FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Valuation of allowance for uncollectible accounts

Description

Refer to Note 4(10) for accounting policy on impairment of financial assets, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2019, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT$3,115,039 thousand and NT$63,235 thousand, respectively.

The Group assesses the collectability of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Group recognizes impairment with a credit to accounts receivable. The Group examines the reasonableness periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, and given the significance of accounts receivable and allowance for uncollectible accounts to the financial statements, we consider the valuation of allowance for uncollectible accounts a key audit matter

How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for uncollectible accounts include:

A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;

B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and

C. Testing collections after balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventory

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5(3) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation loss. As of December 31, 2019, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$9,089,670 thousand and NT$1,006,031 thousand, respectively.

The Group is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realizable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for inventory valuation loss include:

A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realizable value;
B. Understanding the inventory management procedures, examining and participating in annual physical count and assessing the effectiveness of inventory management and inventory classification determined by management; and
C. Checking the method in calculating the net realizable value of inventory and assessing the reasonableness of allowance for valuation loss.

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

As stated in Note 6(6) of the 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. Accordingly, the Company recognized gain on disposal of $2,016,760 thousand in 2019. Our opinion is not modified in respect of this matter.

Other matter – Audits of other independent auditors

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using equity method) of NT$12,525,080 thousand and NT$11,856,625 thousand, constituting 16% and 13% of consolidated total assets as of December 31, 2019 and 2018, respectively, and operating income of NT$6,899,797 thousand and NT$6,050,124 thousand, constituting 19% and 14% of consolidated total operating income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiary and investees, is based solely on the audit reports of the other auditors.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Taffeta Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wu, Han-Chi Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2019

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

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)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,236,624	4	$ 3,391,896	4
1110	Financial assets at fair value through profit or loss - current	6(2)	119	-	479,490	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	1,446,808	2	3,674,217	4
1140	Current contract assets	6(19)	-	-	788,643	1
1150	Notes receivable, net	6(4)	27,399	-	116,511	-
1160	Notes receivable - related parties	7	6,395	-	4,429	-
1170	Accounts receivable, net	6(4)	3,115,039	4	4,110,277	4
1180	Accounts receivable - related parties	7	223,189	-	1,228,428	1
1200	Other receivables	7	365,837	1	326,802	-
130X	Inventory	6(5)	8,083,639	10	8,710,037	9
1410	Prepayments		683,781	1	457,003	1
1470	Other current assets		323,927	-	483,826	1
11XX	**Total current assets**		17,512,757	22	23,771,559	26
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	40,448,025	50	46,512,701	50
1550	Investments accounted for under equity method	6(6)	8,158,239	10	3,216,506	3
1600	Property, plant and equipment	6(7) and 8	12,698,739	16	18,770,958	20
1755	Right-of-use assets	6(8)	1,090,720	1	-	-
1760	Investment property, net	7	543,924	1	-	-
1840	Deferred income tax assets	6(25)	137,962	-	93,797	-
1900	Other non-current assets		171,507	-	660,972	1
15XX	**Total non-current assets**		63,249,116	78	69,254,934	74
1XXX	**Total assets**		$ 80,761,873	100	$ 93,026,493	100

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10) and 8	$ 3,753,377	5	$ 3,638,538	4
2120	Financial liabilities at fair value through profit or loss - current	6(11)	80	-	774	-
2150	Notes payable		221,426	-	251,576	-
2160	Notes payable - related parties	7	49,088	-	335,830	-
2170	Accounts payable		1,208,744	2	1,312,601	2
2180	Accounts payable - related parties	7	1,160,956	1	996,011	1
2200	Other payables	6(12) and 7	1,375,784	2	1,949,497	2
2230	Current income tax liabilities	6(25)	397,971	-	391,662	1
2280	Current lease liabilities	6(8)	130,043	-	-	-
2300	Other current liabilities	6(13)	185,281	-	314,741	-
21XX	**Total current liabilities**		8,482,750	10	9,191,230	10
	Non-current liabilities					
2540	Long-term borrowings	6(13)	6,459,892	8	8,022,299	9
2570	Deferred income tax liabilities	6(25)	373,749	-	292,165	-
2580	Non-current lease liabilities	6(8)	719,752	1	-	-
2600	Other non-current liabilities	6(14)	501,830	1	552,109	-
25XX	**Total non-current liabilities**		8,055,223	10	8,866,573	9
2XXX	**Total liabilities**		16,537,973	20	18,057,803	19
	Equity attributable to owners of parent					
	Share capital	6(15)				
3110	Share capital - common stock		16,846,646	21	16,846,646	18
	Capital surplus	6(16)				
3200	Capital surplus		1,289,642	2	1,268,860	1
	Retained earnings	6(17)				
3310	Legal reserve		8,041,335	10	7,567,594	8
3320	Special reserve		2,214,578	3	2,214,578	2
3350	Unappropriated retained earnings		10,835,955	13	9,743,048	11
	Other equity interest	6(18)				
3400	Other equity interest		25,010,157	31	31,291,978	34
3500	**Treasury stocks**	6(15)	(19,064)	-	(19,500)	-
31XX	**Equity attributable to owners of the parent**		64,219,249	80	68,913,204	74
36XX	**Non-controlling interest**	6(18)	4,651	-	6,055,486	7
3XXX	**Total equity**		64,223,900	80	74,968,690	81
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant event after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 80,761,873	100	$ 93,026,493	100

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Year ended December 31 2019 AMOUNT	%	2018 AMOUNT	%
4000	**Sales revenue**	6(19) and 7	$ 36,762,189	100	$ 35,759,528	100
5000	**Operating costs**	6(5)(22)(23) and 7	(33,002,349)	(90)	(32,212,776)	(90)
5900	**Net operating margin**		3,759,840	10	3,546,752	10
	Operating expenses	6(22)(23) and 7				
6100	Selling expenses		(1,822,061)	(5)	(1,755,658)	(5)
6200	General and administrative expenses		(870,469)	(2)	(906,961)	(2)
6000	**Total operating expenses**		(2,692,530)	(7)	(2,662,619)	(7)
6900	**Operating profit**		1,067,310	3	884,133	3
	Non-operating income and expenses					
7010	Other income	6(20) and 7	2,192,602	6	2,773,129	8
7020	Other gains and losses	6(21)	1,883,119	5	845,246	2
7050	Finance costs	6(24)	(218,381)	(1)	(211,414)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	239,308	1	238,313	1
7000	**Total non-operating income and expenses**		4,096,648	11	3,645,274	10
7900	**Profit before income tax**		5,163,958	14	4,529,407	13
7950	Income tax expense	6(25)	(537,021)	(1)	(629,000)	(2)
8000	**Profit for the year from continuing operations**		4,626,937	13	3,900,407	11
8100	Profit from discontinued operations	6(9)	1,202,530	3	1,420,293	4
8200	**Profit for the year**		$ 5,829,467	16	$ 5,320,700	15

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
	Other comprehensive income	6(18)				
	Components of other comprehensive income that will not be reclassified to profit or loss	6(3)				
8311	Actuarial gains (losses) on defined benefit plans		($ 83,820)	-	$ 150,329	1
8316	Unrealized gain on valuation of financial assets at fair value through other comprehensive income		(4,224,653)	(11)	(3,472,754)	(10)
8320	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method		(1,745,174)	(5)	1,071	-
8310	**Other comprehensive loss that will not be reclassified to profit or loss**		(6,053,647)	(16)	(3,321,354)	(9)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(246,306)	(1)	154,788	-
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for uner equity method		(64,499)	-	14,914	-
8360	**Other comprehensive (loss) income that will be reclassified to profit or loss**		(310,805)	(1)	169,702	-
8300	**Total other comprehensive loss for the year**		($ 6,364,452)	(17)	($ 3,151,652)	(9)
8500	**Total comprehensive (loss) income for the year**		($ 534,985)	(1)	$ 2,169,048	6
	Profit attributable to:					
8610	Owners of the parent		$ 5,188,729	14	$ 4,737,406	13
8620	Non-controlling interest		640,738	2	583,294	2
			$ 5,829,467	16	$ 5,320,700	15
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		($ 1,175,723)	(3)	$ 1,730,196	5
8720	Non-controlling interest		640,738	2	438,852	1
			($ 534,985)	(1)	$ 2,169,048	6

	Items	Notes	2019 Before Tax	2019 After Tax	2018 Before Tax	2018 After Tax
	Basic and diluted earnings per share (in dollars)	6(26)				
9710	Profit for the year from continuing operations		$ 3.06	$ 2.75	$ 2.69	$ 2.33
	Profit for the year from discontinued operations		0.91	0.71	1.04	0.84
	Non-controlling interest		(0.65)	(0.38)	(0.61)	(0.35)
9750	Profit attributable to common shareholders of the parent		$ 3.33	$ 3.08	$ 3.12	$ 2.82
	Assuming shares held by subsidiaries are not deemed as treasury stock:					
	Profit for the year from continuing operations		$ 3.06	$ 2.75	$ 2.69	$ 2.32
	Profit for the year from discontinued operations		0.91	0.71	1.04	0.84
	Non-controlling interest		(0.65)	(0.38)	(0.61)	(0.35)
	Profit attributable to common shareholders of the parent		$ 3.32	$ 3.08	$ 3.12	$ 2.81

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)

