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# Formosa Taffeta Co., Ltd.

## 2019 Annual Report

Compiled by Formosa Taffeta Co., Ltd.

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*Inquiry about the Annual Report*

*Market Observation Post System: [mops.twse.com.tw](http://mops.twse.com.tw)*

*Corporate website: [www.ftc.com.tw](http://www.ftc.com.tw)*

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# Contents

<b>I. Report to shareholders</b>	
A. 2019 business performance -----	1
B. 2020 The company's business plan summary -----	1
<b>II. Company profile</b>	
A. Incorporation date -----	6
B. Company history -----	6
<b>III. Report on corporate governance</b>	
A. Organizational system -----	17
(A) Organizational structure -----	17
(B) Main businesses of all segments and divisions -----	18
B. Data on directors, president, vice presidents, assistant vice assistant presidents, and chiefs of various divisions and branches -----	18
(A) Data on directors -----	18
(B) Diversification policy for membership of the board of directors -----	27
(C) Management Team -----	28
C. Compensations for directors (including independent directors), president, and vice presidents in the recent year -----	31
(A) The company summarized disclosure in the form of pay range and names of payees -----	31
(B) The company and all companies in the consolidated statements, in recent two years analysis of ratio of the total compensations for the company's directors, president, and vice presidents in after-tax net profits of Individual or individual financial report -----	38
D. Operation of corporate governance -----	39
(A) Operating status of the board of directors -----	39
(B) Operation of the auditing committee or status of participation in the operation of the board of directors -----	42
(C) Operating status of corporate governance and difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons -----	46
(D) Makeup, responsibilities, and operation of the remuneration committee -----	64
(E) Status for fulfilling social responsibilities -----	68
(F) Status for implementation of ethical management and measures -----	81
(G) How to inquire about the company's corporate governance best-practice principles -----	87
(H) Disclose other important information conducive to the understanding of the operation of the company's corporate governance -----	87
(I) Execution status of internal control system -----	88
1. Statement on internal control system -----	88
2. The CPA review report that In case review of internal control system is outsourced to certified public accountant -----	88
(J) Legal punishment for the company and its staffers or punishment of its staffers by the company for violation of regulations of internal control system, major defects, and situation of improvement -----	88

(K) Major resolutions of shareholders' meeting and the board of directors in the recent year and as of the date for the publication of the yearbook -----	89
(L) Opinions of director or supervisor on record or in written statement different from major resolutions of the board of directors in the recent year and the current year as of the date of the publication of the annual report-----	96
(M) Summary of resignation or dismissal of staffers related to financial report in the recent year and the current year as of the date of the publication of the annual report-----	96
E. Information on professional fee for certified public accountants -----	97
F. Change CPA information -----	98
G. The company's chairman, president, or financial or accounting manager serves at the accounting firm of certified public account or its affiliate in recent one year, disclose his/her name, title, and period of service at the accounting firm or its affiliate -----	99
H. The situation of share transfer and change in shareholding mortgage by directors, managerial staffers, and shareholders with over 10% shareholding in the recent year and as of the date of the publication of the yearbook -----	100
I. Top 10 shareholders in terms of shareholding percentages and their interrelationship-----	103
J. The amount of total shareholding of the company and the company's directors, managerial staffers, and directly or indirectly controlled enterprises in an invested enterprise and percentage of the shareholding-----	105
<b>IV. Fund raising</b>	
A. Capital and shares -----	106
(A) Source of share capital -----	106
(B) Shareholder structure -----	106
(C) Shareholding distribution status -----	107
(D) List of Major Shareholders -----	107
(E) Market share price, net worth, earnings, stock dividends, and related data in recent two years -----	108
(F) The company's dividend policy and execution status-----	109
(G) Effect of proposal of stock grants at the shareholders' meeting on the company's business performance and earnings per share-----	109
(H) Compensations for employees and directors -----	109
(I) Share buyback by the company -----	110
B. Issuance of corporate bonds-----	110
C. Issuance of special shares -----	110
D. Issuance of overseas depository receipts -----	110
E. Issuance of employee stock option certificates-----	110
F. Managerial staffers with acquisition of employee stock option certificates and names of top 10 employees with largest number of employee stock option certificates and status of acquisition and subscription -----	110
G. Issuance of restricted stock awards -----	110
H. Managerial staffers with acquisition of restricted stock awards and names of top 10 employees with largest number of restricted stock awards and status of acquisition -----	110
I. Issuance of new shares for acquisition of other company or transfer of other company's shares -----	110

J.	Status for the execution of fund utilization plan -----	110
	(A) Contents of plan -----	110
	(B) Execution status -----	110
<b>V.</b>	<b>Business Status</b>	
A.	<b>Business contents</b> -----	111
	(A) Business scope-----	111
	(B) Industry status -----	113
	(C) The State of Technology and Research & Development -----	118
	(D) Long- and short-term business development plan-----	118
B.	Market and production and sales overview -----	123
	(A) Market analysis-----	123
	(B) Major purposes and production processes of various products-----	128
	(C) Supply status of major raw materials -----	130
	(D) Names of customers/suppliers accounting for over 10% of the procurement (sales) of the company in the two recent years, their values and shares -----	131
	(E) Output Quantity and amount in recent two years -----	133
	(F) Sales Quantity and amount in recent two years-----	134
C.	Human Resources-----	135
D.	Information on environmental-protection outlay -----	135
E.	Labor-management relationship-----	138
F.	important contracts -----	142
<b>VI.</b>	<b>Financial status</b>	
A.	Brief balance sheet, comprehensive income statement, names of certified public accountants, and auditing opinions in recent five years -----	143
B.	Analysis of finance in recent five years -----	148
C.	The Audit Committee's Review Report of the financial report for the latest year -----	153
D.	Consolidated financial report of parent company and subsidiaries of the recent year audited and certified by certified accountant-----	154
E.	Individual financial report of the recent year audited and certified by certified accountanter -----	154
F.	Effect of financial problem, if any, of the company and affiliates on the company's financial status in the recent year and the current year as of the date of the publication of the annual report -----	154
<b>VII.</b>	<b>Financial status, review and analysis of management performance, and risk items</b>	
A.	Review and analysis of financial status -----	155
B.	Review and analysis of management performance -----	156
C.	Review and analysis of cash flow -----	157
D.	Influence of major capital outlays in the recent year on finance and business -----	158
E.	Reinvestment policy, major reasons for profit or loss, improvement plan, and investment plan in the coming year -----	158
F.	Risk items-----	160
G.	Other important items-----	165

**VIII. Items with special registration**

A. Data on affiliates----- 166

B. Disclose the status of securities issuance via private placement in 2018 and 2019 as of the publication of the annual report----- 176

C. Holding or disposal of the company's shares by subsidiaries in the recent year and as of the date of the publication of the annual report----- 176

D. Other necessary supplementary explanation----- 176

E. Whether or not there is items with major influence on shareholders' equity or securities prices, as stipulated in item 3-2 of article 36 of the Securities and Exchange Acts ----- 176

F. Guidelines for Ethical Conducts of the Company's Directors, Supervisors and Managerial Staffers----- 177

**IX. Financial statement**

Formosa Taffeta Co., Ltd. and subsidiaries consolidated financial statements----- 179

Formosa Taffeta Co., Ltd. Parent company only financial statements----- 296

# **I. Report to shareholders**

## **A. 2019 Business Performance**

The Company's consolidated revenue grew by 2.8%, from NT\$ 35,759.53 million in 2018 to NT\$36,762.19 million in 2019, an increase of NT\$ 1,002.66 million. The consolidated pretax profit increased by 14%, from NT\$ 4,529.41 million to NT\$5,163.96 million, an increase of NT\$ 634.55 million. (The Company has lowered its shareholding of its major subsidiary, Formosa Advanced Technologies Co., Ltd., on December 16, 2019, ceding management control over it; therefore, the consolidated revenue and profit have been restated according to regulations.)

The business of 2019 had been affected by disturbed global financial environment. The main attributor was a loose monetary policy that rendered new high of capital-market indices of stocks, futures, and bonds. However, the increased costs of materials and pays were not easy to be passed on to consumers due to mild growth of consumption power and acute competition in the downstream sector.

Despite challenges, international brands increased their orders to the Company for long-fiber weaving fabric as composite functional products made from environment-friendly material have outstanding functionality. In addition, tariffs and the present international supply chain are being impacted by trade disputes arose from trade deficits which the U.S. had with its major trade partners, including China, Germany, and Japan. However, the Company and its major customers have harmonious relations and achieved win-win results through strategic collaboration. The performance of 2019 is better than that of 2018.

