

**FORMOSA TAFFETA CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
MARCH 31, 2019 AND 2018**

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

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and subsidiaries (the “Group”) as at March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### ***Scope of Review***

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

### ***Basis for Qualified Conclusion***

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under equity method were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using equity method) of NT\$21,989,753 thousand and NT\$20,420,409 thousand, constituting 23% and 21% of the consolidated total assets, and total liabilities of NT\$5,869,878 thousand and NT\$5,113,378 thousand, constituting 31% and 22% of the consolidated total liabilities as at March 31, 2019 and 2018, respectively, and total comprehensive income (including share of profit (loss) of associates accounted for using equity

method and share of profit (loss) of associates and other comprehensive income of associates) of NT\$103,906 thousand and NT\$33,478 thousand, constituting 3% and 2% of the consolidated total comprehensive income for the three months then ended, respectively.

### ***Qualified Conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan  
May 3, 2019

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

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

**FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

Assets	Notes	March 31, 2019		December 31, 2018		March 31, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 3,335,177	3	\$ 3,391,896	4	\$ 5,102,447	5
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		255,828	-	479,490	1	630,929	1
1120	Current financial assets at fair	6(3)						
	value through other							
	comprehensive income		3,898,037	4	3,674,217	4	3,753,569	4
1140	Current contract assets	6(20)	907,388	1	788,643	1	582,646	1
1150	Notes receivable, net	6(4)	92,785	-	116,511	-	48,252	-
1160	Notes receivable - related	7						
	parties		5,660	-	4,429	-	2,097	-
1170	Accounts receivable, net	6(4)	4,811,799	5	4,110,277	4	4,427,463	4
1180	Accounts receivable - related	7						
	parties		1,448,683	2	1,228,428	1	1,324,888	1
1200	Other receivables	7	342,431	-	326,802	-	489,082	-
130X	Inventory	6(5) and 8	8,667,058	9	8,710,037	9	8,360,585	8
1410	Prepayments		581,391	1	457,003	1	524,958	1
1470	Other current assets		409,472	-	483,826	1	588,594	1
11XX	<b>Total current assets</b>		<u>24,755,709</u>	<u>25</u>	<u>23,771,559</u>	<u>26</u>	<u>25,835,510</u>	<u>26</u>
<b>Non-current assets</b>								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income		48,954,125	50	46,512,701	50	50,651,763	52
1550	Investments accounted for	6(6)						
	under equity method		3,249,020	4	3,216,506	3	3,077,216	3
1600	Property, plant and equipment	6(7) and 8	18,818,618	19	18,770,958	20	17,556,199	18
1755	Right-of-use assets	6(8)	1,149,968	1	-	-	-	-
1840	Deferred income tax assets	6(26)	91,986	-	93,797	-	161,827	-
1900	Other non-current assets		422,993	1	660,972	1	752,044	1
15XX	<b>Total non-current assets</b>		<u>72,686,710</u>	<u>75</u>	<u>69,254,934</u>	<u>74</u>	<u>72,199,049</u>	<u>74</u>
1XXX	<b>Total assets</b>		<u>\$ 97,442,419</u>	<u>100</u>	<u>\$ 93,026,493</u>	<u>100</u>	<u>\$ 98,034,559</u>	<u>100</u>

(Continued)

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

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2019		December 31, 2018		March 31, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
2100	Short-term borrowings	6(10) and 8	\$ 3,967,988	4	\$ 3,638,538	4	\$ 3,473,868	4
2110	Short-term notes and bills payable	6(11)	100,000	-	-	-	2,399,361	2
2120	Financial liabilities at fair value through profit or loss - current	6(12)	16	-	774	-	1,332	-
2150	Notes payable		256,554	-	251,576	-	226,098	-
2160	Notes payable - related parties	7	202,167	-	335,830	-	145,960	-
2170	Accounts payable		1,460,264	2	1,312,601	2	1,669,046	2
2180	Accounts payable - related parties	7	1,064,356	1	996,011	1	1,092,556	1
2200	Other payables	6(13) and 7	1,579,114	2	1,949,497	2	1,548,818	2
2230	Current income tax liabilities	6(26)	488,629	1	391,662	1	244,853	-
2280	Current lease liabilities	6(8)	131,141	-	-	-	-	-
2300	Other current liabilities	6(14)	311,743	-	314,741	-	276,626	-
21XX	<b>Total current liabilities</b>		<u>9,561,972</u>	<u>10</u>	<u>9,191,230</u>	<u>10</u>	<u>11,078,518</u>	<u>11</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(14)	8,022,615	8	8,022,299	9	11,076,616	12
2570	Deferred income tax liabilities	6(26)	299,476	-	292,165	-	238,208	-
2580	Non-current lease liabilities	6(8)	757,552	1	-	-	-	-
2600	Other non-current liabilities	6(15)	585,299	1	552,109	-	756,942	1
25XX	<b>Total non-current liabilities</b>		<u>9,664,942</u>	<u>10</u>	<u>8,866,573</u>	<u>9</u>	<u>12,071,766</u>	<u>13</u>
2XXX	<b>Total liabilities</b>		<u>19,226,914</u>	<u>20</u>	<u>18,057,803</u>	<u>19</u>	<u>23,150,284</u>	<u>24</u>
<b>Equity attributable to owners of parent</b>								
<b>Share capital</b>								
3110	Share capital - common stock	6(16)	16,846,646	17	16,846,646	18	16,846,646	17
<b>Capital surplus</b>								
3200	Capital surplus	6(17)	1,268,860	1	1,268,860	1	275,423	-
<b>Retained earnings</b>								
3310	Legal reserve	6(18)	7,567,594	8	7,567,594	8	7,139,607	7
3320	Special reserve		2,214,578	2	2,214,578	2	2,214,578	2
3350	Unappropriated retained earnings		10,167,493	11	9,743,048	11	9,653,410	10
<b>Other equity interest</b>								
3400	Other equity interest	6(19)	33,883,857	35	31,291,978	34	34,767,316	36
3500	Treasury stocks	6(16)	(19,500)	-	(19,500)	-	(19,935)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>71,929,528</u>	<u>74</u>	<u>68,913,204</u>	<u>74</u>	<u>70,877,045</u>	<u>72</u>
36XX	<b>Non-controlling interest</b>	6(19)	6,285,977	6	6,055,486	7	4,007,230	4
3XXX	<b>Total equity</b>		<u>78,215,505</u>	<u>80</u>	<u>74,968,690</u>	<u>81</u>	<u>74,884,275</u>	<u>76</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>								
<b>Significant event after the balance sheet date</b>								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 97,442,419</u>	<u>100</u>	<u>\$ 93,026,493</u>	<u>100</u>	<u>\$ 98,034,559</u>	<u>100</u>

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

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

Items	Notes	Three months ended March 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	<b>Sales revenue</b>	6(20) and 7	\$ 11,718,847	100	\$ 10,730,423	100
5000	<b>Operating costs</b>	6(5)(22)(23) and 7	( 10,299,194)	( 88)	( 9,439,184)	( 88)
5900	<b>Net operating margin</b>		1,419,653	12	1,291,239	12
	<b>Operating expenses</b>	6(23)(24) and 7				
6100	Selling expenses		( 438,618)	( 4)	( 422,259)	( 4)
6200	General and administrative expenses		( 250,546)	( 2)	( 221,478)	( 2)
6300	Research and development expenses		( 22,607)	-	( 17,719)	-
6000	<b>Total operating expenses</b>		( 711,771)	( 6)	( 661,456)	( 6)
6900	<b>Operating profit</b>		707,882	6	629,783	6
	<b>Non-operating income and expenses</b>					
7010	Other income	6(21) and 7	45,981	-	35,663	-
7020	Other gains and losses	6(22)	16,536	-	( 48,696)	-
7050	Finance costs	6(25)	( 59,127)	-	( 55,815)	( 1)
7060	Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	21,858	-	( 8,024)	-
7000	<b>Total non-operating income and expenses</b>		25,248	-	( 76,872)	( 1)
7900	<b>Profit before income tax</b>		733,130	6	552,911	5
7950	Income tax expense	6(26)	( 171,737)	( 1)	( 170,994)	( 2)
8200	<b>Profit for the period</b>		\$ 561,393	5	\$ 381,917	3

(Continued)