		Equity attributable to owners of the parent											
				Retained Earnings			Other Equity Interest						
	Notes	Share capital - common stock	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2018													
Balance at January 1, 2018		$ 16,846,646	$ 274,323	$ 7,139,607	$ 2,214,578	$ 5,398,225	($ 914,267)	$ -	$ 38,440,218	($ 19,935)	$ 69,379,395	$ 3,803,175	$ 73,182,570
Retrospective adjustments		-	-	-	-	4,890,917	-	33,680,146	(38,440,218)	-	130,845	33,939	164,784
Balance at January 1 after adjustments		16,846,646	274,323	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)	69,510,240	3,837,114	73,347,354
Profit for the year		-	-	-	-	4,737,406	-	-	-	-	4,737,406	583,294	5,320,700
Other comprehensive income (loss)		-	-	-	-	153,145	169,421	(3,329,776)	-	-	(3,007,210)	(144,442)	(3,151,652)
Total comprehensive income (loss)		-	-	-	-	4,890,551	169,421	(3,329,776)	-	-	1,730,196	438,852	2,169,048
Appropriations of 2017 earnings													
Legal reserve		-	-	427,987	-	(427,987)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,200,863)	-	-	-	-	(3,200,863)	-	(3,200,863)
Disposal of treasury stock	6(15)(16)	-	1,041	-	-	-	-	-	-	435	1,476	-	1,476
Changes in the net interest of associates recognized under the equity method	6(16)	-	5,264	-	-	1,562	-	(1,562)	-	-	5,264	-	5,264
Changes in share of consolidated subsidiaries		-	-	-	-	4,347	-	(3,804)	-	-	543	(20,129)	(19,586)
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	982,053	-	-	-	-	(118,806)	-	-	863,247	(1,105)	862,142
Adjustment of cash dividends paid to consolidated subsidiaries	6(16)	-	4,357	-	-	-	-	-	-	-	4,357	-	4,357
Expired cash dividends transferred to capital surplus	6(18)	-	1,822	-	-	-	-	-	-	-	1,822	-	1,822
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	(1,813,704)	-	1,810,626	-	-	(3,078)	3,114	36
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(380,089)	(380,089)
Increase in non-controlling interest		-	-	-	-	-	-	-	-	-	-	2,177,729	2,177,729
Balance at December 31, 2018		$ 16,846,646	$ 1,268,860	$ 7,567,594	$ 2,214,578	$ 9,743,048	($ 744,846)	$ 32,036,824	$ -	($ 19,500)	$ 68,913,204	$ 6,055,486	$ 74,968,690

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
				Retained Earnings			Other Equity Interest						
	Notes	Share capital - common stock	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2018													
Balance at January 1, 2019		$ 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
Profit for the year		-	-	-	-	5,188,729	-	-	-	-	5,188,729	640,738	5,829,467
Other comprehensive loss	6(18)	-	-	-	-	(83,820)	(310,805)	(5,969,827)	-	-	(6,364,452)	-	(6,364,452)
Total comprehensive income (loss)		-	-	-	-	5,104,909	(310,805)	(5,969,827)	-	-	(1,175,723)	640,738	(534,985)
Appropriations of 2018 earnings													
Legal reserve		-	-	473,741	-	(473,741)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,537,796)	-	-	-	-	(3,537,796)	-	(3,537,796)
Disposal of treasury stock	6(15)(16)	-	1,194	-	-	-	-	-	-	436	1,630	-	1,630
Changes in the net interest of associates recognized under the equity method	6(16)(18)	-	12,719	-	-	(1,654)	-	-	-	-	11,065	-	11,065
Expired cash dividends transferred to capital surplus		-	2,263	-	-	-	-	-	-	-	2,263	-	2,263
Stocks of the parent company bought by the subsidiary and recognized as treasury stock	6(16)	-	4,606	-	-	-	-	-	-	-	4,606	-	4,606
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	1,189	-	(1,189)	-	-	-	-	-
Cash dividends paid by consolidated subsidiaries	6(18)	-	-	-	-	-	-	-	-	-	-	(591,379)	(591,379)
Decrease in non-controlling interest	6(18)	-	-	-	-	-	-	-	-	-	-	(6,100,194)	(6,100,194)
Balance at December 31, 2019		$ 16,846,646	$ 1,289,642	$ 8,041,335	$ 2,214,578	$ 10,835,955	($ 1,055,651)	$ 26,065,808	$ -	($ 19,064)	$ 64,219,249	$ 4,651	$ 64,223,900

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)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from continuing operations before tax		$ 5,163,958	$ 4,529,407
Profit from discontinued operations before tax		1,526,054	1,750,954
Profit before tax		6,690,012	6,280,361
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of expected credit loss		-	(5,090)
Depreciation	6(7)(8)(22)	2,831,335	2,340,290
Amortization		123,727	-
Interest expense	6(8)(24)	223,972	211,415
Interest income	6(20)	(38,078)	(26,553)
Dividend income	6(20)	(2,134,691)	(2,677,904)
Gain on valuation of financial assets	6(2)(21)	(1,504)	(2,283)
(Gain) loss on valuation of financial liabilities	6(11)(21)	(694)	774
Share of profit of associates and joint ventures accounted for under equity method	6(6)	(239,308)	(238,313)
Gain on disposal of consolidated subsidiaries	6(21)	(2,016,760)	-
Cash dividends from investments accounted for under equity method		111,572	255,669
Gain on disposal and scrap of property, plant and equipment	6(21)	(6,166)	(903,034)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(550,813)	(297,011)
Notes receivable		87,827	47,800
Notes receivable - related parties		(1,966)	8,578
Accounts receivable, net		440,245	(537,456)
Accounts receivable - related parties		(297,415)	(60,113)
Other receivables		(43,221)	(36,846)
Inventory		182,033	(650,204)
Prepayments		(155,555)	62,503
Other current assets		35,880	(58,106)
Changes in operating liabilities			
Notes payable		11,395	52,058
Notes payable - related parties		(286,742)	96,277
Accounts payable		239,286	(133,469)
Accounts payable - related parties		226,011	(151,965)
Other payables		115,364	168,607
Other current liabilities		(9,160)	17,984
Other non-current liabilities		(41,896)	(151,084)
Cash inflow generated from operations		5,494,690	3,612,885
Interest received		38,367	25,972
Cash dividends received		2,134,691	2,672,387
Interest paid		(236,214)	(216,169)
Income tax paid		(679,729)	(527,736)
Net cash flows from operating activities		6,751,805	5,567,339

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		($ 300,000)	$ -
Proceeds from disposal of financial assets at fair value through profit or loss		780,875	153,189
Acquisition of financial assets at fair value through other comprehensive income		(373,096)	(766,058)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	769,609
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		-	5,780
Acquisition of property, plant and equipment	6(27)	(2,941,368)	(4,563,815)
Disposal of property, plant and equipment		145,875	1,397,713
Decrease (increase) in other non-current assets		60,597	(48,202)
Proceeds from disposal of investments	6(27)	1,556,230	-
Net cash flows used in investing activities		(1,070,887)	(3,051,784)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(28)	114,839	832,848
Decrease in short-term notes and bills payable	6(28)	-	(1,299,806)
Payment of long-term borrowings		(10,866,899)	(4,633,083)
Increase in long-term borrowings		9,200,000	1,600,000
Cash dividends paid		(3,537,796)	(3,200,863)
Decrease in non-controlling interest		(591,379)	(380,089)
Payment of lease principal	6(8)	(150,467)	-
Change in share of consolidated subsidiaries		-	862,142
Change in non-controlling interest		-	2,177,729
Net cash flows used in financing activities		(5,831,702)	(4,041,122)
Effect of foreign exchange rate		(4,488)	(25,456)
Net decrease in cash and cash equivalents		(155,272)	(1,551,023)
Cash and cash equivalents at beginning of year	6(1)	3,391,896	4,942,919
Cash and cash equivalents at end of year	6(1)	$ 3,236,624	$ 3,391,896

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

FORMOSA TAFFETA CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

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

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

(3) As of December 31, 2019, the Company and its subsidiaries (collectively referred herein as the "Group") had 7,918 employees.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by $1,048,552 (including $260,897 reclassified from long-term prepaid rent) and ‘lease liability’ by $787,655 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

(d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.0136%.

E. The Group recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 859,527
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	$ 859,527
Incremental borrowing interest rate at the date of initial application	1.0136%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	$ 787,655

(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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, Interest rate benchmark reform'	January 1, 2020

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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

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

(b) Financial assets at fair value through other comprehensive income.

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2019	December 31, 2018	Description
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	
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residences and buildings, and development of new community and specialised zones	100	100	
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	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	50	50	
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Dong Nai Co., Ltd.	Manufacturing of nylon and polyester filament products	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding company	100	100	
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	
Formosa Development Co., Ltd.	Public More International Company Ltd.	Employment service, manpower allocation and agency service etc.	100	100	

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 equity method'. Please refer to Note 6(6) for details.

Except for the subsidiaries, Formosa Taffeta Vietnam Co., Ltd., Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., Formosa Taffeta Dong Nai Co., Ltd. and Schoeller F.T.C. (Hong Kong) Co., Ltd. whose financial statements were audited by other auditors, the financial statements of other subsidiaries were audited by the parent company's auditors.

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

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

E. Significant restrictions: None.

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

As of December 31, 2019, there were no subsidiaries that have non-controlling interests that are material to the Group.