## **B. 2020 The company's business plan summary, company development strategy in future, Influenced by the external competition environment, regulatory environment and overall business environment.**

### **(A) Filament woven and dyed fabrics:**

There are four end markets for the Company's filament-woven fabrics: outdoor performance wear, sportswear, casual wear, and umbrellas. In 2019, the apparel consumer market could maintain steady growth. Because of the trend in sportswear, casual wear and environmental awareness, functional sportswear is in high demand, stimulating growth in sales in the apparel industry, effectively reducing inventory, and increasing orders from major brands in apparel industry. In addition, consultations with brands on their plans for fabric integration and centralized clothing production supply chain have enabled the Company to shorten the delivery time. Orders from brands for the Formosa Taffeta Vietnam plant continue to increase. Formosa Taffeta Taiwan plant, on the other hand, is mainly focused on research and development and differentiated marketing. It serves as a platform for product development and innovation and business integration for brand projects. It is focused on maintaining competitiveness and growth promotion.

In 2020, in response to international brands' development trend crossing fashion and sportswear, and to cater to the rapid and effective demand for composite functional clothing for international athletes, our products will set new trend and we will strive to increase the proportion of high-niche differentiated products with particular emphasis on products made from recyclable, environment-friendly materials. In addition, we wish to develop new potential brand customers catering to the demand for customization.

In production and marketing of filament woven fabric, the Company's R&D team oversees the product, leads product innovation and upgrades. The marketing team focuses on market exploration and augmentation of market share. In other management aspects, the Company promotes process improvements with new equipment and technology, makes efforts to lower failure rate, conserve energy, reduce emissions, introduce AI to optimize dye process module, increase the success rate of the dye process at the first go, reduce the number of poor-quality products, make improvements, and meet customer needs. In market operation, the Company has been working on effective use and integration of its strengths in five production bases in Taiwan, mainland China, and Vietnam and optimize its product assortment, and deploy production capacity effectively to maximize synergy.

The uncertainties presented by COVID-19 pandemic have reduced the production of supply chain in mainland China. The Formosa Taffeta plants in mainland China have also been affected. Part of its production capacity has been diverted to Taiwanese and Vietnamese plants. In addition, the company is actively seeking business from customers and seeking to win orders from elsewhere. In spite of considerable challenges in 2020, growth in orders from major brands is expected, and we will work closely with major strategic partners' garment factories to consolidate and strengthen the clothing supply chain to ensure that the performance in 2020 is better than that of 2019.

#### (B) Tire cord fabric

The Company's Taiwanese tire cord plant has strived to beat the odds under the circumstances such as smaller scale than that of its competitors, price competition, and buyer's market in 2019. The Vietnamese Plants are taking advantage of zero-tariff privilege for exports to ASEAN (Association of Southeast Asian Nations) markets to win orders from customers in ASEAN 10+3 countries, India, Europe and the United States and other regions. It also plans to accept orders for marginal products, and adjust its product mix suitably to meet the customer needs.

In 2020, the Taiwanese plant will actively strive for differentiated value-added products, develop new customers, and strive to improve purchase by customers. In addition, it is making improvements to its processes and reducing the cost of conversion to optimize the product structure. The Vietnamese plant is exploring to promote value-added products, such as single-ply curtain yarns, chafer, and single-yarn impregnations, and is striving to increase the average unit prices and improve the overall profit.

At the beginning of 2020, the covid-19 epidemic has hit the industrial supply chain in mainland



China, forcing competitors to temporarily curtail production. Hence, it is all the more a reason for us to quickly seek opportunities to divert orders to the Company to exceed its 2020 targets.

#### (C) Gas station

As of the end of 2019, Formosa Petroleum Station had had 106 gas stations, making it one of the top 5 gas-station brands in Taiwan for years. The revenue has fluctuated proportionately with rise and fall in international oil prices. The Company emphasizes on service, promotion and performance of management, which increases the sold gasoline. Formosa Petroleum Station has been able to maintain steady profits for years, thanks to the policy of shuttering underperforming gas stations by assessing their performance, location, plus the length of lease contract. Given the fluctuation in international oil prices in recent years, the inventory level of oil tanks should be closely monitored and adjusted suitably. The number of gas stations with self-service has been increased to 93, such increase will go on if benefits justify. Effort will be intensified to increase the number of contracted customers with monthly settlement of bills, including enterprises and owners of agricultural or engineering machines. Efforts have also been made to diversify income sources, such as service of patented car washers and sales of travel and daily-life goods and auto accessories via B2C channel. Formosa Petroleum Station has been continuously offering various training courses, such as SOP, 5S, and TPM, to station workers to attain quality service and standardized management. Its business scope is planned to include the operation of charging stations for electronic products. The profits in 2019 have increased by 12.5%.

106 gas stations will be included in the inventory of greenhouse gas (GHG) emission in 2020, and will be subject to external audits, collect and disclose carbon footprint and data. We will make improvements, commit to our corporate social responsibility (CSR), continue our promotions and open new stations. COVID-19 has restricted the movement of public reducing their outdoor activities, and hence the volume of oil sold is predicted to be slightly reduced in 2020.

#### (D) Cotton yarn

The consistent strategy of differentiation and customization, combined with vertical integration of upstream suppliers of raw materials and downstream brands has enabled the Company to retain its present domestic market as the consumption market shrunk in 2019. Penetration of functional yarns in North America and Korean markets led to the growth in revenues by 6.5% in 2019. However, profits suffered from the competition of peers in Taiwan and imported yarn trade dealers.

In 2020, the company is actively seeking to the market of clothing for medical use. The number of industrial fiber customers that have competed for many years continue to increase, effectively improve product quality, and move toward refined and high value-added product. Installed composite yarn machines have also begun receiving orders for mass production, product assortment optimization, and the estimated sales and profit is expected to increase from 2019.

#### (E) Special textiles

In 2019, bids for military and police clothing, petroleum clothing, military bulletproof clothing, Indian fireproof petroleum clothing, Taiwan airman suit and petroleum clothing of South-East Asia in Asia-Pacific, the Middle East, Taiwan and other regions have been accepted surging the demand for related products. A second bid for two batches of military bulletproof board has been approved, increasing the demand for the product. The sales of low-cost electrostatic cloths have decreased, and aseptic clothing for food industry is being promoted. The revenue has increased in 2019 by 20% over 2018; however, the profit has declined by 10%.

In 2020, the company actively prepares raw materials in response to the market demands of clothing for medical use. Such fabrics will feature near-infrared bonding, high visibility, molten iron splashing, elasticity, one-way wetness induction, coupled with new materials, and new raw materials, and will be promoted in emerging markets. Promotional meetings have been held for electrostatic fabrics in Europe, Singapore and Taiwan. High-strength fibers have been introduced for industrial fabrics and other composite materials, bag materials, water jet clothing, etc., and are being promoted in new emerging markets. Growth is expected to exceed in 2020 than that of 2019.

#### (F) Carbon-fiber composite material

Major products in this category include 1.5K, 3k and 12k carbon-fiber fabric, 12k reinforcement material, 12k/24k one-way prepreg, 3k and 12k two-way prepreg, and carbon-fiber panel, 12k and 24k multi-axis/-layer carbon fiber fabric mainly for supply to domestic manufacturers of bike components and parts, sports gear, reinforcement construction materials, and 3Cs, as also for exports to Japan, Korea, Thailand, Indonesia, Brazil, Australia and Europe. Sales shot up in 2019, thanks in part to lower base in 2018.

In 2020, the Company will actively seek civil-engineering business via open bidding for reinforced materials and tap the overseas carbon fiber market, continue to develop high Tg (with glass transition temperature of 180 °C 250°C 300°C) resin prepreg, and explore high value-added robotic arm markets. In addition, it has to tap the markets of yacht, ship, and turbine blade for multi-axis/-layer carbon fiber fabric, markets of robotic arm and auto assembly for expansion-fiber textiles, water-transport robotic arm market for carbon fiber panel, and 3C market for thermoplastic and thermoset carbon fiber panel. Growth is expected to continue in 2020.

#### (G) Plastic bag

The Japanese market accounted for 75% of sales in 2019. In the first quarter, 7-11 in Japan converted 20% of its vest bags into biomass vest bags, which reduced the order quantity while cutting the inventory. South America and Chile banned the use of vest bags in 2019. The locals replaced the small and medium vest bags with big purchase sacks, increasing their sales. The revenue in 2019 decreased by 16% over 2018, however, the profit increased by 25%.

In 2020, Japan will fully charge for vest bags starting from July, and hence their usage is

expected to decrease. However, biomass vest bags will replace the vest bags, but they have a higher unit price and added value, thus the profit of 2020 may be higher than that of 2019.

Profit in 2019 is better than that in 2018 due to disposal of partial equity in Formosa Advanced Technologies Co., Ltd., in December, which reduced its shareholding to 30.68%. The Company will no longer include Formosa Advanced Technologies Co., Ltd. in its consolidated financial report.