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

Three months ended March 31

Items	Notes	2019		2018	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>	6(19)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	6(3)				
8316 Unrealized gain on valuation of financial assets at fair value through other comprehensive income		\$ 2,569,121	22	\$ 1,407,610	13
8320 Share of other comprehensive income of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss		857	-	635	-
8310 <b>Other comprehensive income that will not be reclassified to profit or loss</b>		<u>2,569,978</u>	<u>22</u>	<u>1,408,245</u>	<u>13</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		106,280	1	( 201,388)	( 2)
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		9,164	-	( 53,638)	-
8360 <b>Other comprehensive income (loss) that will be reclassified to profit or loss</b>		<u>115,444</u>	<u>1</u>	<u>( 255,026)</u>	<u>( 2)</u>
8300 <b>Total other comprehensive income for the period</b>		<u>\$ 2,685,422</u>	<u>23</u>	<u>\$ 1,153,219</u>	<u>11</u>
8500 <b>Total comprehensive income for the period</b>		<u>\$ 3,246,815</u>	<u>28</u>	<u>\$ 1,535,136</u>	<u>14</u>
<b>Profit attributable to:</b>					
8610 Owners of the parent		\$ 424,445	4	\$ 284,674	2
8620 Non-controlling interest		136,948	1	97,243	1
		<u>\$ 561,393</u>	<u>5</u>	<u>\$ 381,917</u>	<u>3</u>
<b>Comprehensive income attributable to:</b>					
8710 Owners of the parent		\$ 3,016,324	26	\$ 1,365,032	12
8720 Non-controlling interest		230,491	2	170,104	2
		<u>\$ 3,246,815</u>	<u>28</u>	<u>\$ 1,535,136</u>	<u>14</u>

		Before Tax	After Tax	Before Tax	After Tax
<b>Basic and diluted earnings per share (in dollars)</b>	6(27)				
9710 Profit for the period from continuing operations		\$ 0.44	\$ 0.33	\$ 0.33	\$ 0.23
Non-controlling interest		( 0.15 )	( 0.08 )	( 0.13 )	( 0.06 )
9750 Profit attributable to common shareholders of the parent		<u>\$ 0.29</u>	<u>\$ 0.25</u>	<u>\$ 0.20</u>	<u>\$ 0.17</u>
<b>Assuming shares held by subsidiaries are not deemed as treasury stock:</b>					
Profit for the period from continuing operations		\$ 0.43	\$ 0.33	\$ 0.33	\$ 0.23
Non-controlling interest		( 0.15 )	( 0.08 )	( 0.13 )	( 0.06 )
Profit attributable to common shareholders of the parent		<u>\$ 0.28</u>	<u>\$ 0.25</u>	<u>\$ 0.20</u>	<u>\$ 0.17</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(UNAUDITED)

Equity attributable to owners of the parent												
Notes	Retained Earnings					Other equity interest						
	Share capital - common stock	Treasury stock transactions	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	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
<b>Three months ended March 31, 2018</b>												
	\$ 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 period	-	-	-	-	284,674	-	-	-	-	284,674	97,243	381,917
Other comprehensive income (loss) for the period 6(19)	-	-	-	-	-	( 254,790 )	1,335,148	-	-	1,080,358	72,861	1,153,219
Total comprehensive income (loss)	-	-	-	-	284,674	( 254,790 )	1,335,148	-	-	1,365,032	170,104	1,535,136
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount 6(18)	-	1,105	-	-	-	-	-	-	-	1,105	( 1,105 )	-
Paid expired cash dividends transferred to capital surplus 6(18)	-	( 5 )	-	-	-	-	-	-	-	( 5 )	-	( 5 )
Disposal of financial assets at fair value through other comprehensive income 6(3)	-	-	-	-	( 920,406 )	-	921,079	-	-	673	1,117	1,790
Balance at March 31, 2018	\$ 16,846,646	\$ 275,423	\$ 7,139,607	\$ 2,214,578	\$ 9,653,410	(\$ 1,169,057 )	\$ 35,936,373	\$ -	(\$ 19,935 )	\$ 70,877,045	\$ 4,007,230	\$ 74,884,275
<b>Three months ended March 31, 2019</b>												
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 period	-	-	-	-	424,445	-	-	-	-	424,445	136,948	561,393
Other comprehensive income for the period 6(19)	-	-	-	-	-	115,442	2,476,437	-	-	2,591,879	93,543	2,685,422
Total comprehensive income	-	-	-	-	424,445	115,442	2,476,437	-	-	3,016,324	230,491	3,246,815
Balance at March 31, 2019	\$ 16,846,646	\$ 1,268,860	\$ 7,567,594	\$ 2,214,578	\$ 10,167,493	(\$ 629,404 )	\$ 34,513,261	\$ -	(\$ 19,500 )	\$ 71,929,528	\$ 6,285,977	\$ 78,215,505

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

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

	Notes	Three months ended March 31,	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 733,130	\$ 552,911
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(23)	737,152	509,003
Interest expense	6(8)(25)	59,127	55,815
Interest income	6(21)	( 8,529 )	( 9,261 )
Gain on valuation of financial assets	6(2)(22)	( 506 )	( 534 )
(Gain) loss on valuation of financial liabilities	6(12)(22)	( 758 )	1,332
Share of (profit) loss of associates and joint ventures accounted for under equity method	6(6)	( 21,858 )	8,024
Gain on disposal and scrap of property, plant and equipment	6(22)	( 9,182 )	( 943 )
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		( 118,745 )	26,191
Notes receivable		23,726	116,059
Notes receivable - related parties		( 1,231 )	10,910
Accounts receivable, net		( 701,522 )	( 859,732 )
Accounts receivable - related parties		( 220,255 )	( 156,573 )
Other receivables		( 18,016 )	( 38,467 )
Inventory		42,979	( 417,957 )
Prepayments		( 124,388 )	( 5,452 )
Other current assets		74,354	( 38,654 )
Changes in operating liabilities			
Notes payable		4,978	26,580
Notes payable - related parties		( 133,663 )	( 93,593 )
Accounts payable		147,663	222,976
Accounts payable - related parties		68,345	( 55,420 )
Other payables		( 349,450 )	( 287,581 )
Other current liabilities		( 3,438 )	14,667
Other non-current liabilities		33,190	( 95,258 )
Cash inflow (outflow) generated from operations		213,103	( 514,957 )
Interest received		10,916	7,690
Interest paid		( 64,068 )	( 55,263 )
Income tax paid		( 65,643 )	( 64,583 )
Net cash flows from (used in) operating activities		<u>94,308</u>	<u>( 627,113 )</u>

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

	Notes	Three months ended March 31,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 69,570 )	(\$ 28,533 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	394,792
Proceeds from disposal of financial assets at fair value through profit or loss		224,168	-
Acquisition of property, plant and equipment	6(28)	( 717,853 )	( 1,247,358 )
Proceeds from disposal of property, plant and equipment		15,898	10,639
Increase in other non-current assets		( 22,918 )	( 96,924 )
Net cash flows used in investing activities		( 570,275 )	( 967,384 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(29)	329,450	668,178
Increase in short-term notes and bills payable	6(29)	100,000	1,099,555
Payment of long-term borrowings		( 900,126 )	( 3,000,000 )
Increase in long-term borrowings		900,000	3,001,549
Payment of lease principal	6(8)	( 37,510 )	-
Expired cash dividends paid		-	( 5 )
Net cash flows from financing activities		391,814	1,769,277
Effect of foreign exchange rate		27,434	( 15,252 )
Net (decrease) increase in cash and cash equivalents		( 56,719 )	159,528
Cash and cash equivalents at beginning of period	6(1)	3,391,896	4,942,919
Cash and cash equivalents at end of period	6(1)	\$ 3,335,177	\$ 5,102,447

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

FORMOSA TAFFETA CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2019 AND 2018

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

(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

<u>Business departments</u>	<u>Major activities</u>
Primary department: Fabrics, dyeing and others	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastic bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers
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 March 31, 2019, the Company and its subsidiaries (collectively referred herein as the “Group”) had 10,329 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 May 3, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by the FSC effective from 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 1.01%.
- 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	<u>\$ 859,527</u>
Incremental borrowing interest rate at the date of initial application	1.01%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	<u>\$ 787,655</u>

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:  
The basis for preparation of the consolidated financial statements is the same with the consolidated financial statements as of and for the year ended December 31, 2018.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	46.68	46.68	65.68	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100.00	100.00	100.00	Note 2
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residences and buildings, and development of new community and specialised zones	100.00	100.00	100.00	Note 2
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	100.00	100.00	100.00	Note 2
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100.00	100.00	100.00	Note 2
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keprotect, Dynatec, Spirit and Reflex	50.00	50.00	50.00	Note 2
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100.00	100.00	100.00	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Dong Nai Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	100.00	Note 2
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding company	100.00	100.00	100.00	Note 2
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	100.00	Note 2
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100.00	100.00	100.00	Note 2

Note 1: The Company sold shares of Formosa Advanced Technologies Co., Ltd. to Nan Ya Technology Corp. in July, 2018. As the Company owns more than half of the seats in the Board of Directors of Formosa Advanced Technologies Co., Ltd., the Company has substantive control over the latter.