As of December 31, 2018, the non-controlling interest amounted to $6,055,486. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest December 31, 2018 Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	$ 6,055,275	53.32

Summarized financial information on the subsidiary:

Balance sheet

	Formosa Advanced Technologies Co., Ltd. December 31, 2018
Current assets	$ 6,792,443
Non-current assets	5,882,131
Current liabilities	(1,231,815)
Non-current liabilities	(86,280)
Total net assets	$ 11,356,479

Statement of comprehensive income

	Formosa Advanced Technologies Co., Ltd. Year ended December 31, 2018
Revenue	$ 8,785,525
Profit before income tax	1,750,953
Income tax expense	(330,660)
Profit for the year	1,420,293
Other comprehensive loss, net of tax	(138,670)
Total comprehensive income for the year	$ 1,281,623
Comprehensive income attributable to non-controlling interest	$ 541,315

Statement of cash flows

	Formosa Advanced Technologies Co., Ltd. Year ended December 31, 2018
Net cash provided by operating activities	$ 2,266,218
Net cash used in investing activities	(3,372,679)
Net cash used in financing activities	(1,105,556)
Decrease in cash and cash equivalents	(2,212,017)
Cash and cash equivalents, beginning of year	3,479,352
Cash and cash equivalents, end of year	$ 1,267,335

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) <u>Cash equivalents</u>

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) <u>Financial assets at fair value through profit or loss</u>

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) <u>Financial assets at fair value through other comprehensive income</u>

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Items	Estimated useful lives
Land improvements	3 ~ 15 years
Buildings	10 ~ 60 years
Machinery and equipment	2 ~ 20 years
Transportation equipment	3 ~ 15 years
Other equipment	2 ~ 17 years

(15) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 30 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii. 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.

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

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

(25) Income tax

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

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

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

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

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

(26) Share capital

Where the Company repurchases the Company’s equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

(27) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

A. The Company manufactures and sells various fabrics and IC products, and renders services as an oil distributor. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

D. Formosa Advanced Technologies Co., Ltd. renders IC packaging and testing services. Considering that the highly customized products have no alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized in the reporting period in which the services are delivered to the customers. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the costs incurred relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recovered. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

(2) Impairment assessment of accounts receivable

In evaluating impairment, the Group determines future recoverability of accounts receivable based on subjective judgement and estimates, taking into consideration the customer's financial condition, internal credit rating, and historical transaction records. If the future indicators declined, the impairment of accounts receivable may be significant.

(3) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2019, the carrying amount of inventories was $ 8,083,639.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 50,402	$ 156,022
Checking accounts and demand deposits	1,393,841	1,797,743
Time deposits	983,331	419,938
Commercial paper	809,050	1,018,193
	$ 3,236,624	$ 3,391,896

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

B. The interest rates of time deposits as of December 31, 2019 and 2018 ranged from 1.58%~5.57% and 2.75%~5.47%, respectively.

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

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

Items	December 31, 2019	December 31, 2018
Current items:		
Beneficiary certificates	$ -	$ 466,353
Forward foreign exchange contracts	119	-
	119	466,353
Valuation adjustment	-	13,137
	$ 119	$ 479,490

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

	Years ended December 31,	
	2019	2018
Beneficiary certificates	$ 1,385	$ 2,681
Forward foreign exchange contracts	119	(398)
	$ 1,504	$ 2,283

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

The Group had no financial assets held for trading on December 31, 2018.

	December 31, 2019	
Derivative Instruments	Contract Amount (Notional Principal)	Contract Period
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	JPY 86,800	2019.12~2020.2
Taipei Fubon Bank	JPY 86,800	2019.12~2020.2

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

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2019	December 31, 2018
Current items:		
Equity instruments		
Listed stocks	$ 900,285	$ 2,482,503
Unlisted stocks	100,000	100,000
	1,000,285	2,582,503
Valuation adjustment	446,523	1,091,714
	$ 1,446,808	$ 3,674,217
Non-current items:		
Equity instruments		
Listed stocks	$ 8,163,125	$ 8,739,607
Unlisted stocks	6,590,222	6,747,554
	14,753,347	15,487,161
Valuation adjustment	25,694,678	31,025,540
	$ 40,448,025	$ 46,512,701

A. The Group has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $41,894,833 and $50,186,918 as at December 31, 2019 and 2018, respectively.

B. Aiming to satisfy the operating capital needs, the Group sold its equity investment in Nan Ya Technology Corp. at fair value of $772,686 which resulted in loss on disposal (including the portion attributable to non-controlling interests) of ($1,804,708) during the year ended December 31, 2018 which was reclassified to retained earnings, respectively.

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

	Years ended December 31,	
	2019	2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	($ 6,020,672)	($ 3,471,683)
Cumulative losses reclassified to retained earnings due to derecognition (including the portion attributable to non-controlling interest)	$ -	($ 1,813,704)

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were $41,894,833 and $50,186,918, respectively.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 27,399	$ 116,511
Accounts receivable	$ 3,178,274	$ 4,181,310
Less: Allowance for uncollectible accounts	(63,235)	(71,033)
	$ 3,115,039	$ 4,110,277

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

	December 31, 2019	December 31, 2018
Not past due	$ 3,067,145	$ 4,092,982
Up to 30 days	86,772	154,591
31 to 90 days	48,039	45,066
Over 90 days	3,717	5,182
	$ 3,205,673	$ 4,297,821

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $3,808,563.

C. As at December 31, 2019 and 2018 without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable were $3,205,673 and $4,297,821, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2019		
	Cost	Allowance for 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
	$ 9,089,670	($ 1,006,031)	$ 8,083,639

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,762,233	($ 94,897)	$ 1,667,336
Supplies	212,154	(3,968)	208,186
Work in process	2,866,411	(6,643)	2,859,768
Finished goods	3,789,718	(578,621)	3,211,097
Merchandise inventory	159,786	-	159,786
Materials in transit	348,702	-	348,702
Outsourced processed materials	216,874	(71)	216,803
Construction in progress	16,135	-	16,135
Land for construction	22,224	-	22,224
	$ 9,394,237	($ 684,200)	$ 8,710,037

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

The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	$ 39,913,637	$ 39,205,386
Inventory valuation loss (Note)	339,274	176,918
Others (Note)	51,574	(57,940)
	$ 40,304,485	$ 39,324,364
Less: Cost of inventories recognised as expense from discontinued operations	($ 7,302,136)	($ 7,111,588)
	$ 33,002,349	$ 32,212,776

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

(6) Investments accounted for using equity method

		December 31, 2019		December 31, 2018
Formosa Advanced Technologies Co., Ltd.	$	4,884,465	$	-
Formosa Industries Co., Ltd.		2,010,641		2,008,842
Quang Viet Enterprise Co., Ltd.		1,247,694		1,191,261
Changshu Yu Yuan Development Co., Ltd.		15,439		16,403
	$	8,158,239	$	3,216,506

A. 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 equity method'. Please refer to Note 6(9) for details.

B. The investment income of $221,492 and $238,313 for the years ended December 31, 2019 and 2018, respectively, were accounted for under the equity method based on the audited financial statements of the investee companies.

C. The Group is the director of Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. and has significant influence on its operations, thus, Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. were accounted for under the equity method.

D. The Group's material associates, Quang Viet Enterprise Co., Ltd. and Formosa Advanced Technologies Co., Ltd., has quoted market prices as follows:

		December 31, 2019		December 31, 2018
Quang Viet Enterprise Co., Ltd.	$	2,826,494	$	1,952,512
Formosa Advanced Technologies Co., Ltd.		5,078,618		-
	$	7,905,112	$	1,952,512

E. The basic information and summarized financial information of the associates are as follows:

(a) Basic information:

Company name	Principal place of business	Shareholding ratio December 31, 2019	Shareholding ratio December 31, 2018	Nature of relationship	Method of measurement
Formosa Advanced Technologies Co., Ltd.	Taiwan	30.68%	-	Associate	Equity method
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	17.99%	17.99%	Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%	40.78%	Associate	Equity method

(b) Summarized financial information:

Balance sheets

	Formosa Advanced Technologies Co., Ltd. December 31, 2019
Current assets	$ 6,631,748
Non-current assets	6,643,175
Current liabilities	(1,250,356)
Non-current liabilities	(594,494)
Total net assets	$ 11,430,073
Share in associate's net assets	$ 3,519,210
Difference	1,365,255
Carrying amount of the associate	$ 4,884,465

	Formosa Industries Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 11,143,747	$ 12,272,938
Non-current assets	20,787,398	21,232,063
Current liabilities	(7,560,572)	(11,529,804)
Non-current liabilities	(5,165,507)	(2,749,255)
Total net assets	$ 19,205,066	$ 19,225,942
Share in associate's net assets	$ 1,920,507	$ 1,922,594
Difference	90,134	86,248
Carrying amount of the associate	$ 2,010,641	$ 2,008,842

	Quang Viet Enterprise Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 7,897,890	$ 7,612,631
Non-current assets	3,757,365	3,215,091
Current liabilities	(2,021,980)	(3,043,953)
Non-current liabilities	(1,837,355)	(329,187)
Total net assets	$ 7,795,920	$ 7,454,582
Share in associate's net assets	$ 1,402,486	$ 1,341,079
Difference	(154,792)	(149,818)
Carrying amount of the associate	$ 1,247,694	$ 1,191,261

Statements of comprehensive income

	Formosa Advanced Technologies Co., Ltd.
	December 31, 2019
Revenue	$ 9,457,849
Profit for the year from continuing operations	$ 1,262,496
Other comprehensive loss, net of tax	(83,445)
Total comprehensive income	$ 1,179,051

	Formosa Industries Co., Ltd.	
	Years ended December 31,	
	2019	2018
Revenue	$ 27,385,174	$ 31,560,607
Profit for the year from continuing operations (Total comprehensive income)	$ 350,580	$ 1,202,739

	Quang Viet Enterprise Co., Ltd.	
	Years ended December 31,	
	2019	2018
Revenue	$ 16,259,345	$ 13,280,440
Profit for the year from continuing operations	$ 1,097,607	$ 857,041
Other comprehensive loss, net of tax	4,405	4,405
Total comprehensive income	$ 1,102,012	$ 861,446

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

As of December 31, 2019 and 2018, the carrying amount of the Group's individually immaterial associates amounted to $15,439 and $16,403, respectively.