In 2020, the company has taken essential measures to prevent employees from being infected with COVID-19, secured the production and delivery time, taken the opportunity of order transfers due to the capital reduction in China in the first half of 2020, maintained the success of the production and sales, and captured the market of clothing for medical use. Consolidation and maintenance of the existing supply chains is particularly important.

Involvement in the investment in capital increase in cash of Schoeller Textil AG in March, 2020 is going to accelerate the improvement of production measures and the innovation of products. It has been the focus of business since 2020. The company will overcome any difficulty to achieve the target.

The COVID-19 pandemic and dramatic decrease in international gas prices in the first half of 2020 has resulted in less outdoor activities, the drop in raw material prices and its demands, further, caused the boom to be poor. The Company's business objectives are expected to be more challenging in 2020. In response, the Company will push various improvement projects, invest in new capacities and new technologies, flexibly adjust the division of labor, in terms of regional sales, global marketing, and specialty-based production, among the five production bases in Taiwan, China, and Vietnam. The Company will take pains in eliminating failure cost, do the right things, pursue high added value, uniform standards, and refined quality, and create and expand synergy, in addition to intensifying corporate governance and fulfillment of corporate social responsibilities and promoting environmental protection, in line with the global current so as to attain performance target, co-benefits and co-prosperity with supply-chain partners, a sustainable win-win outcome with customers, and the vision of creating sustainable growth for investment returns for shareholders.

## II. Company profile

### A. Incorporation date

April 19, 1973

### B. Company history

Founded by Formosa Chemicals & Fibre Corp. and a few of business figures, the company was incorporated on April 19, 1973, initially named "Formosa Fiber Co., Ltd.," for engagement in the weaving, dyeing, finishing, and printing of polyamide and polyester filament woven taffeta fabric. Renamed as Formosa Taffeta Co., Ltd. in Jan. 1979, the company was listed in Dec., 1985 on Taiwan Stock Exchange, which has been enlarged in subsequent years, via several capital increments with earnings to fund business diversification. The company's registered capital reached NT\$16,846,646,370 since August, 2006. Major products cover filament polyamide/polyester dyeing-and-finishing fabric, fabrics for down-proof jacket, water-proof with vapor permeable fabric, composite organic fabric, multi-function smart temperature-control fabric, umbrella fabric, staple woven/ knitted yarn, tire cord, PE. bag, bullet/stab-proof fabric, flame-retardant fabric for military/police/firefighters, medical/ protective fabric, anti-static barrier for clean room garment/ anti-bacterial fabric, conductive fabric, carbon-fiber fabric and composite materials, and gas stations. Formosa Taffeta Co., Ltd. has become a world-class manufacturer, in terms of both production scale and quality, of polyamide and polyester filament woven fabric, notably in the fields of sportswear and outdoor functional clothes, progressing in sync with fashion current and the development of major international textile brands.

1972 Founders Wang, Yung-Chin; Wang Yung-tsai; Lai, Shu-Wang and Hsieh Shih-ming formed a preparatory office for the establishment of factories producing long-fiber Polyamide and polyester weaving fabric, dyeing and finishing, and printing.

1973 Approved by the Ministry of Economic Affairs, Formosa Fiber Co., Ltd. came into being, with Lai, Shu-wang as chairman of the Board and Hsieh Shih-ming as president. Ground was broken in Nov. for the construction of factories.

1974 Test run of factories in Sept.

1975 Official inauguration in Jan.

1977 Expansion of printing plant, for the production of flat and rotary printing fabric umbrella cloth.

1978 Expansion of 1st weaving fabric plant with addition of warping machine, sizing frame, beaming machine and weaving machine, making it an plant with integrated weaving operation.

1979 Approval for name change to Formosa Taffeta Co., Ltd. in Jan.; expansion of weaving fabric plant and 2nd dyeing and finishing plant, and establishment of umbrella ribs plant, doubling the output of taffeta fabric and diversifying operation with the addition of umbrella ribs plant.

1980 Construction of tire-cord plant with monthly capacity of 600 tons, leading to further diversification of the company's operation.

1981 Construction of new tire-cord plant, boosting total capacity to 14,400 ton/year, and

- expansion of the machinery equipment of umbrella ribs plant.
- 1982 Installation of automated equipment and capacity at dyeing and printing plant.
- 1983 Setup of 2nd weaving fabric plant, with annual capacity of 60 million yards of grey cloth for dressing materials.
- 1984 Setup of 3rd dyeing plant and PE bag Plastics Processing Plant.
- 1985 Setup of function-oriented units, for the first time ever, including 1st production division (for long-fiber fabric), business division, and 2nd production division (tire cord, umbrella ribs, and PE bag); expansion of the president's office, in charge of regular management works, instead of merely auditing and statistics works in the past; installation of first Oil and electricity cogeneration motors; share listing in Taiwan on Dec. 24, with IPO price set at NT\$19.5 per share, transforming the company into a public company, a milestone in the development of the company.
- 1986 Setup of financial division in July, investment in the construction short-fiber cotton spinning plant, cotton weaving plant, cotton dyeing plant featuring integrated operation, greatly boosting the scale of diversification via the blending of long- and short-fiber fabrics; expansion of printing equipment at 2nd dyeing plant of 1st production division and the equipment of 2nd weaving plant.
- 1987 Organizational reshuffle in May with setup of 1st, 2nd, and third business divisions, in place of original function-oriented production divisions and business division, pushing of profit-center system for business divisions, which are responsible for both production and marketing performance; installation of special processing machinery equipment and construction of warehouses for finished products.
- 1988 Construction of second set of waste treatment equipment and expansion of the machinery equipment of tire cord plant; registration of "Abletex" trademark for water-proof/moisture-vapor fabric, initiating multi-brand marketing.
- 1989 Setup of second set of oil and electricity cogeneration motors and PVA resin for weaving recycling system at cotton dyeing plant. Setup of Hong Kong subsidiary in April, renamed as Formosa Taffeta (H.K.) Co., Ltd. in Sept, with paid-in capital of HK\$7 million, as the company's first overseas sales overseas office, mainly for reception of transshipment orders, taking over agency business in Hong Kong and Macao gradually, plus preparation for setup of factories in mainland China.
- 1990 Setup of first Automatic Storage System for gray and construction of an eight-story dormitory. Investment in the founding of Formosa Advanced Technologies Co., Ltd. with paid-in capital of NT\$200 million, in Hsinchu Science Park in Sept. for the production of cathode power supply components and molybdenum sheets, and investment in the founding of Formosa Development Co., Ltd. with paid-in capital of NT\$100 million, in Douliu City of Yunlin County for engagement in land rezoning and development.
- 1991 Installation of special fabric equipment, expansion of umbrella ribs plant equipment, and setup of fifth dyeing plant; setup of Xiamen representative's office by Hong Kong subsidiary, the company's first business establishment in mainland China, servicing Taiwanese umbrella firms in Fujian; actively assisting Formosa Plastics Group to obtain land dubbed the the nation's sixth naphtha cracking complex in the area of Mailiao township Yunlin county, including shallow-sea culture area.