Note 2: The financial statements of the entity as of and for the three months ended March 31, 2019 and 2018 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

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

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

E. Significant restrictions: None.

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

As of March 31, 2019, December 31, 2018 and March 31, 2018, the non-controlling interest amounted to \$6,285,977, \$6,055,486 and \$4,007,230, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		March 31, 2019		December 31, 2018	
		Amount	Ownership (%)	Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 6,285,428	53.32	\$ 6,055,275	53.32

Name of subsidiary	Principal place of business	Non-controlling interest	
		March 31, 2018	
		Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 4,008,205	34.32

Summarized financial information on the subsidiaries:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.		
	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 6,894,114	\$ 6,792,443	\$ 8,206,367
Non-current assets	6,599,457	5,882,131	4,685,096
Current liabilities	( 1,094,878)	( 1,231,815)	( 1,130,457)
Non-current liabilities	( 610,569)	( 86,280)	( 82,086)
Total net assets	\$ 11,788,124	\$ 11,356,479	\$ 11,678,920

Statements of comprehensive income

	Formosa Advanced Technologies Co., Ltd.	
	Three months ended March 31,	
	2019	2018
Revenue	\$ 2,172,966	\$ 2,047,736
Profit before income tax	320,165	352,861
Income tax expense	( 63,951)	( 70,572)
Profit for the period	256,214	282,289
Other comprehensive income, net of tax	175,431	212,988
Total comprehensive income for the period	\$ 431,645	\$ 495,277
Comprehensive income attributable to non-controlling interest	\$ 230,153	\$ 169,979

Statements of cash flows

	Formosa Advanced Technologies Co., Ltd.	
	Three months ended March 31,	
	2019	2018
Net cash provided by operating activities	\$ 594,349	\$ 336,230
Net cash used in investing activities	( 318,179)	( 880,289)
Net cash used in financing activities	( 6,686)	-
Increase (decrease) in cash and cash equivalents	269,484	( 544,059)
Cash and cash equivalents, beginning of period	1,267,335	3,479,352
Cash and cash equivalents, end of period	\$ 1,536,819	\$ 2,935,293

(4) 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 the 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.

(5) 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.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. The related information is disclosed accordingly.

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

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

(6) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been

enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

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

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements as of and for the year ended December 31, 2018 for related information.

##### 6. DETAILS OF SIGNIFICANT ACCOUNTS

###### (1) Cash and cash equivalents

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Cash on hand and petty cash	\$ 126,693	\$ 156,022	\$ 53,516
Checking accounts and demand deposits	1,677,503	1,797,743	1,343,008
Time deposits	420,901	419,938	1,045,258
Commercial paper	1,110,080	1,018,193	2,660,665
	<u>\$ 3,335,177</u>	<u>\$ 3,391,896</u>	<u>\$ 5,102,447</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse

credit risk, so it expects that the probability of counterparty default is remote.

B. The rate range of time deposit on March 31, 2019, December 31, 2018 and March 31, 2018 are 1.60%~7.78%, 2.75%~5.47% and 1.65%~7.40%, respectively.

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

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

Items	March 31, 2019	December 31, 2018	March 31, 2018
Current items:			
Beneficiary certificates	\$ 250,000	\$ 466,353	\$ 619,504
Forward foreign exchange contracts	96	-	229
	250,096	466,353	619,733
Valuation adjustment	5,732	13,137	11,196
	\$ 255,828	\$ 479,490	\$ 630,929

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

	Three months ended March 31,	
	2019	2018
Beneficiary certificates	\$ 410	\$ 702
Forward foreign exchange contracts	96	(168)
	\$ 506	\$ 534

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

Derivative Instruments	March 31, 2019			March 31, 2018		
	Contract Amount (Notional Principal)	Contract Period		Contract Amount (Notional Principal)	Contract Period	
Current items:						
Forward foreign exchange contracts						
Taipei Fubon Bank	JPY 45,000	2019.03~2019.05		JPY 113,710	2018.03~2018.06	
Taipei Fubon Bank				USD 558	2018.02~2018.05	

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

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

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

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

Items	March 31, 2019	December 31, 2018	March 31, 2018
Current items:			
Equity instruments			
Listed stocks	\$ 2,482,504	\$ 2,482,503	\$ 2,311,395
Unlisted stocks	10,000	100,000	100,000
	2,492,504	2,582,503	2,411,395
Valuation adjustment	1,315,533	1,091,714	1,342,174
	\$ 3,808,037	\$ 3,674,217	\$ 3,753,569
Non-current items:			
Equity instruments			
Listed stocks	\$ 8,739,607	\$ 8,739,607	\$ 10,004,390
Unlisted stocks	6,835,682	6,747,554	5,865,439
	15,575,289	15,487,161	15,869,829
Valuation adjustment	33,378,836	31,025,540	34,781,934
	\$ 48,954,125	\$ 46,512,701	\$ 50,651,763

- 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 \$52,852,162, \$50,186,918 and \$54,405,332 as at March 31, 2019, December 31, 2018 and March 31, 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 \$394,792 which resulted in loss on disposal (including the portion attributable to non-controlling interests) of (\$919,289) during the three months ended March 31, 2018 which was reclassified to retained earnings.
- C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended March 31,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 2,579,227	\$ 1,408,245
Cumulative losses reclassified to retained earnings due to derecognition (including the portion attributable to non-controlling interest)	\$ -	(\$ 919,289)

- D. As at March 31, 2019, December 31, 2018 and March 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$52,852,162, \$50,186,918 and \$54,405,332, 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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Notes receivable	\$ 92,785	\$ 116,511	\$ 48,252
Accounts receivable	\$ 4,883,378	\$ 4,181,310	\$ 4,504,051
Less: Allowance for uncollectible accounts	( 71,579)	( 71,033)	( 76,588)
	<u>\$ 4,811,799</u>	<u>\$ 4,110,277</u>	<u>\$ 4,427,463</u>

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Not past due	\$ 4,800,092	\$ 4,092,982	\$ 4,310,698
Up to 30 days	119,112	154,591	159,061
31 to 90 days	42,782	45,066	58,995
Over 90 days	14,177	5,182	23,549
	<u>\$ 4,976,163</u>	<u>\$ 4,297,821</u>	<u>\$ 4,552,303</u>

The above ageing analysis was based on past due date.

B. As at March 31, 2019, December 31, 2018 and March 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$4,976,163, \$4,297,821 and \$4,552,303, respectively.

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

(5) Inventories

	<u>March 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 1,748,683	(\$ 104,945)	\$ 1,643,738
Supplies	275,412	( 5,201)	270,211
Work in process	2,789,901	( 6,305)	2,783,596
Finished goods	3,634,767	( 574,675)	3,060,092
Merchandise inventory	307,039	-	307,039
Materials in transit	319,895	-	319,895
Outsourced processed materials	243,414	( 67)	243,347
Construction in progress	16,916	-	16,916
Land for construction	22,224	-	22,224
	<u>\$ 9,358,251</u>	<u>(\$ 691,193)</u>	<u>\$ 8,667,058</u>

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
	<u>\$ 9,394,237</u>	<u>(\$ 684,200)</u>	<u>\$ 8,710,037</u>

March 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,715,900	(\$ 46,188)	\$ 1,669,712
Supplies	251,378	( 7,553)	243,825
Work in process	2,590,650	( 7,229)	2,583,421
Finished goods	3,387,753	( 483,213)	2,904,540
Merchandise inventory	291,330	-	291,330
Materials in transit	406,629	-	406,629
Outsourced processed materials	215,683	( 109)	215,574
Construction in progress	23,330	-	23,330
Land for construction	22,224	-	22,224
	<u>\$ 8,904,877</u>	<u>(\$ 544,292)</u>	<u>\$ 8,360,585</u>

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

The cost of inventories recognized as expense for the year:

	Three months ended March 31,	
	2019	2018
Cost of goods sold	\$ 10,305,077	\$ 9,418,523
Inventory valuation loss	6,993	23,558
Others (Note)	( 12,876)	( 2,897)
	<u>\$ 10,299,194</u>	<u>\$ 9,439,184</u>

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

(6) Investments accounted for using equity method

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Formosa Industries Co., Ltd.	\$ 2,032,311	\$ 2,008,842	\$ 1,922,074
Quang Viet Enterprise Co., Ltd.	1,199,695	1,191,261	1,105,473
Changshu Yu Yuan Development Co., Ltd.	17,014	16,403	49,669
	<u>\$ 3,249,020</u>	<u>\$ 3,216,506</u>	<u>\$ 3,077,216</u>

A. Associates

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		March 31, 2019	December 31, 2018	March 31, 2018		
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	17.99%	17.99%	17.92%	Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%	40.78%	40.78%	Associate	Equity method

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

Balance sheets

	<u>Formosa Industries Co., Ltd.</u>		
	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Current assets	\$ 26,244,938	\$ 12,272,938	\$ 18,258,780
Non-current assets	21,361,539	21,232,063	20,751,265
Current liabilities	( 22,773,333)	( 11,529,804)	( 13,748,350)
Non-current liabilities	( 5,274,284)	( 2,749,255)	( 6,893,320)
Total net assets	<u>\$ 19,558,860</u>	<u>\$ 19,225,942</u>	<u>\$ 18,368,375</u>
Share in associate's net assets	\$ 1,955,886	\$ 1,922,594	\$ 1,836,838
Difference	<u>76,425</u>	<u>86,248</u>	<u>85,236</u>
Carrying amount of the associate	<u>\$ 2,032,311</u>	<u>\$ 2,008,842</u>	<u>\$ 1,922,074</u>