	Years ended December 31,	
	2019	2018
Loss for the year from continuing operations (total comprehensive loss)	($ 533)	($ 240)

(7) Property, plant and equipment

At January 1, 2019	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
Cost	$ 2,202,809	$ 11,402,399	$ 44,120,710	$ 8,938,006	$ 1,310,921	$ 67,974,845
Accumulated depreciation	(14,616)	(6,199,016)	(34,499,873)	(8,334,527)	-	(49,048,032)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,032,455	$ 5,203,383	$ 9,620,720	$ 603,479	$ 1,310,921	$ 18,770,958
Year ended December 31, 2019						
Opening net book amount	$ 2,032,455	$ 5,203,383	$ 9,620,720	$ 603,479	$ 1,310,921	$ 18,770,958
Additions	3,014	-	1,900	86	2,738,417	2,743,417
Disposals	-	(40)	(136,017)	(3,652)	-	(139,709)
Transfers (Note)	(7,892)	(467,575)	2,706,515	94,712	(2,895,668)	(569,908)
Depreciation charge	(2,887)	(332,889)	(2,157,041)	(160,119)	-	(2,652,936)
Disposals - discontinued operations	-	-	(4,569,235)	(83,207)	(690,866)	(5,343,308)
Net exchange differences	1,618	(62,775)	(98,327)	(5,596)	55,305	(109,775)
Closing net book amount	$ 2,026,308	$ 4,340,104	$ 5,368,515	$ 445,703	$ 518,109	$ 12,698,739
At December 31, 2019						
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)
	$ 2,026,308	$ 4,340,104	$ 5,368,515	$ 445,703	$ 518,109	$ 12,698,739

Note: Transfers into investment property.

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2018						
Cost	$ 2,545,786	$ 11,047,542	$ 41,347,517	$ 9,003,970	$ 1,976,014	$ 65,920,829
Accumulated depreciation	(14,598)	(5,864,637)	(34,546,863)	(8,316,598)	-	(48,742,696)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278
Year ended December 31, 2018						
Opening net book amount	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278
Additions	-	-	584	62	4,539,028	4,539,674
Disposals	(342,670)	(283)	(120,743)	(5,967)	(25,016)	(494,679)
Transfers (Note)	-	390,882	4,675,201	114,699	(5,180,782)	-
Depreciation charge	(294)	(364,837)	(1,782,441)	(192,718)	-	(2,340,290)
Net exchange differences	(31)	(5,284)	47,582	31	1,677	43,975
Closing net book amount	$ 2,032,455	$ 5,203,383	$ 9,620,720	$ 603,479	$ 1,310,921	$ 18,770,958
At December 31, 2018						
Cost	$ 2,202,809	$ 11,402,399	$ 44,120,710	$ 8,938,006	$ 1,310,921	$ 67,974,845
Accumulated depreciation	(14,616)	(6,199,016)	(34,499,873)	(8,334,527)	-	(49,048,032)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,032,455	$ 5,203,383	$ 9,620,720	$ 603,479	$ 1,310,921	$ 18,770,958

Note: Transferred from prepayments

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

	Years ended December 31,	
	2019	2018
Amount capitalized	$ 10,191	$ 13,002
Range of the interest rates for capitalization	0.98%-4.80%	0.98%~4.45%

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

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

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

D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles of land which the Company has acquired for future plant expansion are under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of December 31, 2019 and 2018, the land mortgaged to the Company was $808,300.

(8) Leasing arrangements－lessee

Effective 2019

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:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 1,090,720	$ 152,415

C. For the year ended December 31, 2019, the additions to right-of-use assets was $207,965.

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

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 10,839

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was $160,297.

(9) Discontinued operations

A. 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 equity method'. Please refer to Note 6(6) for details.

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

	Years ended December 31,	
	2019	2018
Operating cash flows	$ 2,268,339	$ 2,266,218
Investing cash flows	(1,495,386)	(3,372,679)
Financing cash flows	(1,142,420)	(1,105,556)
Total cash flows	($ 369,467)	($ 2,212,017)

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

	Years ended December 31,	
	2019	2018
Operating revenue	$ 8,867,872	$ 8,785,525
Operating costs	(7,302,136)	(7,111,588)
Operating expenses	(163,405)	(161,003)
Total non-operating income and expenses	123,723	238,019
Profit before tax of discontinued operations	1,526,054	1,750,953
Income tax expense	(323,524)	(330,660)
Profit after tax of discontinued operations	1,202,530	1,420,293
Profit from discontinued operations	$ 1,202,530	$ 1,420,293

D. The Group completed Formosa Advanced Technologies Co., Ltd.'s transfer of shares in December 2019 for a disposal proceeds amounting to $2,514,064. The analysis of recognized gains on disposals is as follow:

Gains on disposals of shares	$ 684,314
Gains on retained investment remeasures at fair value	1,332,446
Gains on disposals of discontinued operations	$ 2,016,760

(10) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Mortgage loan	$ 3,741,053	1.40%-4.35%	Property, plant and equipment and inventories
Purchase loans	12,324	0.37%	-
	$ 3,753,377		

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Mortgage loan	$ 3,638,538	1.40%~4.35%	Property, plant and equipment and inventories

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

Items	December 31, 2019	December 31, 2018
Forward foreign exchange contracts	$ 80	$ 774

A. The Group recognized net gain (loss) of $694 and ($774) on financial liabilities held for trading for the years ended December 31, 2019 and 2018, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

	December 31, 2019		December 31, 2018	
Derivative Financial Liabilities	Contract Amount (Notional Principal)	Contract Period	Contract Amount (Notional Principal)	Contract Period
Current items:				
Forward foreign exchange contracts				
Taipei Fubon Bank	JPY 86,800	2019.12~2020.02	JPY 50,000	2018.12~2019.2
Taipei Fubon Bank	-	-	JPY 56,800	2018.12~2019.2
Chang Hwa Bank	-	-	JPY 50,000	2018.12~2019.1
Chang Hwa Bank	-	-	JPY 50,210	2018.12~2019.1

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

(12) Other payables

	December 31, 2019	December 31, 2018
Salaries and year-end bonus payable	$ 530,508	$ 784,330
Accrued utilities expenses	85,840	130,048
Payable on equipment	3,262	62,814
Commission payable	50,384	54,564
Dividend payable	10,562	9,943
Others	695,228	907,798
	$ 1,375,784	$ 1,949,497

(13) Long-term borrowings

	December 31, 2019	December 31, 2018
Credit borrowings	$ 6,519,783	$ 8,192,200
Less: Current portion	(59,891)	(169,901)
	$ 6,459,892	$ 8,022,299
Interest rate	0.89%~4.25%	0.98%~4.45%

(14) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2%~15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned employees pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b)The amounts recognized in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 2,286,947	$ 2,674,363
Fair value of plan assets	(1,816,757)	(2,157,689)
Net defined benefit liability	$ 470,190	$ 516,674

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	$ 2,674,363	($ 2,157,689)	$ 516,674
Current service cost	22,465	-	22,465
Interest expense (income)	31,261	(26,384)	4,877
	2,728,089	(2,184,073)	544,016
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(75,285)	(75,285)
Change in financial assumptions			
Experience adjustments	159,106	-	159,106
	159,106	(75,285)	83,821
Less:			
Effect from disposal of subsidiary	(173,512)	88,888	(84,624)
Pension fund contribution	-	(70,751)	(70,751)
Paid pension	(426,736)	424,464	(2,272)
Balance at December 31	$ 2,286,947	($ 1,816,757)	$ 470,190

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 2,953,789	($ 2,138,501)	$ 815,288
Current service cost	29,909	-	29,909
Interest expense (income)	36,922	(27,355)	9,567
	3,020,620	(2,165,856)	854,764
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(57,917)	(57,917)
Experience adjustments	(91,091)	-	(91,091)
	(91,091)	(57,917)	(149,008)
Pension fund contribution			
Paid pension	-	(185,679)	(185,679)
Balance at December 31	(255,166)	251,763	(3,403)
	$ 2,674,363	($ 2,157,689)	$ 516,674

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2019	2018
Discount rate	1.25%	1.25%
Future salary increases	1.00%	1.00%

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2019 and 2018, respectively.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 25,591)	$ 26,543	$ 114,528	($ 101,152)
December 31 2018				
Effect on present value of defined benefit obligation	($ 37,514)	$ 39,070	$ 168,731	($ 146,458)

The sensitivity analysis above was based on one assumphion which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company and domestic subsidiaries for the year ending December 31, 2020 amount to $70,751.

(g) As of December 31, 2019, the Company's weighted average duration of that retirement plan is 7.5 years.

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 years ended December 31, 2019 and 2018 were $178,131, and $165,871, respectively.

(15) <u>Share capital</u>

A. As of December 31, 2019, the Company's authorized and issued capital was $16,846,646, consisting of 1,684,665,000 shares of common stock, with a par value of $10 per share.