- 1992 Acquisition of near 5% stake in Formosa Petrochemical Corp., following the latter's founding in April. Formation of committee for expansion of the 2nd plant premises in Neilinduan of Yinlin County, expansion of the capacity of 2nd tire-cord plant premises by 1,300 tons/month, and setup of PVA resin for weaving recycling system at 2nd weaving fabric plant. In Oct. Founding of " F.T.C. INTERNATIONAL s.r.l " in COMO, Italy with paid-in capital of 1 billion liras, for engagement in cloth trading in Europe. In Dec. Investment in the founding of three subsidiaries in Shenwan township, Zhongshan City of Guangdong Province in China. for production of tire core(Syn-Formosa Textile Industrial Co.,Ltd.), chemical-fiber fabric (Syn-Formosa Textile (Zhong Shan) Co.,Ltd.), and umbrella ribs (Syn-Formosa Indusrtila (Zhong Shan) Co.,Ltd.), with initial registered capitals reaching US\$11.2 million, US\$11.2 million, and US\$2.1 million, respectively.
- 1993 Setup of Formosa (Xiamen) Drawing Co., Ltd. for engagement in drawing of patterns, including patterns for umbrella cloth and PE bag, as well as fabric trading.
- 1994 Change of umbrella ribs plant to steel coil processing plant; change of the registered investor of the three subsidiaries in Zhongshan City to Hong Kong subsidiary and increase of paid-in capital of one Formosa industrial(Zhongshan)Co.,Ltd. to US\$1.47 million to fund construction of plant, which started test run in Dec; founding of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., with registered capital of US\$500,000, in Aug.; signing of ISO assistance plan with China Productivity Center for pushing ISO certification.
- 1995 Setup of textile industrial development center in Feb., putting under its auspices R&D staffers at various plants and departments, to intensify development of new fabrics and support business staffers in sales campaign. Acquisition of near 15% stake in Nanya Technology Corp. following its founding in March, before gradual drop to less than 1% over the past years. 3rd dyeing plant, sixth dyeing plant, and tire-core plant passing ISO9002 certification. Renaming of three Chinese subsidiaries (Syn-Formosa Textile Industrial Co.,Ltd.→ Formosa Chemical Fiber (Zhong Shan)Co.,Ltd.) along with cash capital increment of US\$1.43 million, unbuilt factory; (Syn-Formosa Textile (Zhong Shan) Co.,Ltd. → Formosa Textile (Zhong Shan)Co.,Ltd.), with cash capital increment of US\$4.75 million to fund plant construction, (Syn-Formosa Industrial (Zhong Shan) Co.,Ltd.→ Formosa Industrial (Zhong Shan)Co.,Ltd.) with two cash capital increments totaling US\$2.25 million in scale, for mass production of umbrella ribs.
- 1996 Installation of 903 water-jet looms and other related new equipment at third section of 1st weaving fabric plant in Neilinduan; Moving of Formosa Advanced Technologies Co., Ltd. to Douliu City, along with its transformation into a plant with integrated operation, thanks to the installation IC assembly line, as well as capital reduction before capital increment to NT\$1 billion; mass production of silk cloth and umbrella cloth at the dyeing and finishing plant of Formosa Textile (Zhongshan) Co., Ltd.; mass production of umbrella ribs at Formosa Industrial (Zhongshan) Co., Ltd., with annual capacity reaching 7,200 tons.
- 1997 Installation of second automated storage system for gray and new dyeing machines, increasing capacities by 52.32 million yards/year. Acquisition of Formosa (Xiamen) Drawing Co., Ltd. by Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.

- before write-off, with registered capital reaching US\$570,000.
- 1998 Following passing away of Lai Shu-wang, then chairman and a founder, at 90 in Feb., the board of directors elected Wong Wen-yuan to be the new chairman; completion of expansion project with 58.8 million yards/year in scale for processing plant; formation of petroleum business segment preparatory office; full-scale mass production of Polyamine fabric and polyester fabric by Formosa Textile (Zhong shan) Co., Ltd., furnished with 600 looms, featuring integrated operation for weaving, dyeing, and printing, and install two sets of generators; transfer of remaining equipment at steel coil processing plant to Formosa Industry (Zhong shan) Co., Ltd., boosting the latter's capacity to 14,400 tons/year. still retains part of its sales and service business for 3 years in Taiwan.
- 1999 Acquisition of Ruiyuan Vietnam Co., Ltd., a trouser fabric manufacturer, in Feb. before its transformation to Formosa Taffeta Vietnam Co., Ltd. in Long An Province of Vietnam in June, with registered capital of US\$25 million, for engagement in the production of trouser fabric and dyed chemical-fiber fabric; formation of petroleum business division and setup of gas stations in Changyi Kuaikuan, and Chihsiang, marking foray into B2C retail business for the first time.
- 2000 Renaming of Formosa Textile (Zhongshan) Co., Ltd. to Formosa Taffeta (Zhong shan) Co., Ltd., in preparation for cross-line acquisition; passage of dividend payout policy by shareholders' meeting in June, calling for appropriation of at least 50% of earnings after deduction of legal provisions, compensations for directors and supervisors, and employee bonus for payout of dividends, half of which should be in the form of cash.
- 2001 Setup of Schoeller FTC (Hong Kong) Co., Ltd., as a 43:57 joint venture with Schoeller Textil AG of Switzerland, for engagement, Be the first one in Taiwan, in the production of electromagnetic shielding fabrics; Establishment of 21 new gas stations; cash capital increment of US\$12 million by Formosa Taffeta (Zhong shan) Co., Ltd., to fund installation of 605 looms and dyeing and finishing equipment at 2nd weaving fabric plant; cash capital increment of US\$14 million by Formosa Taffeta Vietnam Co., Ltd., to fund installation of 632 looms, along with warping machine, sizing machine, dyeing and finishing, water treatment equipment.
- 2002 Setup of 17 new gas stations, including that in Shetou; established a joint venture with Nan Ya Plastic Corp. and King Car Industrial Co., of Formosa Industries Corp., holding 10% stake; expansion in the development of plot of land and facilities for its plant in Nhon Trach industrial zone in Vietnam.
- 2003 To expand sources for orders for fabric from clothes brands, the company spent NT\$85 million to subscribe to 5 million new shares in the cash capital increment of Quang Viet Enterprise Co., Ltd., holding 24.49% stake; invitation for the company, the first among non-Japanese firms in Asia, to attend the Premiere Vision-Paris fair; installation of 14 new gas stations, including Nan Ya gas station; establishment of Shanghai representative's office by Formosa Taffeta (Zhong shan) Co., Ltd.; establishment of 12"-wafer assembly plant and module production line by Formosa Advanced Technologies Co., Ltd.
- 2004 Setup of oversea filament division in Feb., to oversee the operation of plant premises in China and Vietnam; installation 22 new gas stations, including Nankan gas station;

- investment in the establishment of Formosa Taffeta Dong Nai Co., Ltd., with registered capital of US\$12 million, in Nhon Trach industrial zone in Vietnam; installation of chafing-proof tire cord equipment, with annual capacity of 3,240 tons, at tire cord plant in Aug.; acquisition of Formosa Industrial (Zhong shan) Co., Ltd. and Formosa Chemical Fiber (Zhong shan) Co., Ltd. by Formosa Taffeta (Zhong shan) Co., Ltd. in Dec., whose registered capital rose to US\$46.4 million subsequently.
- 2005 Funding for installation of 504 looms by Formosa Taffeta (Dong Nai) Co., Ltd. in Jan.; dismantling of 3rd business division in Feb., with its cotton weaving plant and cotton dyeing plant being taken over by 1st business division; capital increment by Formosa Taffeta (Hong Kong) Co., Ltd. in April before investment in the setup of Formosa Taffeta (Changshu) Co., Ltd., in China's Jiangsu Province, with registered capital of US\$18 million, for producing chemical-fiber dyeing-and-finishing fabric in may; setup of fifth production line at tire cord plant, with annual capacity of 13,200 tons; cash capital increment of US\$25 million by Vietnam subsidiary in Long An to fund installation of 320 looms, plus interlace warping machines and automated color-matching equipment; closure of F.T.C. international s.r.l and application for its write-off.
- 2006 Cash capital increment of US\$10 million by Long An subsidiary, to fund installation of 120 looms, plus air compressors, boosting annual capacity of dyeing and finishing plant to 48 million yards and registered capital to US\$74 million; capital increment of US\$21 million by Formosa Development Co., Ltd., boosting its paid-in capital to US\$161 million; capital increment of US\$3 million by Dong Nai subsidiary, to fund installation of 125 looms; increase of the number of gas stations to 87.
- 2007 Reshuffle for the establishment of 3rd business division, overseeing spinning plant, special fabrics plant, and newly established carbon-fiber composite material plant; dismantling of oversea filament division, switch of subsidiaries in China and Vietnam to the jurisdiction of 1st business division of the parent company; dismantling of the Shanghai office of Zhong shan subsidiary in May; capital increment by Hong Kong subsidiary to fund setup of Formosa Taffeta Trading (Shanghai) Co., Ltd., with registered capital of US\$150,000, located at the same site of the former Shanghai office; eruption of the U.S. subprime mortgage crisis in the second half of July, triggering stock and futures market crash, promoting governments worldwide to cut interest rates to bolster market, boosting global oil price to over US\$100 per barrel, inducing price hike of grain and other raw materials, cutting gross margin of transportation and manufacturing industries, and leading to stagnation of major economies; Formosa Advanced Technologies going public in Taiwan with paid-in capital increasing to NT\$4,422 million; revenue and profit in consolidated financial statement hitting record high for the fourth straight year.
- 2008 Incorporation of 3rd dyeing plant, fifth dyeing plant, and processing plant of 1st business division into 1st dyeing plant and 2nd dyeing plant in Jan.; QC Guarantee Group of president's office renamed as standard section in March; completion and gradual inauguration of third plant of Formosa Advanced Technologies in April, mass production of DDR3 with 70 nm process in August, and foray into mass production of LED gross dies, including grinding, cutting, spot check, and classification; capital increment of US\$10 million by Dong Nai subsidiary, to fund setup of new dyeing and finishing plant,



with annual capacity of 24 million yards, test run at the end of the year, leading integrated operation of weaving and dyeing; global oil price peaking at US\$147 per barrel before crash, triggering similar general price fluctuation, outbreak of Wall Street financial crisis in Sept., affecting manufacturing industries and dampening interest rates to near zero, which resulted in negative growth; passing away of founder Wang, Yung-Chin during a tour of the plant premises of Formosa Plastics Corp. USA in New Jersey, with various affiliates of Formosa Plastics Group retaining normal operation under established guidelines; TAIEX Index dropping below 4,000 and global oil price tumbling to the nadir of US\$40 per barrel; completion of the expansion of the capacity of fifth production line of tire cord plant by 13,200 tons/year in Dec., boosting total capacity to 56,400 tons; completion of upgrading of domestic ERP (enterprise resource planning) mainframe and management system at the end of the year.