Quang Viet Enterprise Co., Ltd.			
	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 8,641,190	\$ 7,605,631	\$ 6,809,665
Non-current assets	3,379,834	3,222,091	2,798,195
Current liabilities	( 4,199,140)	( 3,043,953)	( 3,074,781)
Non-current liabilities	( 377,855)	( 329,187)	( 31,251)
Total net assets	<u>\$ 7,444,029</u>	<u>\$ 7,454,582</u>	<u>\$ 6,501,828</u>
Share in associate's net assets	\$ 1,339,181	\$ 1,341,079	\$ 1,165,128
Difference	( 139,486)	( 149,818)	( 59,655)
Carrying amount of the associate	<u>\$ 1,199,695</u>	<u>\$ 1,191,261</u>	<u>\$ 1,105,473</u>

Changshu Yu Yuan Development Co., Ltd.			
	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 97,563	\$ 96,864	\$ 154,400
Non-current assets	65	106	240
Current liabilities	( 26,118)	( 26,867)	( 49,824)
Total net assets	<u>\$ 71,510</u>	<u>\$ 70,103</u>	<u>\$ 104,816</u>
Share in associate's net assets	\$ 29,162	\$ 28,588	\$ 42,744
Difference	( 12,148)	( 12,185)	6,925
Carrying amount of the associate	<u>\$ 17,014</u>	<u>\$ 16,403</u>	<u>\$ 49,669</u>

#### Statements of comprehensive income

Formosa Industries Co., Ltd.		
Three months ended March 31,		
	2019	2018
Revenue	\$ 7,234,797	\$ 7,607,859
Profit for the period from continuing operations		
(Total comprehensive income)	<u>\$ 137,840</u>	<u>\$ 329,815</u>

Quang Viet Enterprise Co., Ltd.		
Three months ended March 31,		
	2019	2018
Revenue	\$ 2,315,912	\$ 1,164,632
Loss for the period from continuing operations	(\$ 41,602)	(\$ 135,237)
Other comprehensive income, net of tax	31,049	9
Total comprehensive loss	<u>(\$ 10,553)</u>	<u>(\$ 135,228)</u>

	<u>Changshu Yu Yuan Development Co., Ltd.</u>	
	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ -	\$ -
Loss for the period from continuing operations (Total comprehensive loss)	(\$ 58)	(\$ 313)

- B. The investment income (loss) of \$21,858 and (\$8,024) for the three months ended March 31, 2019 and 2018, respectively, were accounted for under the equity method based on the unreviewed financial statements of the investee companies.
- C. The Group is the director of Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. and has significant impact to its operations, thus, Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. are accounted for under the equity method.
- D. The Group's material associate, Quang Viet Enterprise Co., Ltd., has quoted market prices. As of March 31, 2019, December 31, 2018 and March 31, 2018, the fair value were \$2,621,945, \$1,952,512 and \$2,240,740, respectively.

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(7) Property, plant and equipment

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2019</u>						
Cost	\$ 2,202,809	\$ 11,402,399	\$ 44,120,710	\$ 8,938,006	\$ 1,310,921	\$ 67,974,845
Accumulated depreciation	( 14,616)	( 6,199,016)	( 34,499,873)	( 8,334,527)	-	( 49,048,032)
Accumulated impairment	( 155,738)	-	( 117)	-	-	( 155,855)
	<u>\$ 2,032,455</u>	<u>\$ 5,203,383</u>	<u>\$ 9,620,720</u>	<u>\$ 603,479</u>	<u>\$ 1,310,921</u>	<u>\$ 18,770,958</u>
<u>Three months ended March 31, 2019</u>						
Opening net book amount	\$ 2,032,455	\$ 5,203,383	\$ 9,620,720	\$ 603,479	\$ 1,310,921	\$ 18,770,958
Additions	3,014	-	-	5	701,393	704,412
Disposals	( 53)	-	( 5,979)	( 684)	-	( 6,716)
Transfers	-	16,944	616,557	24,140	( 657,641)	-
Depreciation charge	( 2,740)	( 91,215)	( 563,932)	( 41,243)	-	( 699,130)
Net exchange differences	( 260)	25,688	20,128	1,827	1,711	49,094
Closing net book amount	<u>\$ 2,032,416</u>	<u>\$ 5,154,800</u>	<u>\$ 9,687,494</u>	<u>\$ 587,524</u>	<u>\$ 1,356,384</u>	<u>\$ 18,818,618</u>
<u>At March 31, 2019</u>						
Cost	\$ 2,203,150	\$ 11,472,882	\$ 44,738,923	\$ 8,929,943	\$ 1,356,384	\$ 68,701,282
Accumulated depreciation	( 14,996)	( 6,318,082)	( 35,051,312)	( 8,342,419)	-	( 49,726,809)
Accumulated impairment	( 155,738)	-	( 117)	-	-	( 155,855)
	<u>\$ 2,032,416</u>	<u>\$ 5,154,800</u>	<u>\$ 9,687,494</u>	<u>\$ 587,524</u>	<u>\$ 1,356,384</u>	<u>\$ 18,818,618</u>

	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment and other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>At January 1, 2018</u>						
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)
	<u>\$ 2,375,450</u>	<u>\$ 5,182,905</u>	<u>\$ 6,800,537</u>	<u>\$ 687,372</u>	<u>\$ 1,976,014</u>	<u>\$ 17,022,278</u>

Three months ended March 31, 2018

Opening net book amount	\$ 2,375,450	\$ 5,182,905	\$ 6,800,537	\$ 687,372	\$ 1,976,014	\$ 17,022,278
Additions	-	-	-	-	1,271,598	1,271,598
Disposals	-	-	( 12,694)	2,998	-	( 9,696)
Transfers (Note)	( 124,220)	100,061	920,868	22,041	( 1,044,532)	( 125,782)
Depreciation charge	( 74)	( 91,078)	( 366,921)	( 50,930)	-	( 509,003)
Net exchange differences	25	( 28,168)	( 40,338)	( 3,903)	( 20,812)	( 93,196)
Closing net book amount	<u>\$ 2,251,181</u>	<u>\$ 5,163,720</u>	<u>\$ 7,301,452</u>	<u>\$ 657,578</u>	<u>\$ 2,182,268</u>	<u>\$ 17,556,199</u>

At March 31, 2018

Cost	\$ 2,421,781	\$ 11,126,118	\$ 41,750,838	\$ 8,971,360	\$ 2,182,268	\$ 66,452,365
Accumulated depreciation	( 14,862)	( 5,962,398)	( 34,449,269)	( 8,313,782)	-	( 48,740,311)
Accumulated impairment	( 155,738)	-	( 117)	-	-	( 155,855)
	<u>\$ 2,251,181</u>	<u>\$ 5,163,720</u>	<u>\$ 7,301,452</u>	<u>\$ 657,578</u>	<u>\$ 2,182,268</u>	<u>\$ 17,556,199</u>

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

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

	Three months ended March 31,	
	2019	2018
Amount capitalized	\$ 2,930	\$ 1,588
Range of the interest rates for capitalization	0.94%~4.8%	0.94%~3.36%

- 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 March 31, 2019, December 31, 2018 and March 31, 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:

	March 31, 2019	
	Carrying amount	Depreciation charge
Land	\$ 1,149,968	\$ 38,022

- C. For the three months ended March 31, 2019, the additions to right-of-use assets was \$135,997.

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

	Three months ended March 31, 2019	
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$	2,551
Expense on short-term lease contracts		23

E. For the three months ended March 31, 2019, the Group's total cash outflow for leases was \$37,510.

(9) Non-current assets held for sale and discontinued operations (shown as "Other current assets")

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Property, plant and equipment	\$ -	\$ -	\$ 124,220

The assets related to land have been reclassified as disposal group held for sale following the approval of the Board of Directors during the three months ended March 31, 2018 to sell its land. The transaction was completed in 2018.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Mortgage loan	\$ 3,965,293	1.40%~4.32%	Property, plant and equipment and inventories
Purchase loans	<u>2,695</u>	0.43%	-
	<u>\$ 3,967,988</u>		

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

<u>Type of borrowings</u>	<u>March 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 3,472,005	1.40%~4.03%	Property, plant and equipment and inventories
Purchase loans	<u>1,863</u>	0.32%	-
	<u>\$ 3,473,868</u>		

(11) Short-term notes and bills payable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Commercial paper payable	\$ 100,000	\$ -	\$ 2,400,000
Less: Commercial paper payable discount	<u>-</u>	<u>-</u>	<u>( 639)</u>
	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 2,399,361</u>
Interest rate	<u>0.66%</u>	<u>-</u>	<u>0.56%</u>

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

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

Items	March 31, 2019	December 31, 2018	March 31, 2018
Financial liabilities held for trading			
Forward foreign exchange contracts	\$ 16	\$ 774	\$ 1,332