B. For the years ended December 31, 2019 and 2018, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Year ended December 31, 2019 Beginning shares	Additions	Disposal	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,243	-	(50)	2,193

Reason for reacquisition	Investee company	Year ended December 31, 2018 Beginning shares	Additions	Disposal (Note)	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,293	-	(50)	2,243

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

(16) Capital surplus

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

	Year ended December 31, 2019				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1, 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	-
Changes in the net interest of associates recognized under the equity method	-	-	-	12,673	-
Expired cash dividends transferred to capital surplus	-	-	-	-	2,263
At December 31, 2019	$ 31,097	$ 1,650	$ 2,032	$ 1,249,276	$ 5,587

	Year ended December 31, 2018				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1, 2018	$ 19,899	$ 545	$ 2,032	$ 250,345	$ 1,502
Disposal of treasury shares	1,041	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	4,357	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired	-	1,105	-	980,948	-
Changes in the net interest of associates recognized under the equity method	-	-	-	5,264	-
Paid expired cash dividends transferred to capital surplus	-	-	-	-	1,822
At December 31, 2018	$ 25,297	$ 1,650	$ 2,032	$ 1,236,557	$ 3,324

(17) Retained earnings

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

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

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

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

D. The appropriations of 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 20, 2019 and June 22, 2018, respectively. Details are summarized below:

	2018 earnings		2017 earnings	
	Amount (in thousands)	Dividends per share (in dollars)	Amount (in thousands)	Dividends per share (in dollars)
Legal reserve	$ 473,741		$ 427,987	
Cash dividends	3,537,796	$ 2.10	3,200,863	$ 1.90

E. As of December 31, 2019 and 2018 unpaid stock dividends amounted to $10,562 and $9,943, respectively.

F. The appropriations of 2019 earnings had been resolved by the Board of Directors on March 13, 2020. Details are summarized below:

	2019 earnings	
	Amount (in thousands)	Dividends per share (in dollars)
Legal reserve	$ 523,475	
Cash dividends	4,211,662	$2.50

G. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(23).

(18) Other equity items

	Unrealized gains on valuation	Currency translation	Non-controlling interest
January 1, 2019	$ 32,036,824	($ 744,846)	$ 6,055,486
Revaluation			
－Group	(5,969,966)	-	-
－Associates	139	-	-
－Non-controlling interest	-	-	(50,845)
Revaluation transferred to retained earnings	(1,189)	-	-
Difference of currency translation			
－Group	-	(246,306)	-
－Associates	-	(64,499)	-
－Non-controlling interest	-	-	(67)
Remeasurement of defined benefit plan	-	-	-
－Non-controlling interest	-	-	(3,510)
Net income of non-controlling interest	-	-	640,737
Cash dividends paid by consolidated subsidiaries	-	-	(591,379)
Change of non-controlling interest	-	-	(6,045,771)
December 31, 2019	$ 26,065,808	($ 1,055,651)	$ 4,651

	Unrealized gains on valuation	Currency translation	Non-controlling interest
January 1, 2018	$ 38,440,218	($ 914,267)	$ 3,803,175
Retrospective adjustments	(4,760,072)	-	33,939
January 1, 2018 after adjustments	33,680,146	(914,267)	3,837,114
Revaluation			
－Group	(3,330,847)	-	-
－Associates	1,071	-	-
－Non-controlling interest	-	-	(141,907)
Revaluation transferred to retained earnings			
－Group	1,810,626	-	-
－Non-controlling interest	-	-	3,114
Difference of currency translation			
－Group	-	154,507	-
－Associates	-	14,914	-
－Non-controlling interest	-	-	281
Remeasurement of defined benefit plan			
－Non-controlling interest	-	-	(2,816)
Net income of non-controlling interest	-	-	583,294
Difference between consideration and carrying amount of subsidiaries acquired	(118,806)	-	(1,105)
Change in net share under equity method	(1,562)	-	-
Changes in share of consolidated subsidiaries	(3,804)	-	(20,129)
Cash dividends paid by consolidated subsidiaries	-	-	(380,089)
Change in non-controlling interest	-	-	2,177,729
December 31, 2018	$ 32,036,824	($ 744,846)	$ 6,055,486

(19) Operating revenue

	Years ended December 31,	
	2019	2018
Sales revenue	$ 45,373,177	$ 44,258,290
Service revenue	256,884	286,763
	45,630,061	44,545,053
Less: Operating revenue from discontinued operations	($ 8,867,872)	($ 8,785,525)
	$ 36,762,189	$ 35,759,528

A. Contract assets

Formosa Advanced Technologies Co., Ltd. has recognized the following IC revenue-related contract assets:

	December 31, 2019		January 1, 2018	
Contract assets relating to IC revenue	$	788,643	$	491,632

B. All Formosa Advanced Technologies Co., Ltd. assembly and testing services contracts of various integrated circuits are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(20) Other income

	Years ended December 31,			
	2019		2018	
Interest income from bank deposits	$	38,078	$	26,553
Dividend income		2,134,691		2,677,904
Other income - other		212,934		266,005
	$	2,385,703	$	2,970,462
Less: Other income from discontinued operations	(	193,101)	(	197,333)
	$	2,192,602	$	2,773,129

(21) Other gains and losses

	Years ended December 31,			
	2019		2018	
Gains on disposals of property, plant and equipment	$	6,166	$	903,034
Gains on disposals of investments		2,016,760		-
Foreign exchange (losses) gains	(	25,518)		71,102
Forward foreign exchange contracts				
Gains on financial assets at fair value through profit or loss		1,504		2,283
Gains (losses) on financial liabilities at fair value through profit or loss		694	(	774)
Bank charges	(	37,628)	(	37,700)
Other gains and losses	(	142,646)	(	52,013)
		1,819,332		885,932
Less: Other losses (gains) from discontinued operations		63,787	(	40,686)
	$	1,883,119	$	845,246

(22) Expenses by nature

	Years ended December 31, 2019	2018
Employee benefit expense	$ 5,115,592	$ 4,924,960
Depreciation charges on property, plant and equipment	2,831,335	2,340,290
	7,946,927	7,265,250
Less: Employee benefit expense from discontinued operations	(1,417,256)	(1,506,507)
Depreciation charges on property, plant and equipment from discontinued operations	(1,484,101)	(1,093,976)
	$ 5,045,570	$ 4,664,767

(23) Employee benefit expense

	Years ended December 31, 2019	2018
Wages and salaries	$ 4,210,908	$ 4,110,984
Labor and health insurance fees	544,664	438,399
Pension costs	205,473	205,347
Other personnel expenses	154,547	170,230
	5,115,592	4,924,960
Less: Employee benefit expense from from discontinued operations	(1,417,256)	(1,506,507)
	$ 3,698,336	$ 3,418,453

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

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $11,220 and $10,543 respectively; while directors' and supervisors' remuneration was accrued at $5,610 and $5,272, respectively. The aforementioned amounts were recognized in salary expenses.

   The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the Company's Articles of Incorporation of profit of current year distributable for the year ended December 31, 2019.

   The employees' compensation and directors' and supervisors' remuneration for 2018 as approved by shareholders were the same as the amounts recognized in the 2018 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both $15,815 in the form of cash.

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

(24) Finance costs

	Years ended December 31, 2019	Years ended December 31, 2018
Interest expense:		
Bank borrowings	$ 217,734	$ 224,417
Other financial expense	16,429	-
Less: Capitalization of qualifying assets	(10,191)	(13,002)
Less: Finance costs from discontinued operations	(5,591)	(1)
	$ 218,381	$ 211,414

(25) Income tax

A. Components of income tax expense

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Current tax on profit for the year	$ 521,555	$ 508,113
Land value increment tax	-	129,638
Tax on undistributed surplus earnings	232,442	46,659
Prior year income tax underestimation	38,438	105,505
Effect from Alternative Minimum tax	46,026	-
Effect of foreign exchange rate	1,239	1,731
Total current tax	839,700	791,646
Deferred tax:		
Origination and reversal of temporary differences	20,845	153,584
Impact of change in tax rate	-	14,431
Total deferred tax	20,845	168,015
Less: Income tax expense from discontinued operations	(323,524)	(330,661)
Income tax expense	$ 537,021	$ 629,000

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 1,538,674	$ 1,483,990
Effect from permanent differences of income tax	(652,456)	(684,578)
Effect from temporary differences of income tax	(30,729)	(89,184)
Tax exempt income by tax regulation	-	(173,443)
Prior year income tax underestimation	38,438	105,505
Effect from alternative minimum tax	46,026	-
Net change in deferred tax assets and liabililies	20,845	153,584
Land value increment tax from selling land	-	129,638
Tax on undistributed earnings	232,442	46,659
Impact of change in tax rate	-	14,431
Suspension of securities trading income	(332,695)	(26,941)
	860,545	959,661
Less: Income tax expenses from discontinued operations	(323,524)	(330,661)
Tax expense	$ 537,021	$ 629,000

Note: The basis for computing the applicable tax rate is the rate applicable in the respective countries where the Group entities operate.

(Blank)

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward and investment tax credits are as follows:

	Year ended December 31, 2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Disposal of discontinued operations	December 31
Deferred tax assets:					
-Temporary differences					
Provision for inventory obsolescence	$ 69,446	$ 61,370	$ -	($ 5,676)	$ 125,140
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	-	2,503
Unrealized gains on disposal of equipment	12,057	(6,663)	-	-	5,394
Accrued pension liabilities	9,410	(175)	-	(9,235)	-
Unrealized foreign exchange loss	381	6,207	1,349	(3,012)	4,925
	93,797	60,739	1,349	(17,923)	137,962
Deferred tax liabilities:					
-Temporary differences					
Investment income accounted for under equity method	(284,293)	(93,315)	(93,315)	-	(377,608)
Others	(7,872)	11,731	11,731	-	3,859
	(292,165)	(81,584)	(81,584)	-	(373,749)
	($ 198,368)	($ 20,845)	($ 80,235)	($ 17,923)	($ 235,787)

	Year ended December 31, 2018				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Disposal of discontinued operations	December 31
Deferred tax assets:					
-Temporary differences					
Provision for inventory obsolescence	$ 29,365	$ 40,081	$ -	$ -	$ 69,446
Allowance for bad debts in excess of tax deductible limit	2,128	375	-	-	2,503
Unrealized gains on disposal of equipment	17,711	(5,654)	-	-	12,057
Accrued pension liabilities	39,203	(29,793)	-	-	9,410
Unrealized foreign exchange loss	2,649	(2,268)	-	-	381
- Loss carryforward	49,389	(49,389)	-	-	-
	140,445	(46,648)	-	-	93,797
Deferred tax liabilities:					
-Temporary differences					
Gain on valuation of financial assets	(641)	641	-	-	-
Investment income accounted for under equity method	(170,157)	(114,136)	-	-	(284,293)
Others	-	(7,872)	-	-	(7,872)
	(170,798)	(121,367)	-	-	(292,165)
	($ 30,353)	($ 168,015)	$ -	$ -	($ 198,368)

D. The income tax returns of the Company, Formosa Development Co., Ltd. and Public More International Company Ltd. through 2017, have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

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

3 years from 2018.