- 2009 Execution of reorganization in Jan., including setup of 1st business group, overseeing weaving business division, dyeing and finishing business division, R&D center, and overseas weaving, dyeing and finishing plant premises; 2nd business group, overseeing tire cord business division, industrial materials business division (merger of original third business division and plastics processing plant), petroleum business division, and energy & civil construction division; setup of general management division, putting under its jurisdiction president's office, finance division, procurement department, administration department, and safety and hygiene office; slump of various global economic and trade indices to record low; capital increment of US\$9 million both by Hong Kong subsidiary in April and Changshou subsidiary in June; liquidation of F.T.C international s.r.l, provisions for impairment of assets of Nanya Technology Corp.; austerity measures, to cope with the impact of global financial tsunami and export decline, including cut on outlays and energy consumption, reduction of cost, expenses, and stock, and manpower contraction.
- 2010 Completion of new dyeing and finishing plant, with annual capacity of 24 million yards, of Dong Nai subsidiary; in response to the new situation after ASEAN-China Free Trade Agreements taking effect, cash capital increment of US\$11 million in April, to fund the construction of new tire cord plant, with annual capacity of 12,000 tons, plus expansion of 2nd weaving fabric plant at cost of US\$3.7 million; acquisition of 4.963% stake in Formosa Ha Tinh Steel Corp.; consolidated revenue reaching new high.
- 2011 Price hike of raw materials, notably gold, cotton, and CPL, due the effect of the Jasmine Revolution in Northern Africa and the Middle East and military friction between North and South Korea, with global crude-oil price breaking US\$120/barrel mark in April; transformation of short-fiber cotton spinning plant into 3rd long-fiber weaving fabric plant, alongside installation of 524 new looms, including 269 weaving-fabric looms, 177 multi-arm looms, 66 weaving machine, and 12 rapier looms; retirement of assistant president Kenbo Huang before joining the board of directors; installation of 297 looms, in batches at 2nd weaving fabric plant of Dong Nai subsidiary in Vietnam; appreciation of New Taiwan dollar against US dollar, breaking the mark of US\$1=NT\$28.4 once; formation of the remuneration committee in Aug., write-off of Formosa Taffeta Trading(Shanghai) Co., Ltd. in Sept.; completion of installation of dipping machines at

the new tire cord plant of Dong Nai subsidiary in Dec.; selection of 2007 as the base year for compliance with ISO 14064-1 standard; passage of the inspection of British Standards Institution (BSI) on Dec. 8; acquisition of certified statement on greenhouse-gas emission by Taiwan Accreditation Foundation (TAF), acknowledged by Taiwan's Environmental Protection Administration and the International Accreditation Forum (IAF), with inventory showing total CO<sub>2</sub> emission of 686,177 metric tons, belonging to the grade of reasonable assurance, a milestone of the company's effort in pushing environmental protection and an honor for Taiwan's textile industry; the number of gas stations surpassing the 102 mark; provisions for the impairment of assets of Nanya Technology; revenue reaching NT\$36.2 billion and revenue in consolidated financial statement hitting NT\$53.2 billion, both new highs.

- 2012 Change of the titles of administrator and senior administrator, appointment of vice president; plan for the construction of green-energy dyeing and finishing plant; successive completion of the verification of PAS 2050 carbon footprints for 24 weaving functional fabrics; visit to the company by BSI representatives in Dec.; completion of the installation of the first batch of dipping machines, weaving and twisting machines at tire cord plant of Dong Nai subsidiary in Vietnam; strengthening of the organization for functional fabric of 1st business segment.
- 2013 In compliance with the requirement of the Financial Supervisory Commission, adoption of the International Financial Reporting Standards (IFRSs), compiling financial statement, mainly consolidated one, in traditional Chinese, from Jan.; formulation of six major policies for the year in Feb., including inroads into the global market and removal of waste from repetitive works, notably the project for preventing failure costs; preparation for waterless dyeing process; publication of declaration on sustainable development by president Hsieh Shih-ming in May; publication of "2012 report on green sustainable development" in Aug. for posting on related international websites, for perusal by branded customers and major stakeholders; installation of 12 new looms for fire-proof production line at the plant of Dong Nai subsidiary in Oct.; inauguration of first-phase capacity of 12,000 tons/year at tire core plant of Dong Nai subsidiary in Vietnam, following investment in 2011; gradual increase of self-service gas stations.
- 2014 Approval of US\$15.3 million cash capital increment plan of Dong Nai subsidiary in Vietnam by the Vietnamese government in Jan., fund raising of another US\$22.54 million by Dong Nai subsidiary for 2nd-phase capacity reaching 12,000 tons/year and fire-proof fabric production line with annual capacity of 580,000 yards; suspension of San Francisco office for western U.S.; takeover of the trading business of Hong Kong subsidiary by the Taipei business department; installation waterless dyeing machines at Taiwan plant in April; fund raising of US\$6.4 million by Long An subsidiary in Vietnam for construction of new plant for back-end finishing of functional finishing fabric with annual capacity of 21.42 million yards; eruption of anti-Chinese demonstration in Vietnam on May 14, prompting the Vietnamese plant to suspend operation for two days; selection, for the first time ever, of three independent directors by shareholders' meeting, ushering corporate governance into a new era; setup of an investment company in Cayman, as the channel for indirect investment, in place of original direct investment,

Formosa Ha Tinh Steel Corp.; twa- credit rating granted by Taiwan Ratings, elevated to twa+ in Oct.; In July, in accordance with the initiative of the International Textile Finished Products Organization, the introduction of the Chemical Management and Zero Discharge of Hazardous Substances (ZDHC) project, in which the fluorine-free water repellent and biomass wicking agent were introduced into the market. In August, polyester recycled gauze was certified by McDonough Braungart Design Chemistry (MBDC), Cradle to Cradle product innovation organization. The whole process of raw materials is non-toxic, energy clean, water-saving and carbon-reducing, recycling, named BOOMETEX ® Recycled Polyester, international brand identity. application for capital injection of US\$15 million in Hong Kong subsidiary and Changshou subsidiary, to improve their financial structure, including US\$3 million for construction of leased plant buildings, approved by the Chinese government in Sept., passing away of co-founder Wang Yung-tsai on Nov. 27; completion of installation of around-the-clock detection equipment for printing and dyeing discharge, analyzing water quality and recording water volume, which is connected to local environmental-protection bureau, for real-time detection and response to abnormality; moving of the office of Hong Kong subsidiary and Schoeller FTC (Hong Kong) to room 6 of 16th floor, from original room 5 of 11th floor, of the same building.

2015 Publication by president Hsie Shih-ming in Jan. management policy Transform Mentality; Accelerate innovation; Pursue Value; approval by Chinese government in March of spinoff of Changshu Fushun Enterprist Management Co., Ltd.; from Changshou subsidiary, with the latter offering the former assets of 9,206 square meters of residence and US\$900,000 of capital; acquisition of Changshu Fushun Enterprist Management Co., Ltd. in June by Changshu Yu Yuan Development Co., Ltd.; in exchange of 40.78%; R&D on environment-friendly process, introduction of non-water plazma repellent technology and equipment; publication of "CSR report 2014" in Dec., verified by a third party; passage of ISO 50001 certification for the company's entire energy management system in Dec.; drop in the company's materials and energy costs, including overseas plants, due to plunge in international prices of raw materials, induced by continuous decline of global oil prices from Jan. 2014 through Jan. 2016; phenomenal 50% growth of profits of gas stations, despite revenue decline on slump of oil prices; increase of the number of gas stations to 105; inclusion, as the only textile company, into top 5%, or 41 companies, among public companies in 2015 corporate governance evaluation by Taiwan Stock Exchange, with award being granted in June,2016.