- A. The Group recognized net gain (loss) of \$758 and (\$1,332) on financial liabilities held for trading for the three months ended March 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:

Derivative Financial Liabilities	March 31, 2019		December 31, 2018	
	Contract Amount (Notional Principal)	Contract Period	Contract Amount (Notional Principal)	Contract Period
Current items:				
Forward foreign exchange contracts				
Taipei Fubon Bank	JPY 40,000	2019.3~2019.5	JPY 50,000	2018.12~2019.2
Taipei Fubon Bank	JPY -	-	JPY 56,800	2018.12~2019.2
Chang Hwa Bank	JPY -	-	JPY 50,000	2018.12~2019.1
Chang Hwa Bank	JPY -	-	JPY 50,210	2018.12~2019.1
March 31, 2019				
Derivative Financial Liabilities			Contract Amount (Notional Principal)	Contract Period
Current items:				
Forward foreign exchange contracts				
Taipei Fubon Bank			USD 779	2018.01~2018.04
Taipei Fubon Bank			JPY 201,430	2018.01~2018.05

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

(13) Other payables

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Salaries and year-end bonus payable	\$ 372,395	\$ 784,330	\$ 442,319
Accrued utilities expenses	188,075	130,048	143,081
Payable on equipment	49,373	62,814	-
Commission payable	59,789	54,564	65,693
Dividend payable	9,921	9,943	9,080
Others	899,561	907,798	888,645
	<u>\$ 1,579,114</u>	<u>\$ 1,949,497</u>	<u>\$ 1,548,818</u>

(14) Long-term borrowings

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Credit borrowings	\$ 8,192,956	\$ 8,192,200	\$ 11,211,718
Less: Current portion	( 170,341)	( 169,901)	( 135,102)
	<u>\$ 8,022,615</u>	<u>\$ 8,022,299</u>	<u>\$ 11,076,616</u>
Interest rate	<u>0.94%~4.80%</u>	<u>0.98%~4.45%</u>	<u>1.00%~3.36%</u>

(15) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 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) For the aforementioned pension plan, the Group recognized pension costs of \$7,257 and \$9,869 for the three months ended March 31, 2019 and 2018, respectively.

(c) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2019 amount to \$88,821.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined

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

- (b) The Company’s mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd., and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of the employees’ monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.
- (c) The Company’s subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd., have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees’ salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (d) Formosa Taffeta (Hong Kong) Co., Ltd. and Schoeller FTC (Hong Kong) Co., Ltd. have defined contribution plans whereby contributions are made to the mandatory provident fund based on a percentage of the employees’ salaries and wages as full-time employees’ pension benefit.
- (e) Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulations.
- (f) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2019 and 2018 were \$37,239 and \$36,232, respectively.

(16) Share capital

- A. As of March 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 three months ended March 31, 2019 and 2018, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Three months ended March 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	-	-	2,243

Reason for reacquisition	Investee company	Three months ended March 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	-	-	2,293

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

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange 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.

	Three months ended March 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 (equal to March 31, 2019)	\$ 25,297	\$ 1,650	\$ 2,032	\$ 1,236,557	\$ 3,324

Three months ended March 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
Difference between consideration and carrying amount of subsidiaries acquired	-	1,105	-	-	-
Paid expired cash dividends transferred to capital surplus	-	-	-	-	( 5)
At March 31, 2018	<u>\$ 19,899</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 250,345</u>	<u>\$ 1,497</u>

(18) 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 earnings had been resolved at the Board of Directors on March 15, 2019 and 2017 earnings had been resolved by the stockholders on June 22, 2018. Details are summarized below:

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

As of March 15, 2019, the above appropriation of 2018 earnings has not yet been resolved by the shareholders.

E. As of March 31, 2019, December 31, 2018 and March 31, 2018, unpaid stock dividends amounted to \$9,921, \$9,943 and \$9,080, respectively.

F. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(24).

(19) Other equity items

	<u>Unrealized gains</u> <u>on valuation</u>	<u>Currency</u> <u>translation</u>	<u>Non-controlling</u> <u>interest</u>
January 1, 2019	\$ 32,036,824	(\$ 744,846)	\$ 6,055,486
Revaluation			
— Group	2,475,580	-	-
— Associates	857	-	-
— Non-controlling interest	-	-	93,541
Difference of currency translation			
— Group	-	106,278	-
— Associates	-	9,164	-
— Non-controlling interest	-	-	2
Net income of non-controlling interest	-	-	136,948
March 31, 2019	<u>\$ 34,513,261</u>	<u>(\$ 629,404)</u>	<u>\$ 6,285,977</u>

	Unrealized gains (losses) on valuation	Currency translation	Non-controlling interest
January 1, 2018	\$ 38,440,218	(\$ 914,267)	\$ 3,803,175
Retrospective adjustments	( 4,760,072)	-	33,939
January 1, 2018 after adjustments	33,680,146	( 914,267)	3,837,114
Revaluation			
— Group	1,334,513	-	-
— Associates	635	-	-
— Non-controlling interest	-	-	73,097
Revaluation transferred to retained earnings			
— Group	921,079	-	-
— Non-controlling interest	-	-	1,117
Difference of currency translation			
— Group	-	( 201,152)	-
— Associates	-	( 53,638)	-
— Non-controlling interest	-	-	( 236)
Net income of non-controlling interest	-	-	97,243
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	( 1,105)
March 31, 2018	<u>\$ 35,936,373</u>	<u>(\$ 1,169,057)</u>	<u>\$ 4,007,230</u>

(20) Operating revenue

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales revenue	\$ 11,664,511	\$ 10,672,691
Service revenue	54,336	57,732
	<u>\$ 11,718,847</u>	<u>\$ 10,730,423</u>

A. Contract assets

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Contract assets relating to IC revenue	<u>\$ 907,388</u>	<u>\$ 788,643</u>	<u>\$ 582,646</u>

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.

(21) Other income

	Three months ended March 31,	
	2019	2018
Interest income from bank deposits	\$ 8,529	\$ 9,261
Other income	37,452	26,402
	<u>\$ 45,981</u>	<u>\$ 35,663</u>

(22) Other gains and losses

	Three months ended March 31,	
	2019	2018
Gains on disposals of property, plant and equipment	\$ 9,182	\$ 943
Net currenty exchange gains (losses)	24,789	( 42,791)
Forward foreign exchange contracts		
Gains on financial assets at fair value through profit or loss	506	534
Gains (losses) on financial liabilities at fair value through profit or loss	758	( 1,332)
Bank charges	( 8,820)	( 9,022)
Other (losses) gains	( 9,879)	2,972
	<u>\$ 16,536</u>	<u>(\$ 48,696)</u>

(23) Expenses by nature

	Three months ended March 31,	
	2019	2018
Employee benefit expense	\$ 1,307,371	\$ 1,270,181
Depreciation charges on property, plant and equipment	737,152	509,003
	<u>\$ 2,044,523</u>	<u>\$ 1,779,184</u>

(24) Employee benefit expense

	Three months ended March 31,	
	2019	2018
Wages and salaries	\$ 1,100,787	\$ 1,068,242
Labor and health insurance fees	120,066	114,083
Pension costs	44,496	46,101
Other personnel expenses	42,022	41,755
	<u>\$ 1,307,371</u>	<u>\$ 1,270,181</u>

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

remuneration.

B. For the three months ended March 31, 2019 and 2018, employees' compensation was accrued at \$500 and \$333, respectively; while directors' and supervisors' remuneration was accrued at \$250 and \$167, 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 three months ended March 31, 2019.

The employees' compensation and directors' and supervisors' remuneration for 2018 as approved by shareholders were the same as the amounts shown 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.

(25) Finance costs

	Three months ended March 31,	
	2019	2018
Interest expense:		
Bank borrowings	\$ 59,506	\$ 57,403
Other financial expense	2,551	-
Less: Capitalization of qualifying assets	( 2,930)	( 1,588)
	<u>\$ 59,127</u>	<u>\$ 55,815</u>

(26) Income tax

A. Components of income tax expense

	Three months ended March 31,	
	2019	2018
Current tax:		
Current tax on profit for the period	\$ 139,262	\$ 92,423
Prior year income tax underestimation	24,090	29,617
Prepayment of taxes	-	443
Effect of foreign exchange rate	(742)	134
Total current tax	<u>162,610</u>	<u>122,617</u>
Deferred tax:		
Origination and reversal of temporary differences	9,127	40,645
Impact of change in tax rate	-	7,732
Total deferred tax	<u>9,127</u>	<u>48,377</u>
Income tax expense	<u>\$ 171,737</u>	<u>\$ 170,994</u>

B. The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd., Formosa Development Co., Ltd. and Public More International Company Ltd. through 2017, 2016, 2017 and 2017 have been assessed and approved by the Tax Authority, respectively.