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

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

I. In accordance with local tax regulations, the applicable income tax rate of Schoeller F.T.C. (Hong Kong) Co., Ltd. and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

(26) Earnings per share

A. Basic earnings per share

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

	Year ended December 31, 2019				
	Amount		Weighted-average common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 5,163,958	$ 4,626,937	1,682,448	$ 3.07	$ 2.75
Profit from discontinued operations	1,526,054	1,202,530		0.91	0.71
Profit attributable to the non-controlling interest	(1,096,625)	(640,738)		(0.65)	(0.38)
Profit attributable to the parent	$ 5,593,387	$ 5,188,729		$ 3.33	$ 3.08

	Year ended December 31, 2018				
	Amount		Weighted-average common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 4,529,407	$ 3,900,407	1,682,385	$ 2.69	$ 2.33
Profit from discontinued operations	1,750,954	1,420,293		1.04	0.84
Profit attributable to the non-controlling interest	(1,024,599)	(583,294)		(0.61)	(0.35)
Profit attributable to the parent	$ 5,255,762	$ 4,737,406		$ 3.12	$ 2.82

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

	Year ended December 31, 2019				
	Amount		Common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 5,163,958	$ 4,626,937	1,684,665	$ 3.06	$ 2.75
Profit from discontinued operations	1,526,054	1,202,530		0.91	0.71
Profit attributable to the non-controlling interest	(1,096,625)	(640,738)		(0.65)	(0.38)
Profit attributable to the parent	$ 5,593,387	$ 5,188,729		$ 3.32	$ 3.08

	Year ended December 31, 2018				
	Amount		Common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$4,529,407	$3,900,407	1,684,665	$ 2.69	$ 2.32
Profit from discontinued operations	1,750,954	1,420,293		1.04	0.84
Profit attributable to the non-controlling interest	(1,024,599)	(583,294)		(0.61)	(0.35)
Profit attributable to the parent	$5,255,762	$4,737,406		$ 3.12	$ 2.81

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and diluted earnings per share for the years ended December 31, 2019 and 2018.

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 2,743,417	$ 4,539,674
Add: Opening balance of payable on equipment	62,814	86,955
Ending balance of prepayment on equipment	138,399	-
Less: Ending balance of payable on equipment	(3,262)	(62,814)
Cash paid during the year	$ 2,941,368	$ 4,563,815

B. Proceeds from disposal of subsidiaries:

	Year ended December 31, 2019
Selling price	$ 2,514,064
Less: Cash of subsidiaries	(957,834)
	$ 1,556,230

Formosa Advanced Technologies Co., Ltd.'s net value amounted to $11,435,734 on December 13, 2019.

(28) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills 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	114,839	-	(1,666,899)	(1,552,060)
Impact of changes in foreign exchange rate	-	-	(5,518)	(5,518)
At December 31, 2019	$ 3,753,377	$ -	$ 6,519,783	$ 10,273,160

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2018	$ 2,805,690	$ 1,299,806	$ 11,222,071	$ 15,327,567
Changes in cash flow from financing activities	832,848	(1,299,806)	(3,033,083)	(3,500,041)
Impact of changes in foreign exchange rate	-	-	3,212	3,212
At December 31, 2018	$ 3,638,538	$ -	$ 8,192,200	$ 11,830,738

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Formosa Chemicals & Fibre Corp.	Parent company
Formosa Advanced Technologies Co., Ltd.	Associate
Quang Viet Enterprise Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Formosa Biomedical Technology Corp.	Other related party
Toa Resin Corp.	Other related party
Formosa Petrochemical Corp.	Other related party
Formosa Heavy Industries Corp.	Other related party
Formosa Network Technology Corp.	Other related party
Formosa Plastics Corp.	Other related party
Formosa Plastics Transport Corp.	Other related party
Formosa Asahi Spandex Corp.	Other related party
Nan Ya Technology Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Nan Ya PCB Corp.	Other related party
Nan Ya Photonics Inc.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nanya Plastic (Guangzhou) Co.,Ltd.	Other related party
Nan Ya (Kunshan) Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
Piecemakers Technology, Inc. (Not related parties since February,2018)	Other related party
Kong You Industrial Co., Ltd.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party
Formosa HA Tinh (Cayman) Limited	Other related party
FG INC.	Other related party
NKFG	Other related party

Note: The Group disposed 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 equity method.

(3) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31, 2019	Years ended December 31, 2018
Sales of goods:		
－Ultimate parent	$ 904	$ 565
－Associates	380,074	393,650
－Other related party		
Nan Ya Technology Corp.	6,650,312	6,161,227
Others	1,106,713	979,189
	$ 8,138,003	$ 7,534,631

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

B. Purchases of goods

	Years ended December 31, 2019	Years ended December 31, 2018
Purchases of goods:		
－Ultimate parent	$ 2,052,678	$ 2,432,999
－Associates	879,399	897,996
－Other related party		
Formosa Petrochemical Corp.	10,726,911	10,916,187
Others	1,870,925	1,787,121
	$ 15,529,913	$ 16,034,303

Goods and services are purchased from ultimate parent and other related parties on normal commercial terms and conditions.

C. Receivables from related parties

	December 31, 2019	December 31, 2018
Notes and accounts receivable:		
－Ultimate parent	$ 82	$ 98
－Associates	72,254	41,091
－Other related party		
Nan Ya Technology Corp.	-	1,006,359
Others	157,248	185,309
	$ 229,584	$ 1,232,857

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

D. Notes and accounts payable

	December 31, 2019	December 31, 2018
Notes and accounts payable:		
－Ultimate parent	$ 550,298	$ 693,798
－Associates	70,536	46,854
－Other related party		
Formosa Petrochemical Corp.	440,852	397,563
Others	148,358	193,626
	$ 1,210,044	$ 1,331,841

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:

The Group had no acquisition transactions for the year ended December 31, 2018.

	Year ended December 31, 2019
Other related party	$ 70,849

(b) Disposal of property, plant and equipment:

The Group had no disposal transactions for the year ended December 31, 2019

	Year ended December 31, 2018	
	Disposal proceeds	Gain (loss) on disposal
Other related party	$ 24,967	$ -

(c) Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2019 Consideration
Other related party	Non-current financial assets at fair value through other comprehensive income	-	FG INC.	$ 69,570

	Accounts	No. of shares	Objects	Year ended December 31, 2018 Consideration
Other related party	Non-current financial assets at fair value through other comprehensive income	19,000,970	Formosa Ha Tinh (Cayman) Limited	$ 566,417

(d) Disposal of financial assets:

	Accounts	No. of shares (in thousands)	Objects	Year ended December 31, 2019 Proceeds	Gain/(loss)
Other related party	Investments accounted for under equity method	70,756	Formosa Advanced Technologies Co., Ltd.	$ 2,514,064	Note 1 $ 2,016,760

	Accounts	No. of shares (in thousands)	Objects	Year ended December 31, 2018 Proceeds	Gain/(loss)
Other related party	Investments accounted for under equity method	84,022	Formosa Advanced Technologies Co., Ltd.	$ 3,039,857	Note 2

Note 1: The Group sold its equity interest in Formosa Advanced Technologies Co., Ltd. on December 13, 2019. After the disposal, the shareholder ratio decreased to 30.68% and the Group lost control over it. The investment in Formosa Advanced Technologies Co., Ltd. was reclassified from a subsidiary to associate accounted for using equity method. Gains on disposals including actual gains on disposals amounted to $684,314 and gains on remeasurement amounted to $1,332,446.

Note 2:The amount of difference between proceeds on disposal of equity interest and carrying amount that was transferred to capital surplus (including non-controlling interest) was $980,948.

(e) 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 year ended December 31, 2019 amounted to $40,408.

	Land	Buildings and structures	Total
Year ended December 31, 2019			
At January 1	$ -	$ -	$ -
Additions - from disposal of subsidiary	6,833	466,825	473,658
Transfers (Note)	1,059	95,191	96,250
Depreciation charge	-	(25,984)	(25,984)
At December 31	$ 7,892	$ 536,032	$ 543,924
At December 31, 2019			
Cost	7,892	906,122	914,014
Accumulated depreciation	-	(370,090)	(370,090)
	$ 7,892	$ 536,032	$ 543,924

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 December 31, 2019 was $595,151, 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 yearly service consignment contract signed by Formosa Taffeta Dong Nai Co., Ltd. and Nhon Trach 3 Industrial Zone, Formosa Taffeta Dong Nai Co., Ltd. is responsible for managing land that is available for rent, meter reading and payment collection of water, electricity, steam and other utilities sold to lessees in investment district, repairing and performing services on various public facilities of power plant. Under the contract, Formosa Taffeta Dong Nai Co., Ltd. shall collect a service fee as follows:

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

ii. Utilities service fee: 3% of Formosa Industry's monthly sale of electricity to lessees in investment district

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

For the years ended December 31, 2019 and 2018, Formosa Taffeta Dong Nai Co., Ltd. has recognized lease service fee income in investment district of $35,060 and $34,274, respectively, for rendering the abovementioned consigned services. As of December 31, 2019, and 2018, the uncollected amount of $3,220 and $3,241, respectively, was recognized under 'other receivables'. For the above land leasing, as of December 31, 2019 and 2018, the total management expenses and utility expenses which Formosa Taffeta Dong Nai Co., Ltd. is due to collect from the related party, Formosa Industry, were $30,901, and $37,745, respectively, and was recognized under 'other payables'.