2016 Declaration by president Hsie Shih-ming again to push "Industry 4.0" and cut failure costs in Jan.; cooperation with National Yunlin University of Science and Technology in holding 160-hour education and training courses on programmable control PLC/human-machine interface (HMI) for Industry 4.0, attended by 60 staffers; promoting president Hsie Shih-ming to be vice chairman; publication of "2015 CSR report," as an established practice every year; inclusion of gas stations in the coverage of verification, elevation to first-type AA1000 medium assurance; granting by third party of twA+ for long-term credit rating and twA-1 for short-term credit rating, with a stable long-term outlook; contract with renowned U.S. brand Gore for cooperative production of high-end

waterproof moisture-permeable laminating grey fabric, ceremony for inauguration of “Bumblebee plant”, constructed under "Bumblebee" project, at the end of August; completion and inauguration of 2nd-phase facility of tire cord plant of Dong Nai subsidiary with annual capacity of 12,000 tons in Sept.; granting by the Ministry of Labor of certificate for passage of corporate evaluation for TTQS (talent quality management system) in Oct.; change of corporate charter, as well as corporate representatives, directors, installation of supervisors, and registration items, by Long An and Dong Nai subsidiaries, according to corporate law of Vietnam, followed by issuance of new corporate license in Oct. and Dec.; continuing R&D on waterless, non-water plazma repellent environment-friendly process, acquisition of new-type patent for Intelligent temperature control apparel.

2017 Adoption of multiple austerity measures and intensification of global marketing, amid jittery global economic and financial situation, caused by two interest-rate hikes by the U.S. Federal Reserve Board, in Dec. 2016 and March 2017, respectively, triggering an interest-rate rising cycle, however, interest-rate fall twice since 2019 and the new economic policy and "America First" approach of U.S. President Donald Trump, who swore into office in Jan.; promotion of Lee Ming-chang to be the executive vice president, from the original post of vice president of 1st business group; increase of personnel cost, due to the implementation of five-day workweek scheme; setup of Public More International Company Ltd., with paid-in capital of NT\$5 million, for engagement in manpower business, as a 100%-owned subsidiary of Formosa Development Co., Ltd., a subsidiary of the company; change of corporate charter and representative of corporate investors, institution of supervisors, and revision of corporate registration, before issuance of new corporate license in March; approval for liquidation of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. in April, for limited commission income from transshipment business; institution of auditing committee, in place of original supervisors, in June; closure of steel coil processing plant for production of umbrella ribs of Zhongshan subsidiary in Oct., due to lackluster performance resulting from acute competition; appointment of Lee Ming-change as president, from original post of executive vice president, by the board of directors; debut by Taipei branch of Intelligent temperature control clothes on Dec. 15, The highlights are active, filler free, safe and comfortable, with conductive materials whose temperature can be adjusted via Bluetooth technology and mobile-phone APP to achieve the optional temperature control warmth effect arrival at market in Feb. 2019, following adoption by U.S. fashion brand Ralph Lauren, acquisition of the patent in July; reception of "best trade contribution award" and "award for contribution to the exploration of major overseas emerging markets" for the textile category of the 2017 "Awards for Excellent Trading Businesses," granted by the Ministry of Economic Affairs in Sept., 2019.

2018 Stationing of two contracted physicians, one in occupational medicine and the other in general medicine, at Douliu plant premises from Jan., seven times for 3-hour stay each a month, offering employees free medical consulting and service for arranging outpatient treatment at hospitals; price hikes for raw materials, energy, transportation, some merchandises, and pays, following bottoming out of global oil prices in Jan. 2016,

jacking up costs; further revision of Labor Standards Law in March, giving management more leeway in work schedule of employees; installation of new dyeing and finishing capacity at 12 million yards/year by Long An subsidiary in Vietnam, with test run in March; change of internal audit supervisor by Board of directors in March; Initiation of trade talks between the U.S. and major trade partners since March 2018, overwhelming global trade and indirectly affected exchange rates worldwide; phase 1 trade agreement signed between the U.S. and China in Jan., 2020; dedication of the company to consolidation of supply chain; approval of land transaction of 26,047 square meter at Dounan Township, Yunlin County in March, amounted to NT\$ 418,400 thousand, and another 51,533.3 square meter in May sold to unrelated parties, amounted to NT\$ 810,510 thousand; passage of selling the share of Formosa Advanced Technologies Co., Ltd., less than 84,022,000 shares, through block trade by the board of directors in July; dispatch of eight staffers to attend AI technology training program, held by Taiwan AI Academy, from Aug. through Dec., completing 384 hours/person of courses; acquisition of two certificates IATF ~15~ 16949.2016 and ISO 9001.2015 by Taiwan plant premises of tire core business division in Sept., after passing the IATF 16949.2016 certification for auto quality management system, which covers ISO 9001, by SGS Taiwan; reshuffle of CSR committee in Sept., overseeing 23 theme sections, including climate change CDP (carbon disclosure project) and greenhouse-gas inventory; execution by Taiwan head plant and overseas plants of water conservation measures, including reduction of water consumption per product, institution of separate sewer system, cut on water supply, water recycling, and water regeneration; investment of NT\$120 million in ultra-filtration water recycling system and reuse of recycled water from weaving waste water reaching 212 tons/year, attaining 20% water-conservation target for 2018; change of presidents in Long An and Dong Nai subsidiaries, and 2 subsidiaries in Hong Kong from Oct. to Dec.; as for air-pollution abatement, investment of NT\$19.5 million during 2016 through 2018 for purchase RTO (regenerative thermal oxidizer) equipment, boosting VOCs (volatile organic compounds) handling rate to 90%, investment of NT\$84 million for purchase of denitration control equipment for SCR (selective catalytic reduction) for the two sets of combined heat and power systems, slashing NOx (nitrogen oxides) emission by 72%; substitution of natural gas for pyrolysis low-sulfur fuel oil for dip-dryer at 2nd plant premises and investment of NT\$30.38 million for renovation of equipment heating systems and installation of natural-gas pipelines, thereby slashing SOx (sulfur oxides) emission by 83%; increase of the number of gas stations to 106; good results of the company in CDP questionnaire for 2018 revealed in Jan., 2019, including B for management, A for scope-3 emission (figures certified by SGS), A for value-chain participation, and A- for participation of suppliers in related issues; ranked 2<sup>nd</sup> grade, or among best 6-20%, among 1,554 companies including 868 listed companies and 686 over-the-counter (OTC) companies subject to corporate-governance evaluation by Taiwan Stock Exchange, announced in April, 2020; reception of "certification mark of top 500 excellent exporters/importers of 2018," granted by the Bureau of Foreign Trade in Oct., 2019.

2019 Application for write-off of subsidiary F. T. C. America Corp.; approval of increment of

4.5 million US dollars invested in FG INC via the investment structure by the board of directors in March, 2019; installation of first supervisor of corporate governance in May; selection by Taiwan Index Plus Corp. as a constituent stock of Taiwan Sustainability Index in Dec. 2018; reception of two Taiwan Sustainability Index labels in April 2019; acquisition of 4 patents from May to November, respectively, smart temperature-control fabric, which is better than the utility model patent in 2016, mechanical stretch fabric, multi-sectional weave fabrics, stereoscopic fabrics with special patterns and tactile texture produced by an eco-friendly non-dye); application for write-off of Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. since July; publication of 2018 CSR report in English in Sep.; operation of solar panels installed in Long An Subsidiary; Appointment of the vice president of 1st business group in Oct.; to eliminate plastic waste from Nov., 2019, termination of supplying single-use cups, bottles and chopsticks made of plastic and bamboo at Plants such as meeting rooms, staff's dining room; disposal of shareholding of Formosa Advanced Technologies Co., Ltd. to 30.68% on 16 Dec, 2019, and it will no longer be included in the Company's consolidated financial report; installation of new dyeing and finishing equipment with annual capacity of 12 million yards by Long An subsidiary in Vietnam, scheduled for inauguration in batches by the end of the year;, [A-] for carbon and water disclosure of the company in CDP questionnaire for 2019 announced in Jan., 2020.

