions | \$ -  | \$ -                          | -             | \$ -   | -      |
| FORMOSA TAFFETA (CHANGSHU) CO., LTD.   | 15,992          | 0.10 | -                    | - | 5,939                         | 0.33 | 1,663,750   | 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, 2020

Table 9

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