(4) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 40,998	$ 48,895
Post-employment benefits	84	105
Less:Key management compensation from discontinued operations	(15,091)	(15,306)
	$ 25,991	$ 33,694

8. PLEDGED ASSETS

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

	Book Value		
Item	December 31, 2019	December 31, 2018	Purpose
Property, plant and equipment	$ 137,261	$ 137,962	Security for short-term borrowings
Inventories (Held-to-maturity land)	21,264	21,264	Security for short-term borrowings
	$ 158,525	$ 159,226	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Company leases factory and land of gas station. The lease expense estimated to be incurred is as follows:

Applicable for 2018

	December 31, 2018
Less than 1 year	$ 133,799
Between 1 and 5 years	398,418
More than 5 years	327,310
	$ 859,527

(2) Significant commitments and contingent liabilities

As of December 31, 2019, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

	December 31, 2019
Currency	Amount (In Thousands)
USD	$ 940
JPY	1,009
EUR	452

(3) Endorsements and guarantees

As of December 31, 2019, in order to assist the subsidiaries is obtaining credit line, the Company has guaranteed the following amounts for subsidiaries:

Name of company		December 31, 2019
Formosa Taffeta (Zhong Shan) Co., Ltd.	$	989,340
Formosa Taffeta Vietnam Co., Ltd.		1,588,940
Formosa Taffeta (Changshu) Co., Ltd.		1,648,900
Formosa Taffeta Dong Nai Co., Ltd.		4,257,160
Formosa HA Tinh (Cayman) Limited		6,954,584
Public More International Company Ltd.		3,000

(4) 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

Except for pending lawsuit described in Note 9(4), other matters are as follows:

(1) Please refer to Note 6(17) F for the distribution of 2019 earnings which was proposed by the Board of Directors on March 13, 2020.

(2) The Group officially invested in Switzerland “Schoeller Textil AG” on January 13, 2020 in the amount of CHF 39,580 thousand and acquired 50% of shares of “Schoeller Textil AG” after the capital increase. The investment is expected to be completed in March 2020.

(3) Owing to the capital increase of FG INC., the Board of Directors during its meeting on March 13, 2020 resolved to increase its investment in FG INC. in the amount of USD 1,290 thousand, in proportion to the original shareholding ratio of 3% in FG INC. Consequently, the total investment in FG INC. will be USD 12,390 thousand.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current, non-current borrowings and short-term notes and bills payable’ as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2019, the Group’s strategy, was unchanged from 2018. The gearing ratios at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total borrowings	$ 10,273,160	$ 11,830,738
Less: Cash and cash equivalents	(3,236,624)	(3,391,896)
Net debt	7,036,536	8,438,842
Total equity	64,223,900	74,968,690
Total capital	$ 71,260,436	$ 83,407,532
Gearing ratio	10%	10%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets measured at fair value through profit or loss	$ 119	$ 479,490
Financial assets measured at fair value through other comprehensive income	41,894,833	50,186,918
Financial assets at amortized cost	6,974,483	9,178,343
	$ 48,869,435	$ 59,844,751
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	$ 80	$ 774
Financial liabilities at amortized cost	14,289,158	16,676,253
Lease liabilities	849,795	-
	$ 15,139,033	$ 16,677,027

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:

	December 31, 2019		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 76,526	30.11	$ 2,304,198
Non-monetary items			
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
Financial liabilities			
Monetary items			
USD:RMB	5,930	6.98	178,552

	December 31, 2018		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 117,372	30.73	$ 3,606,842
JPY:NTD	412,840	0.28	115,595
Non-monetary items			
VND:NTD	4,723,641,239	0.0013	6,140,734
HKD:NTD	289,967	3.93	1,139,570
RMB:NTD	439,400	4.48	1,968,512
USD:NTD	183,430	30.73	5,636,804
Financial liabilities			
Monetary items			
USD:NTD	3,951	30.73	121,414

ii. The total exchange income (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to ($25,518) and $71,102, respectively.

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

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 23,042	$ -
Non-monetary items			
VND:NTD	1%	-	64,390
HKD:NTD	1%	-	11,551
RMB:NTD	1%	-	20,217
USD:NTD	1%	-	37,755
Financial liabilities			
Monetary items			
USD:RMB	1%	1,786	-

	Year ended December 31, 2018		
	Sensitivity analysis		
Financial assets	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Monetary items			
USD:NTD	1%	$ 36,068	$ -
JPY:NTD	1%	1,156	-
Non-monetary items			
VND:NTD	1%	-	61,407
HKD:NTD	1%	-	11,396
RMB:NTD	1%	-	19,685
USD:NTD	1%	-	56,368
Financial liabilities			
Monetary items			
USD:NTD	1%	1,214	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $0 and $3,830, 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 $418,948 and $501,869, 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 years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were denominated in the NTD and USD.

ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of NTD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by $51,200 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 years ended December 31, 2019 and 2018 would have decreased/increased by $479 and $978, 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 their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

v. The Group classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
At December 31, 2019					
Expected loss rate	1%	7%	55%	97%	
Total book value	$ 3,094,544	$ 86,772	$ 48,039	$ 3,717	$ 3,233,072
Loss allowance	26,581	6,504	26,532	3,618	63,235

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
At December 31, 2018					
Expected loss rate	1%	9%	47%	75%	
Total book value	$ 4,092,982	$ 154,591	$ 45,066	$ 5,182	$ 4,297,821
Loss allowance	31,694	14,088	21,367	3,884	71,033

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

	Year ended December 31, 2019		
	Notes receivable	Accounts receivable	Contract assets
At January 1	$ -	($ 71,033)	$ -
Effect from disposal of subsidiaries	-	6,779	-
Effect of foreign exchange	-	1,019	-
At December 31	$ -	($ 63,235)	$ -

	Year ended December 31, 2018		
	Notes receivable	Accounts receivable	Contract assets
At January 1	$ -	($ 76,521)	$ -
Reversal of impairment loss	-	5,090	-
Effect of foreign exchange	-	398	-
At December 31	$ -	($ 71,033)	$ -

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, commercial paper and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2019 and 2018, the Group held money market position of $45,081,174 and $53,902,282, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

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

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Long-term borrowings (including current portion)			
December 31, 2019	$ 59,891	$ 4,259,892	$ 2,200,000
December 31, 2018	169,901	7,761,150	261,149
Lease liability			
December 31, 2019	$ 130,043	$ 106,487	$ 613,265

Except for the above, the Group's non-derivative financial liabilities were all due in one year.

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

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

December 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 119	$ -	$ 119
Financial assets at fair value through other comprehensive income				
Equity securities	37,356,695	346,800	4,191,338	41,894,833
	$ 37,356,695	$ 346,919	$ 4,191,338	$ 41,894,952
Financial liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 80	$ -	$ 80

December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 479,490	$ -	$ -	$ 479,490
Financial assets at fair value through other comprehensive income				
Equity securities	43,914,680	403,500	5,868,738	50,186,918
	$ 44,394,170	$ 403,500	$ 5,868,738	$ 50,666,408
Financial liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 774	$ -	$ 774

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

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

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

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

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

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

D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	Year ended December 31, 2019
	Non-derivative equity instruments
At January 1	$ 5,868,738
Acquired during the year	69,570
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(1,652,723)
Effect of exchange rate changes	(94,247)
At December 31	$ 4,191,338

	Year ended December 31, 2018
	Non-derivative equity instruments
At January 1	$ 5,786,870
Retrospective adjustments	65,372
At January 1 after adjustments	5,852,242
Acquired during the year	566,417
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(724,632)
Effect of exchange rate changes	174,711
At December 31	$ 5,868,738

F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3

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

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

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

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Relationship 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 EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value
	3,775,485	Net asset value	Not applicable	Not applicable

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	$ 344,372	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value
	5,524,366	Net asset value	Not applicable	Not applicable

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

			December 31, 2019	
			Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	$ 4,159	$ 4,159

			December 31, 2018	
			Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	$ 3,444	$ 3,444

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

In accordance with "Rules Governing the Preparation of Financial Statements by Securities Issuers", significant transactions for the years ended December 31, 2019 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 accountants, 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: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(11) and 12(2).

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

14. SEGMENT INFORMATION

(1) General information

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

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

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

LTD., FORMOSA TAFFETA VIETNAM CO., LTD. and FORMOSA TAFFETA (HONG KONG) CO., LTD, etc.

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

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

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

(2) Measurement of segment information

The measurement based on each operating segment's profit before tax excludes the effects of 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.