C. 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.

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

E. 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.

F. 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.

G. 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%.

(27) Earnings per share

A. Basic earnings per share

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

	Three months ended March 31, 2019				
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 733,130	\$ 561,393	1,682,421	\$ 0.44	\$ 0.33
Profit attributable to the non-controlling interest	( 253,418)	( 136,948)		( 0.15)	( 0.08)
Profit attributable to the parent	<u>\$ 479,712</u>	<u>\$ 424,445</u>		<u>\$ 0.29</u>	<u>\$ 0.25</u>

	Three months ended March 31, 2018				
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 552,911	\$ 381,917	1,682,372	\$ 0.33	\$ 0.23
Profit attributable to the non-controlling interest	( 219,415)	( 97,243)		( 0.13)	( 0.06)
Profit attributable to the parent	<u>\$ 333,496</u>	<u>\$ 284,674</u>		<u>\$ 0.20</u>	<u>\$ 0.17</u>

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

	Three months ended March 31, 2019				
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 733,130	\$ 561,393	1,684,665	\$ 0.43	\$ 0.33
Profit attributable to the non-controlling interest	( 253,418)	( 136,948)		( 0.15)	( 0.08)
Profit attributable to the parent	<u>\$ 479,712</u>	<u>\$ 424,445</u>		<u>\$ 0.28</u>	<u>\$ 0.25</u>

Three months ended March 31, 2018

	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	\$ 552,911		\$ 381,917	<u>1,684,665</u>
Profit attributable to the non-controlling interest	( 219,415)	( 97,243)		( 0.13)	( 0.06)
Profit attributable to the parent	<u>\$ 333,496</u>	<u>\$ 284,674</u>		<u>\$ 0.20</u>	<u>\$ 0.17</u>

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 three months ended March 31, 2019 and 2018.

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	Three months ended March 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 704,412	\$ 1,271,598
Add: Opening balance of payable on equipment	62,814	86,955
Less: Ending balance of payable on equipment	( 49,373)	( 111,195)
Cash paid during the period	<u>\$ 717,853</u>	<u>\$ 1,247,358</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes payable	Long-term borrowings	Liabilities from financing activities-
			(including current portion)	gross
At January 1, 2019	\$ 3,638,538	\$ -	\$ 8,192,200	\$ 11,830,738
Changes in cash flow from financing activities	329,450	100,000	882	430,332
Impact of changes in foreign exchange rate	-	-	( 126)	( 126)
At March 31, 2019	<u>\$ 3,967,988</u>	<u>\$ 100,000</u>	<u>\$ 8,192,956</u>	<u>\$ 12,260,944</u>

	Short-term borrowings	Short-term notes payable	Long-term borrowings	Liabilities from financing activities-
			(including current portion)	gross
At January 1, 2018	\$ 2,805,690	\$ 1,299,806	\$ 11,222,071	\$ 15,327,567
Changes in cash flow from financing activities	668,178	1,099,555	1,549	1,769,282
Impact of changes in foreign exchange rate	-	-	( 11,902)	( 11,902)
At March 31, 2018	<u>\$ 3,473,868</u>	<u>\$ 2,399,361</u>	<u>\$ 11,211,718</u>	<u>\$ 17,084,947</u>

## 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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Formosa Chemicals & Fibre Corp.	Parent company
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. (Note)	Other related party
Kong You Industrial Co., Ltd.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party
Formosa HA Tinh(Cayman) Limited	Other related party
FG INC.	Other related party
NKFG	Other related party

Note: Since Nan Ya Technology Corp. sold all owned shares of Piecemakers Technology Inc. in February 2018, Piecemakers Technology Inc. is no longer a related party of the Group.

(3) Significant related party transactions and balances

A. Operating revenue

	Three months ended March 31,	
	2019	2018
Sales of goods:		
– Ultimate parent	\$ 551	\$ 157
– Associates	133,290	135,633
– Other related party		
Nan Ya Technology Corp.	1,625,320	1,401,038
Others	314,626	273,263
	<u>\$ 2,073,787</u>	<u>\$ 1,810,091</u>

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

B. Purchases of goods

	Three months ended March 31,	
	2019	2018
Purchases of goods:		
– Ultimate parent	\$ 512,774	\$ 528,626
– Associates	241,403	233,652
– Other related party		
Formosa Petrochemical Corp.	2,671,489	2,528,623
Others	520,888	496,045
	<u>\$ 3,946,554</u>	<u>\$ 3,786,946</u>

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

C. Receivables from related parties

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Notes and accounts receivable:			
– Ultimate parent	\$ 187	\$ 98	\$ 37
– Associates	113,870	41,091	107,895
– Other related party			
Nan Ya Technology Corp.	1,047,131	1,006,359	945,290
Others	<u>293,155</u>	<u>185,309</u>	<u>273,763</u>
	1,454,343	1,232,857	1,326,985
Other receivables - dividends			
– Associates			
Formosa Industries Corp.	-	-	90,347
	<u>\$ 1,454,343</u>	<u>\$ 1,232,857</u>	<u>\$ 1,417,332</u>

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

#### D. Notes and accounts payable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Notes and accounts payable:			
– Ultimate parent	\$ 549,691	\$ 693,798	\$ 408,901
– Associates	43,170	46,854	74,729
– Other related party			
Formosa Petrochemical Corp.	497,285	397,563	577,735
Others	<u>176,377</u>	<u>193,626</u>	<u>177,151</u>
	<u>\$ 1,266,523</u>	<u>\$ 1,331,841</u>	<u>\$ 1,238,516</u>

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

#### E. Property transactions

##### (a) Acquisition of financial assets:

	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Three months ended March 31, 2019 Consideration</u>
Other related party	Non-current financial assets at fair value through other comprehensive income	-	FG INC.	<u>\$ 69,570</u>

## 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 three months ended March 31, 2019 and 2018, Formosa Taffeta Dong Nai Co., Ltd. has recognized lease service fee income in investment district of \$8,529 and \$7,816, respectively, for rendering the abovementioned consigned services. As of March 31, 2019, December 31, 2018 and March 31, 2018 the uncollected amount of \$3,246, \$3,241 and \$2,902, respectively, was recognized under 'other receivables'.

For the above land leasing, as of March 31, 2019, December 31, 2018 and March 31, 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 \$38,587, \$37,745 and \$32,545, respectively, and was recognized under 'other payables'.

### (4) Key management compensation

	Three months ended March 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 25,385	\$ 25,829
Post-employment benefits	27	26
	<u>\$ 25,412</u>	<u>\$ 25,855</u>

## 8. PLEDGED ASSETS

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

Item	Book Value			Purpose
	March 31, 2019	December 31, 2018	March 31, 2018	
Property, plant and equipment	\$ 137,787	\$ 137,962	\$ 138,487	Security for short-term borrowings
Inventories (Held-to-maturity land)	21,264	21,264	21,264	Security for short-term borrowings
	<u>\$ 159,051</u>	<u>\$ 159,226</u>	<u>\$ 159,751</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Formosa Advanced Technologies Co., Ltd. is engaged in the processing of various integrated circuits packaging test and is responsible for custody for which the subsidiary needs to be compensated if lost. As of March 31, 2019, the items in custody are as follows:

		March 31, 2019							
		Quantity	Market value	Quantity	Market value	Quantity	Market value	Quantity	Market value
		(Unit : PC)	(per PC)	(Unit : piece)	(per piece)	(Unit : bar)	(per bar)	(Unit : stick)	(stick)
A. Work in process									
LED		6,722,372	NTD 0.015~0.825	-	-	-	-	-	-
FBGA		48,733,771	USD 0.75~15	-	-	-	-	-	-
TSOP		4,329,851	USD 0.2~0.6	-	-	-	-	-	-
LED assembly		4,378,465	NTD 0.35~10.87	-	-	-	-	1,180	NTD 25~1,320
Module		1,245,848	USD 0.2~15	-	-	89,228	USD 21.48~259.57	-	-
MICRO-SD		495,757	USD 1.42~4.911	-	-	-	-	-	-
Others		30,281	USD 1.45~3.8	1,856	USD 1,500	-	-	-	-
		<u>65,936,345</u>		<u>1,856</u>		<u>89,228</u>		<u>1,180</u>	
B. Finished goods									
LED		1,079,043	NTD 0.015~0.825	-	-	-	-	-	-
FBGA		173,981,814	USD 0.75~15	-	-	-	-	-	-
TSOP		6,218,268	USD 0.2~0.6	-	-	-	-	-	-
LED assembly		7,343,692	NTD 0.35~10.87	-	-	-	-	592	NTD 25~1,320
Module		474,678	USD 0.2~15	-	-	46,617	USD 21.48~259.57	-	-
MICRO-SD		158,540	USD 1.42~4.911	-	-	-	-	-	-
Others		11,121	USD 1.45~3.8	401	USD 1,500	-	-	-	-
		<u>189,267,156</u>		<u>401</u>		<u>46,617</u>		<u>592</u>	

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

	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Less than 1 year	\$ 133,799	\$ 150,480
Between 1 and 5 years	398,418	438,845
More than 5 years	<u>327,310</u>	<u>381,747</u>
	<u>\$ 859,527</u>	<u>\$ 971,072</u>

(3) As of March 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:

<u>Currency</u>	<u>March 31, 2019</u>
	<u>Amount (In Thousands)</u>
USD	\$ 2,024
JPY	1,554,993
EUR	1,048
GBP	500
CHF	84

(4) Endorsements and guarantees

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

<u>Name of company</u>	<u>March 31, 2019</u>
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 1,017,060
Formosa Taffeta Vietnam Co., Ltd.	1,541,000
Formosa Taffeta (Changshu) Co., Ltd.	1,695,100
Formosa Taffeta Dong Nai Co., Ltd.	4,684,640
Formosa HA Tinh (Cayman) Limited	7,149,442
Public More Internation Company Ltd.	3,000

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

#### 12. OTHERS

##### (1) Capital management

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2018 for related information.