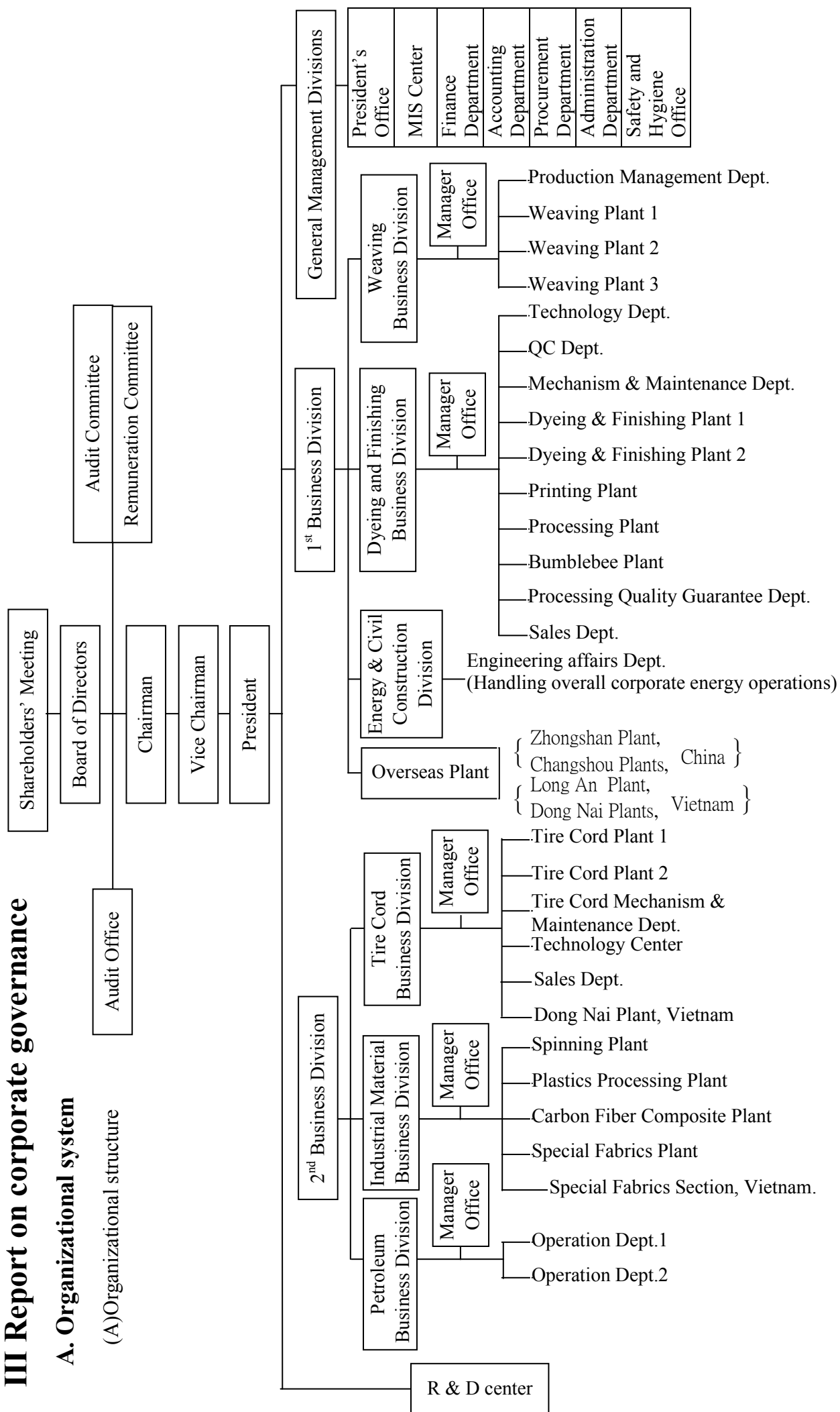
2020 Essential measures such as the offering of face masks to the staff, the measurement of forehead temperature before getting into the plants, the limitations of business travel, and implementation of isolation and triage measures at Taipei office, taken to prevent employees from being infected with COVID-19, which has greatly hit the global status since Jan.,2020,; dedication of the company to consolidation of supply chain; expansion and market of the clothing for medical use; the inventory of greenhouse gas (GHG) emission of 106 gas stations, collect and disclose its data in 2019; modification of 12 dyeing machine at and 2 impregnation equipment at dyeing Plant in Taiwan to covert fuel oil to natural gas in accordance with the implementation of carbon elimination; installation of 2,170 meter underground gas pipelines connected to gas pipeline metering stations outside the plant, scheduled for operation in batches by the end of the year; to prevent the disease outbreak and boost the economy , interest rate cut twice by FED, later followed by many nations, which pushed real interest rate to the stage of zero to negative, and appreciation of U.S dollars for hedge effect; approval of cash capital increase in Schoeller Textil AG., amounted to *fr.*3.958 ten million, in Oct., 2019, invested funds in March,2020; plan for investment of NT\$150 million in RTO (regenerative thermal oxidizer) equipment in 2019, leading to reuse of 2.4 million tons/year of recycled water from dyeing and finishing waste water, capable of slashing water consumption by 70% at domestic and overseas plant premises, which may cut the half of water usage of dyeing and finishing in 3 plants and scheduled for the operation in April; drop on raw material price and the demand, and the revision of the boom affected by the spread of outbreak and the dramatic decrease in international gas oil price.

# Organizational chart of Formosa Taffeta Co., Ltd.

## III Report on corporate governance

### A. Organizational system

(A) Organizational structure



**(B) Main businesses of all segments and divisions:**

- 1<sup>st</sup> Business Segment: dyeing, finishing, printing, and back-end processing of woven fabrics made of chemical filament; governance of Weaving Division, D & F Division, Guangdong China Plants and Jiangsu China Plants, Vietnam Long-an Plants, Vietnam Dong-nai Plants, Taipei Office, Hong Kong Subsidiary, and HCM City Branch, etc. Main products include polyamine fabrics, polyester fabrics, international branded sports fabrics, and fabrics with rich functions, Medical fabrics.
2. Tire Cord Division of the 2nd Business Segment: manufacture of tire cord fabric, base cloths of conveyor ducks, chafers for tires, anti-puncture fabric for bikes, lining fabric, etc.; governance of Tire Cord Plant in Dong-nai, Vietnam.
3. Industrial Material Division of the 2nd Business Segment: manufacture of cotton yarn, blended yarn, MVS yarn, nano far infrared ray fiber, nano anion fiber, Germanium fiber, fine diner fiber, hollow section insulation fiber, low-pilling fiber, functional fiber, comfort fiber, eco-friendly fiber, protective fabric, flame resistance fabric, protective fabrics of uniforms for military, Military, police, firefighter protective fabrics, Medical protective antibacterial fabrics, bullet proof fabric, anti-puncture fabric, carbon fiber fabrics, prepreg for materials of shells of notebooks and cellphones, bikes, and golf clubs, carbon fiber fabrics for autos, pipeline reinforcement jackets, PE plastic bags, etc.
4. The Petroleum Business Division of the 2nd Business Segment: operation of gasoline stations; offers of petroleum, diesel, lubricant, car appliances and service of car washing.

**B. Data on directors, president, vice presidents, assistant vice assistant presidents, and chiefs of various divisions and branches**

**(A) Data on directors**

April 21, 2020

Title (note 1)	Nationality/place of incorporation	Name	Gender	Date of election (appointment)	Tenure (Years)	Date of first election (note 2)	Shareholding on election for office		Existing shareholding		spouse & minor shareholding		Shareholding in others' names		Experience (education) (note 3)	Director's Current Position in FTC and Other Companies	Spouse or relatives within second kinship who are also chief, director, of the company		note 4
							shares	%	shares	%	shares	%	shares	%			Title	Name	
Chairman	R O C	Wong, Wen-yuan, Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Master, industrial engineering, University of Houston	Chairman, Formosa Chemicals & Fibre Corp. and Formosa Advanced Technologies, chairman, the Chinese National Federation of Industries	Nil	Nil	
						1992.9.17	0	0	0	0	8,777	0	0	0					



Title (note 1)	Nationality/place of incorporation	Name	Gender	Date of election (appointment)	Tenure (Years)	Date of first election (note 2)	Shareholding on election for office		Existing shareholdin g		spouse & minor shareholding		Shareholding in others' names		Experience (education) (note 3)	Director's Current Position in FTC and Other Companies	Spouse or relatives within second kinship who are also chief, director, of the company			note 4
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Vice chairm an	R O C	Hsie, Shih-ming, Keyford Development Co., Ltd.	Male	2017. 6.23	3	2008. 6.27	113,000	0.01	113,000	0.01	0	0	0	0	Bachelor, National Taipei University of Technology	Vice chairman, Formosa Advanced Technologies Co., Ltd.	Direct or	Hsieh Ming -Der	Father- son	
Standing director and independ ent director	R O C	Cheng Yu	Male	2017. 6.23	3	2014. 6.26	0	0	0	0	15,000	0	0	0	Chairman, Chunghwa Telecom; vice chairman, Fair Trade Commission; president, Taiwan Television Enterprise MBA, National Chengchi University	Independent director, Formosa Petrochemical Corp. and Formosa Advanced Technologies Co., Ltd.	Nil	Nil	Nil	
Independ ent director	R O C	Wang Kung	Male	2017. 6.23	3	2014. 6.26	0	0	0	0	0	0	0	Commissioner, Fair Trade Commission Director-general, Hsinchu Science Park Administration Doctorate degree, Massachusetts Institute of Technology	Professor at China University of Technology, independent director, Qisda Corp.	Nil	Nil	Nil		
Independ ent director	R O C	Kuo Chia-chi	Female	2017. 6.23	3	2015. 6.26	3,000	0	3,000	0	0	0	0	Department of Accounting, National Taiwan University	CPA at Kuo Chia-chi Accounting Firm, independent director of Formosa Advanced Technologies and FBT, supervisor of Zongtai Real Estate Development	Nil	Nil	Nil		