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(3) Information about segment profit or loss and assets

	Year ended December 31, 2019							
		Second business group						
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Discontinued operations	Total
Segment revenue								
Revenue from								
external customers	$ 15,598,799	$ 7,644,738	$ 11,744,169	$ 1,774,483	$ 8,867,872	$ -	$ (8,867,872)	$ 36,762,189
Inter-segment revenue	1,580,364	307,059	-	285,392	-	(2,172,815)	-	-
Total segment								
revenue	$ 17,179,163	$ 7,951,797	$ 11,744,169	$ 2,059,875	$ 8,867,872	($ 2,172,815)	($ 8,867,872)	$ 36,762,189
Segment income	$ 6,889,526	$ (268,038)	$ 428,630	$ (883,641)	$ 1,526,054	($ 1,002,519)	($ 1,526,054)	$ 5,163,958
Segment assets								
Identifiable assets	$ 13,823,985	$ 5,985,014	$ 1,312,025	$ 3,571,650	$ -	($ 538,581)	$ -	$ 24,154,400
Investments accounted for under equity methed								8,158,239
General assets								48,449,234
Total assets								$ 80,761,873

	Year ended December 31, 2018							
		Second business group						
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Discontinued operations	Total
Segment revenue								
Revenue from external customers	$ 14,142,892	$ 7,664,363	$ 12,144,072	$ 1,808,201	$ 8,785,525	$ -	$ (8,785,525)	$ 35,759,528
Inter-segment revenue	1,448,825	354,742	-	175,266	-	(1,978,833)	-	-
Total segment revenue	$ 15,591,717	$ 8,019,105	$ 12,144,072	$ 1,983,467	$ 8,785,525	($ 1,978,833)	($ 8,785,525)	$ 35,759,528
Segment income	$ 4,941,186	$ 214,701	$ 381,732	$ 153,876	$ 1,750,953	($ 1,162,088)	($ 1,750,953)	$ 4,529,407
Segment assets								
Identifiable assets	$ 14,415,028	$ 6,715,284	$ 1,223,225	$ 3,409,026	$ 7,347,585	($ 169,508)	($ 7,347,585)	$ 25,593,055
Investments accounted for under equity methed								3,216,506
General assets								64,216,932
Total assets								$ 93,026,493

(4) Reconciliation for segment income (loss)

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

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

(5) Information on product and service

Please refer to Note 6(19).

(6) Geographical information

	Year ended December 31, 2019				
	Internal	Asia	Adjustment and write-off	Discontinued operations	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 35,916,593	$ 9,713,468	$ -	($ 8,867,872)	$ 36,762,189
Revenue from parent company and consolidated subsidiaries	460,050	1,712,765	(2,172,815)	-	-
Total revenue	$ 36,376,643	$ 11,426,233	($ 2,172,815)	($ 8,867,872)	$ 36,762,189
Segment income (loss)	$ 6,978,991	$ 713,540	($ 1,002,519)	($ 1,526,054)	$ 5,163,958
Identifiable assets	$ 16,113,981	$ 8,578,695	($ 538,581)	$ -	$ 24,154,095
Investments accounted for under equity method					8,158,239
General assets					48,449,539
					$ 80,761,873

	Year ended December 31, 2018				
	Internal	Asia	Adjustment and write-off	Discontinued operations	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 36,035,147	$ 8,509,906	$ -	($ 8,785,525)	$ 35,759,528
Revenue from parent company and consolidated subsidiaries	406,090	1,572,743	(1,978,833)	-	-
Total revenue	$ 36,441,237	$ 10,082,649	($ 1,978,833)	($ 8,785,525)	$ 35,759,528
Segment income (loss)	$ 6,923,396	$ 519,052	($ 1,162,088)	($ 1,750,953)	$ 4,529,407
Identifiable assets	$ 17,384,082	$ 8,378,481	($ 169,508)	$ -	$ 25,593,055
Investments accounted for under equity method					3,216,506
General assets					64,216,932
					$ 93,026,493

(7) Major customer information

None.

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/guarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	$ 41,742,511	$ 1,042,800	$ 989,340	$ 29,980	$ -	1.54	$ 83,485,023	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	41,742,511	1,616,500	1,588,940	603,494	-	2.47	83,485,023	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	41,742,511	1,738,000	1,648,900	293,174	-	2.57	83,485,023	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	41,742,511	4,803,200	4,257,160	2,876,937	-	6.63	83,485,023	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	41,742,511	7,330,382	6,954,584	6,954,584	-	10.83	83,485,023	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	185,030	3,000	3,000	3,000	-	1.05	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 chariman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2019 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	$ 1,064,841	0.21	$ 1,064,841	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Current financial assets at fair value through other comprehensive income	32	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	640	64	-	64	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	35,103	0.01	35,103	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Current financial assets at fair value through other comprehensive income	10,000,000	346,800	2.35	346,800	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,711,010	643,098	0.25	643,098	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	35,613,589	3.83	35,613,589	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	191,885	6,665	0.45	6,665	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	35,689	10.00	35,689	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	730,556	19,026	1.20	19,026	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2019				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	1,348,731	$ 16,342	3.17	$ 16,342	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	4,393,973	72,808	9.53	72,808	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	265,323	3.00	265,323	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	3,775,485	3.85	3,775,485	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,193,228	75,008	0.13	75,008	

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2019		Addition (Note 3)(Note 4)		Disposal (Note 3)				Balance as at December 31, 2019	
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Investments accounted for under equity method	NAN YA TECHNOLOGY CORPORATION	Other related party	206,442,472	$ 5,350,424	-	$ -	70,756,000	$ 2,514,064	$ 1,829,451	$ 2,016,760	135,686,472	$ 4,867,814
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	Current financial assets at fair value through income	-	-	15,147,454	224,084	20,240,320	300,000	35,387,774	524,629	524,325	304	-	-

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

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

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

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

Note 4: Beginning balance plus addition amount is not equal to balance at December 31, 2018 because of valuation in exchange rate.

Note 5: The gain on disposal, including actual gain on disposal of New Taiwan dollar $684,314 thousand, and revaluation of benefits of New Taiwan dollar $1,332,446 thousand.

Note 6: Since the Group disposed of the Formosa Advanced Technologies Co., Ltd. and lost control, and was reclassified from a subsidiary to an related party using the equity method

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term		Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	($ 372,368)	(1.36)	Pay by mail transfer 60 days after delivery	$ -	-	Accounts receivable	$ 71,196	3.58	
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(289,838)	(1.06)	Pay 120 days after delivery	-	-	Accounts receivable	47,012	2.36	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Associate	Sales	(257,608)	(0.94)	60 days after monthly billings	-	-	Accounts receivable	27,578	1.39	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	10,726,911	47.09	Pay every 15 days by mail transfer	-	-	Accounts payable	(440,852)	(26.20)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,631,215	7.16	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	(44,999)	(2.67)	
									Accounts payable	(409,615)	(24.34)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	872,256	3.83	Pay every 15 days by mail transfer	-	-	Accounts payable	(85,949)	(5.11)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	257,885	1.13	Pay every 15 days by mail transfer	-	-	Accounts payable	(14,812)	(0.88)	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	(471,866)	(24.94)	60 days after monthly billings	-	-	Accounts receivable	207,383	70.10	
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	161,548	7.02	60 days after monthly billings	-	-	Accounts payable	(4,595)	(4.27)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(372,989)	(7.64)	60 days after monthly billings	-	-	Accounts receivable	39,130	4.37	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(397,427)	(8.14)	60 days after monthly billings	-	-	Accounts receivable	76,101	8.50	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term		Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	($ 209,238)	(4.29)	60 days after monthly billings	$ -	-	Accounts receivable	$ 31,491	3.52	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	690,175	16.67	60 days after monthly billings	-	-	Accounts payable	(58,778)	(9.75)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	413,419	9.98	60 days after monthly billings	-	-	Accounts payable	(95,684)	(15.87)	
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	126,991	3.07	60 days after monthly billings	-	-	Accounts payable	(5,129)	(0.85)	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	JIAXING QUANG VIET GARMENT CO., LTD.	Associate	Sales	(176,963)	(11.17)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	6,532	4.39	

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	$ 207,383	2.88	–	–	$ 45,706	–

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	$ 1,631,215	Draw promissory notes due in 2 months after inspection	3.66
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	409,615	Draw promissory notes due in 2 months after inspection	0.44
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	44,999	Draw promissory notes due in 2 months after inspection	0.05

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 year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 （Note 2(3)）	Footnote
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	$ 114,912	$ 114,912	16,100,000	100.00	$ 206,087	$ 11,263	($ 546)	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	135,686,472	30.68	4,867,814	1,262,495	579,267	
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	1,152,772	60,120	60,280	
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	2,135,684	211,388	211,388	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producion of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	213,771	213,771	18,595,352	17.99	1,247,694	857,014	183,911	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Information on investees
For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2019					
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 （Note 2(3)）	Footnote
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	$ 2,958	$ 2,958	-	50.00	$ 3,354	$ 1,593	$ 862	
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	2,312,412	45,844	45,844	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,010,642	570,320	37,580	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	6,241,670	-	100.00	3,775,536	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	16,651	1,262,495	1,375	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 （Note' 2(3)）	Footnote
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	$ 5,000	$ 5,000	-	100.00	$ 9,994	$ 4,834	$ 4,834	

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

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

(1)The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2019' 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 year ended December 31, 2019

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	$ 1,402,085	(1)	$ 1,402,085	$ -	$ -	$ 1,402,085	$ 110,956	100.00	$ 110,956	$ 1,741,163	$ -	Note 3
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	15,273	(1)	15,273	-	-	15,273	(334)	100.00	(334)	12,355	-	Note 4
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	58,678	100.00	58,678	1,035,911	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	(338)	40.78	(138)	15,439	-	Note 6

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

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

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

(3) Others

Note 2: The amount of ‘Investment income (loss) recognized by the Company for the year ended December 31, 2019 were derived from financial statements which were reviewed by independent accountants.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and December 31, 2019 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, 2019 and December 31, 2019 are both US$570,000.

Note 5: The Company’s paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 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 December 31, 2019 was US$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	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	$ 1,397,104	$ 38,534,340
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,163	38,534,340
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	124,620	38,534,340

Note：

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

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

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

(4)The original currency of paid-in capital was translated at USD:TWD = 1:30.11

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 17,073	0.06	$ -	-	$ 2,791	0.14	$ 989,340	For short-tem loans from financial institutions	$ -	$ -	-	$ -	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	45,101	0.16	-	-	8,957	0.45	1,648,900	For short-tem loans from financial institutions	-	-	-	-	