##### (2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss	\$ 255,828	\$ 479,490	\$ 630,929
Financial assets measured at fair value through other comprehensive income	52,852,162	50,186,918	54,405,332
Financial assets at amortized cost	<u>10,036,535</u>	<u>9,178,343</u>	<u>11,394,229</u>
	<u>\$ 63,144,525</u>	<u>\$ 59,844,751</u>	<u>\$ 66,430,490</u>
<u>Financial liabilities</u>			
Financial liabilities measured at fair value through profit or loss	\$ 16	\$ 774	\$ 1,332
Financial liabilities at amortized cost	<u>16,823,399</u>	<u>16,676,253</u>	<u>21,767,425</u>
	<u>\$ 16,823,415</u>	<u>\$ 16,677,027</u>	<u>\$ 21,768,757</u>

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

B. Financial risk management policies

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2018 for related information.

C. Significant financial risks and degrees of financial risks

Except for the following items, there was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2018 for related information.

(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:

March 31, 2019

	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 123,971	30.83	\$ 3,822,026
USD:RMB	13,820	6.73	426,071
JPY:NTD	372,666	0.28	104,346
<u>Non-monetary items</u>			
VND:NTD	4,769,761,295	0.0013	6,200,690
HKD:NTD	300,798	3.93	1,182,136
RMB:NTD	621,033	4.58	2,844,331
USD:NTD	175,542	30.83	5,411,960
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	4,354	30.83	134,234
USD:RMB	8,382	6.73	258,417

December 31, 2018

	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 117,372	30.73	\$ 3,606,842
JPY:NTD	412,840	0.28	115,595
<u>Non-monetary items</u>			
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
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,951	30.73	121,414

March 31, 2018

	Foreign Currency		
	Amount		Book Value
	(In Thousands)	Exchange Rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 134,034	29.12	\$ 3,903,070
USD:RMB	9,449	6.29	275,155
JPY:NTD	440,884	0.27	119,039
<u>Non-monetary items</u>			
VND:NTD	4,583,182,459	0.0013	5,958,137
HKD:NTD	310,136	3.70	1,147,503
RMB:NTD	582,120	4.63	2,695,216
USD:NTD	190,798	29.12	5,556,038
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	4,741	29.12	138,058
USD:RMB	12,650	6.29	368,368

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 three months ended March 31, 2019 and 2018 amounted to \$24,789 and (\$42,791), respectively.

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

	Three months ended March 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 38,220	\$ -
USD:RMB	1%	4,261	-
JPY:NTD	1%	1,043	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	62,007
HKD:NTD	1%	-	11,821
RMB:NTD	1%	-	28,443
USD:NTD	1%	-	54,120
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	1,342	-
USD:NTD	1%	2,584	-

Three months ended March 31, 2018

Sensitivity analysis			
<u>Financial assets</u>	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<u>Monetary items</u>			
USD:NTD	1%	\$ 39,031	\$ -
USD:RMB	1%	2,752	-
JPY:NTD	1%	1,190	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	59,581
HKD:NTD	1%	-	11,475
RMB:NTD	1%	-	26,860
USD:NTD	1%	-	55,560
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	1,381	-
USD:RMB	1%	3,684	-

#### 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 three months ended March 31, 2019 and 2018 would have increased/decreased by \$2,047 and \$5,047, 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 \$528,522 and \$544,053, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income and available-for sale equity investment.

#### Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the three months ended March 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 three months ended March 31, 2019 and 2018 would have decreased/increased by \$63,200 and \$86,400, 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 three months ended March 31, 2019 and 2018 would have decreased/increased by \$981 and \$2,213, 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 March 31, 2019, December 31, 2018 and March 31, 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At March 31, 2019</u>					
Expected loss rate	0%	19%	44%	95%	
Total book value	\$ 4,800,092	\$ 119,112	\$ 42,782	\$ 14,177	\$ 4,976,163
Loss allowance	16,546	22,716	18,808	13,509	71,579
	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At December 31, 2018</u>					
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
	Not past due	Up to 30 days past due	31 to 90 days past due	Over 90 days past due	Total
<u>At March 31, 2018</u>					
Expected loss rate	0%	16%	38%	74%	
Total book value	\$ 4,310,698	\$ 159,061	\$ 58,995	\$ 23,549	\$ 4,552,303
Loss allowance	12,197	24,781	22,257	17,353	76,588

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:

	Three months ended March 31, 2019		
	Notes receivable	Accounts receivable	Contract assets
At January 1	\$ -	(\$ 71,033)	\$ -
Effect of foreign exchange	-	( 546)	-
At March 31	\$ -	(\$ 71,579)	\$ -
	Three months ended March 31, 2018		
	Notes receivable	Accounts receivable	Contract assets
At January 1	\$ -	(\$ 76,521)	\$ -
Effect of foreign exchange	-	( 67)	-
At March 31	\$ -	(\$ 76,588)	\$ -

(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 March 31, 2019, December 31, 2018 and March 31, 2018, the Group held money market position of \$56,316,474, \$53,902,282 and \$60,085,192, 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:

	<u>Less than 1 year</u>	<u>Over 1 year</u>
Long-term borrowings (including current portion)		
March 31, 2019	\$ 170,341	\$ 8,022,615
December 31, 2018	169,901	8,022,299
March 31, 2018	135,102	11,076,616
Lease liability		
March 31, 2019	\$ 131,141	\$ 757,552

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:

<u>March 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 96	\$ -	\$ 96
Beneficiary certificates	255,732	-	-	255,732
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	<u>46,597,398</u>	<u>415,400</u>	<u>5,839,364</u>	<u>52,852,162</u>
	<u>\$ 46,853,130</u>	<u>\$ 415,496</u>	<u>\$ 5,839,364</u>	<u>\$ 53,107,990</u>
Financial liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 16</u>

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
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	<u>43,914,680</u>	<u>403,500</u>	<u>5,868,738</u>	<u>50,186,918</u>
	<u>\$ 44,394,170</u>	<u>\$ 403,500</u>	<u>\$ 5,868,738</u>	<u>\$ 50,666,408</u>

Financial liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 774</u>	<u>\$ -</u>	<u>\$ 774</u>

<u>March 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 229	\$ -	\$ 229
Beneficiary certificates	630,700	-	-	630,700
Financial assets at fair value through other comprehensive income				
Equity securities	<u>48,256,208</u>	<u>537,600</u>	<u>5,611,524</u>	<u>54,405,332</u>
	<u>\$ 48,886,908</u>	<u>\$ 537,829</u>	<u>\$ 5,611,524</u>	<u>\$ 55,036,261</u>

Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,332</u>	<u>\$ -</u>	<u>\$ 1,332</u>

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

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

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

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques such as current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including applying a model using market information available at the consolidated balance sheet date.
- iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the three months ended March 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 three months ended March 31, 2019 and 2018:

	<u>Three months ended March 31, 2019</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 5,868,738
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	( 45,955)
Effect of exchange rate changes	16,581
At March 31	<u>\$ 5,839,364</u>
	<u>Three months ended March 31, 2018</u>
	<u>Non-derivative equity instruments</u>
At January 1	\$ 5,786,870
Retrospective adjustments	65,372
At January 1 after adjustments	5,852,242
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	( 107,604)
Effect of exchange rate changes	( 133,114)
At March 31	<u>\$ 5,611,524</u>

For the three months ended ended March 31, 2019 and 2018, there was no movement of Level 3.

F. For the three months ended March 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 March 31, 2019	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 427,451	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 for lack of marketability, the lower the fair value
	5,411,913	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 for lack of marketability, the lower the fair value
	5,524,366	Net asset value	Not applicable	Not applicable

	Fair value at March 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 369,896	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
	5,241,628	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:

		March 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%	\$ 4,275	\$ 4,275
			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

		<u>March 31, 2018</u>		
		<u>Recognized in other comprehensive income</u>		
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	<u>\$ 3,699</u>	<u>\$ 3,699</u>

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the three months ended March 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: None.

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

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

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.

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

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

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

#### (2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

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.

(Blank)

(3) Information about segment profit or loss and assets

	Three months ended March 31, 2019						
	First business group	Second business group			FATC department	Adjustment and write-off	Total
		Cord fabric department	Gasoline department	Other segment			
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 4,224,117	\$ 2,068,619	\$ 2,823,394	\$ 429,751	\$ 2,172,966	\$ -	\$ 11,718,847
Inter-segment revenue	<u>334,264</u>	<u>102,713</u>	<u>-</u>	<u>77,090</u>	<u>-</u>	<u>(514,067)</u>	<u>-</u>
Total segment revenue	<u>\$ 4,558,381</u>	<u>\$ 2,171,332</u>	<u>\$ 2,823,394</u>	<u>\$ 506,841</u>	<u>\$ 2,172,966</u>	<u>(\$ 514,067)</u>	<u>\$ 11,718,847</u>
Segment income	<u>\$ 490,150</u>	<u>\$ (249)</u>	<u>\$ 112,529</u>	<u>\$ 24,518</u>	<u>\$ 320,165</u>	<u>(\$ 213,983)</u>	<u>\$ 733,130</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 15,220,638</u>	<u>\$ 6,467,603</u>	<u>\$ 1,357,882</u>	<u>\$ 3,442,746</u>	<u>\$ 7,354,349</u>	<u>\$ 1,385</u>	\$ 33,844,603
Investments accounted for under equity method							3,249,020
General assets							<u>60,348,796</u>
Total assets							<u>\$ 97,442,419</u>

Three months ended March 31, 2018

	Second business group					Adjustment and write-off	Total
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department		
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 3,669,392	\$ 1,768,446	\$ 2,804,054	\$ 440,795	\$ 2,047,736	\$ -	\$ 10,730,423
Inter-segment revenue	<u>277,300</u>	<u>25,722</u>	<u>-</u>	<u>29,819</u>	<u>-</u>	<u>( 332,841)</u>	<u>-</u>
Total segment revenue	<u>\$ 3,946,692</u>	<u>\$ 1,794,168</u>	<u>\$ 2,804,054</u>	<u>\$ 470,614</u>	<u>\$ 2,047,736</u>	<u>(\$ 332,841)</u>	<u>\$ 10,730,423</u>
Segment income	<u>\$ 363,423</u>	<u>\$ 13,629</u>	<u>\$ 97,357</u>	<u>(\$ 45,614)</u>	<u>\$ 352,862</u>	<u>(\$ 228,746)</u>	<u>\$ 552,911</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 14,496,467</u>	<u>\$ 6,115,113</u>	<u>\$ 1,306,864</u>	<u>\$ 3,902,894</u>	<u>\$ 5,812,677</u>	<u>\$ 85,469</u>	\$ 31,719,484
Investments accounted for under equity method							3,077,216
General assets							<u>63,237,859</u>
Total assets							<u>\$ 98,034,559</u>

(4) Reconciliation for segment income (loss)

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

## FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

## Provision of endorsements and guarantees to others

For the three months ended March 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at March 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	\$ 46,754,193	\$ 1,017,060	\$ 1,017,060	\$ 215,740	\$ -	1.41	\$ 93,508,386	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	46,754,193	1,541,000	1,541,000	420,175	-	2.14	93,508,386	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	46,754,193	1,695,100	1,695,100	433,026	-	2.36	93,508,386	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	46,754,193	4,684,640	4,684,640	3,168,626	-	6.51	93,508,386	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	46,754,193	7,149,442	7,149,442	5,370,974	-	9.94	93,508,386	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	188,563	3,000	3,000	3,000	-	1.03	377,127	Y	N	N	

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

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

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

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
For the three months ended March 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 March 31, 2019				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	\$ 1,362,997	0.21	\$ 1,362,997	
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	70	-	70	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	38,045	0.01	38,045	
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	415,400	2.35	415,400	
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	473,456	0.25	473,456	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	42,188,405	3.83	42,188,405	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	174,441	3,700	0.45	3,700	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	39,471	10.00	39,471	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	676,441	16,567	1.20	16,567	

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 three months ended March 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 March 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	\$ 10,046	3.17	\$ 10,046	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	4,261,443	55,782	9.53	55,782	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	272,758	3.00	272,758	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	5,411,913	3.85	5,411,913	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,243,228	82,551	0.13	82,551	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	146,388	16,029	-	16,029	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	2,907,512	229,403	0.04	229,403	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	15,249,000	1,707,888	0.26	1,707,888	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Current financial assets at fair value through other comprehensive income	1,110,000	128,205	0.01	128,205	

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 three months ended March 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 March 31, 2019				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,376,215	\$ 452,900	0.24	\$ 452,900	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	2,130,721	27,894	4.77	27,894	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	59,945	1,233	0.15	1,233	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	20,396,748	255,732	-	255,732	

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the three months ended March 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 133,290)	( 1.89)	Pay by mail transfer 60 days after delivery	\$ -	-	Notes payable \$ 715	-
									Accounts receivable 113,155	4.26
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	2,671,489	44.72	Pay every 15 days by mail transfer	-	-	Accounts payable ( 497,285)	( 29.27)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	406,666	6.81	Draw promissory notes due in 2 months after inspection	-	-	Notes payable ( 194,509)	( 11.45)
									Accounts payable ( 300,618)	( 17.69)
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	283,151	4.74	Pay every 15 days by mail transfer	-	-	Accounts payable ( 103,907)	( 6.12)
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Sales	( 1,625,320)	( 75.00)	60 days after monthly billings	-	-	Accounts receivable 1,047,131	69.00

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 three months ended March 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FORMOSA TAFFETA NAI CO., LTD.	DONG FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(\$ 100,495)	( 7.86)	60 days after monthly billings	-	-	Accounts receivable	\$ 98,220	8.06
FORMOSA TAFFETA NAI CO., LTD.	DONG FORMOSA TAFFETA CO., LTD.	Parent company	Sales	( 117,489)	( 9.19)	60 days after monthly billings	-	-	Accounts receivable	101,310	8.31
FORMOSA TAFFETA NAI CO., LTD.	DONG FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	185,886	19.03	60 days after monthly billings	-	-	Accounts payable	( 106,683)	( 24.15)

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 three months ended March 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2019 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	\$ 1,047,131	6.33	\$ -	-	\$ 498,074	\$ -
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	127,724	1.71	-	-	43,740	-
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	101,310	2.20	-	-	40,822	-
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Notes payable 715	6.88				
			Accounts receivable 113,155				24,202	

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 three months ended March 31, 2019

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	\$ 406,666	Draw promissory notes due in 2 months after inspection	3.47
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	300,618	Draw promissory notes due in 2 months after inspection	0.31
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	194,509	Draw promissory notes due in 2 months after inspection	0.20

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 three months ended March 31, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2019			Net profit (loss) of the investee for the three months ended March 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the three months ended March 31, 2019 (Note 2(3))	Footnote
				Balance as at March 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
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	\$ 1,176,103	\$ 18,797	\$ 18,797	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	2,681,906	206,442,472	46.68	5,551,916	256,214	119,601	
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	223,732	1,450	1,450	
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	2,005,512	35,616	35,616	
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	\$ 2,958	\$ 2,958	-	50.00	\$ 6,272	\$ 1,214	\$ 607	

## FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

## Information on investees

For the three months ended March 31, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2019			Net profit (loss) of the investee for the three months ended March 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the three months ended March 31, 2019 (Note 2(3))	Footnote
				Balance as at March 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	\$ 213,771	\$ 213,771	18,595,352	17.99	\$ 1,199,695	\$ 857,041	\$ 305	
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	2,032,311	190,543	21,577	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	6,241,670	171,028,736	100.00	5,411,966	-	-	
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	2,295,057	( 499)	( 499)	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	24,185	256,214	272	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	11,719	1,725	1,725	

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 March 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 three months ended March 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 three months ended March 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 three months ended March 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019	Net income of investee for the three months ended March 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2019 (Note 2)	Book value of investments in Mainland China as of March 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of March 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	\$ 36,920	100.00	\$ 36,920	\$ 1,770,672	\$ -	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	( 245)	100.00	( 245)	13,203	-	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	20,136	100.00	20,136	1,059,126	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	( 58)	40.78	( 24)	17,014	-	Note 6

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

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

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

(3) Others

Note 2: The amount of 'Investment income (loss) recognised by the Company for the three months ended March 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 March 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 March 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 March 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 March 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	\$ 1,430,048	\$ 46,929,303
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,567	46,929,303
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,294,440	46,929,303

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 = 1:30.82

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 three months ended March 31, 2019

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Balance at		Provision of endorsements/guarantees or collaterals	Financing			Interest during the three months ended March 31, 2019	Others
	Amount	%	Amount	%	Balance at March 31, 2019	%	Balance at March 31, 2019	Purpose		Maximum balance during the three months ended March 31, 2019	Balance at March 31, 2019	Interest rate		
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 6,995	0.10	\$ -	-	\$ 3,714	0.14	\$ 1,017,060		For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -	-
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	7,468	0.11	-	-	3,193	0.12	1,695,100		For short-tem loans from financial institutions	-	-	-	-	-