Title (note 1)	Nationality/place of incorporation	Name	Gender	Date of election (appointment)	Tenure (Years)	Date of first election (note 2)	Shareholding on election for office		Existing shareholding		spouse & minor shareholding		Shareholding in others' names		Experience (education) (note 3)	Director's Current Position in FIC and Other Companies	Spouse or relatives within second kinship who are also chief, director, of the company			note 4
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Director	R O C	Hong Fu-yuan, Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Chemical Engineering, Chung Yuan Christian University	Vice chairman, Formosa Chemicals & Fibre Corp	Nil	Nil	Nil	
Director	R O C	Lau, Wen-Chin Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Chemical Engineering, Tatung Institute of Technology	Vice President, Formosa Chemicals & Fibre Corp	Nil	Nil	Nil	
Director	R O C	Lee, Ming-chang, Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Textile Engineering, Feng Chia University	President of the company, Formosa Taiffeta Long An, and Formosa Taiffeta Dong Nai, and director of Quang Viet Enterprise	Nil	Nil	Nil	
Director	R O C	Tsai, Tien-shuan, Formosa Chemicals & Fibre Corp.	Male	2017.6.23	3	1973.3.16	630,022,431	37.40	630,022,431	37.40	0	0	0	0	Department of Textile Engineering, Feng Chia University	Senior vice president of the company	Nil	Nil	Nil	
Director	R O C	Lee Man-chun, Lai Shu-wang Foundation	Male	2017.6.23	3	1990.5.4	4,151,942	0.25	4,151,942	0.25	0	0	0	0	Master, Gradual School of Accounting, National Chengchi University	CPA, Lee Man-chun Accounting Firm	Nil	Nil	Nil	
Director	R O C	Hsieh Ming-der	Male	2017.6.2	3	1998.3.31	15,548,068	0.92	15,548,068	0.92	4,769,969	0.28	0	0	Department of Machinery, Taipei City University of Science & Technology	Chairman, Yu Yuang Textile Co., Ltd.	Vice chairman	Hsieh Shih-ming	Father-son	

Note 1: List the names of institutional shareholders and their representatives separately (for representatives of institutional shareholders, specify the names of the latter) and fill in table 1 below.

Note 2: Fill in the date for directors or supervisors to assume the office for the first time and specify the existence of suspension for the job, if any.

- (1) Mr. Hsieh Shih-ming served as the company's director on March 16, 1993 before being designated by institutional director Keyford Development Co., LTD., as its representative for the seat.
- (2) Mr. Hong Fu-yuan was designated by institutional supervisor Formosa Chemicals & Fibre Corp. as its representative for the seat on June 17, 2005 before being designated by the latter as its representative for its seat as a director.
- (3) Mr. Lu, Wen-Chin was appointed as the director representative by the legal person director Formosa Chemicals & Fibre Corp. on November 8, 2019
- (4) Mr. Lee Ming-chang served as the company's director on June 14, 2002 before being designated by institutional director Formosa Chemicals & Fibre Corp. as its representative for the seat on June 26, 2014.
- (5) Mr. Tsai Tien-shuan served as the company's director on June 27, 2008 before being designated by institutional director Formosa Chemicals & Fibre Corp. as its representative for the seat on June 28, 2011.
- (6) Mr. Lee Man-chun was designated by Lai Shu-wang Foundation as its representative for its seat as a institutional director on March 31, 1998, then for its seat as a institutional supervisor on June 27, 1998, and for its seat as a institutional director again on June 23, 2017.

Note 3: If experience related to current position includes the positions at the auditing accounting firm or its affiliates during the aforementioned period, specify the title and responsibilities of the positions.

Note 4: The Chairman of the Company and the General Manager or equivalent (the top manager) are the same person, spouse or relative within first degree of kinship thereof, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and more than half of the directors shall not concurrently serve as employees or managers, etc.)

Table 1: Major shareholders of institutional shareholders

April 21, 2020

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders(note 2)
Formosa Chemicals & Fibre Corp	Chang Gung Medical Foundation (18.58%), Chingdwell International Investment Corp. (6.35%), Vason International Investment Co.,Ltd. (3.80%), Formosa Plastics Corp. (3.39%), Nan Ya Plastics Corp. (2.40%), Wong Wen-yuan (2.20%), Consolidated Power Development Corp. (1.63%), Standard Chartered Bank (Taiwan)Ltd In Custody for Genesis Equity Group Inc. (1.47%), HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp. (1.35%), and Bank of Taiwan in custody for Wang Chang-Geng Social Welfare Fund(1.21%)
Keyford Development Co.,LTD., Ltd.	Ho Chen-fang (1.67%), Hsieh Hsiu-li (1.67%), Hsieh Ying-chan (1.67%), Hsieh Ming-der (10%), Hsieh Ming-ta (1.67%), Keyfore Industrial Holding Limited (83.32)
Lai Shu-wang Foundatio	Lai Ming-hsiung, Lai Ming-tsung, Chen Yi-li, Chen Shu-chen, Lin Pei-yuan, Tsai Wei-tsung, Chen Shu-chu, Hsu Yi-nan, Lee Man-chun

Note 1: For directors who are representatives of institutional shareholders, specify the names of the institutional shareholders.

Note 2: Specify the major shareholders of institutional shareholders (top 10 in terms of shareholding) and the percentages of their shareholdings, and fill in table 2 below, if major shareholders are institutional shareholders.

Table 2: Major shareholders of major institutional shareholders in table 1

April 21, 2020

Names of institutional shareholders (note 1)	Major shareholders of institutional shareholders (note 2)
Chang Gung Medical Foundation	Foundation without share issuance
Chingdwel International Investment Corp.	Everred Corporate, Inc.(100%)
Vason International Investment Corp.	Landmark Capital Holdings Inc.(100%)
Formosa Plastics Corp.	Chang Gung Medical Foundation (9.44%), Formosa Chemicals & Fibre Corp. (7.65%), Standard Chartered Bank (Taiwan) in custody for an investment account of Credit Suisse (Singapore) (6.26%), Nan Ya Plastics Corp. (4.63%), Chingdwel International Investment Corp. (4.16%), Vason International Investment Corp. (3.05%), Formosa Petrochemical Corp. (2.07%), Citibank Taiwan in custody of Singaporean government foundation account (1.46%), Ming Chi University of Technology (1.43%), and Nan Shan Life Insurance Company, Ltd.(1.40%)
Nan Ya Plastics Corp.	Chang Gung Medical Foundation (11.05%), Formosa Plastics Corp. (9.8%), Formosa Chemicals & Fibre Corp. (5.21%), Chang Gung University (4.00%), Vason International Investment Corp. (2.39%), Formosa Petrochemical Corp. (2.26%), Chingdwel International Investment Corp. (1.86%), An investment account of the LGT Singapore under the custody of Standard Chartered International Commercial Bank's Business Department (1.56%), an investment account under the custody of Citibank Taiwan (1.38%), an investment account of the Vanguard Total International Stock Index Fund of PGIA under the custody of JPMORGAN CHASE BANK, N.A., TAIPEI BRANCH (1.25%)
Consolidated Power Development Corp., Ltd.	Cabo de Roca Corporation(100%)
Standard Chartered Bank (Taiwan) in custody for Genesis Equity Group Inc.	Investment account
HSBC Bank (Taiwan) Limited in custody for Consolidated Power Development Corp.	Investment account
Bank of Taiwan in custody for Wang Chang-Geng Social Welfare Fund	Investment account
Keyford Industrial Holding Limited	Keyford Industrial Fund(100%)

Note 1: Similar to table 1, if major shareholders are institutional shareholders, fill in the names of the institutional shareholders.

Note 2: Specify the major shareholders of institutional shareholders (top 10 in terms of shareholding) and the percentages of their shareholdings.

Professional qualifications and independence analysis of directors

April 21, 2020

Names (note 1)	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (note 2)												Number of concurrent positions as independent directors of other companies with public share offering
		Instructor or higher teaching positions in commerce, judicial affairs, finance, accounting, or other fields related to the company's business at public or private colleges	Judge, prosecutor, attorney at law, certified public accountant, or other licensed professionals and technicians with passage of national examination in fields related to the company's business	working experience in commerce, judicial affairs, finance, accounting, or other fields related to the company's business	1	2	3	4	5	6	7	8	9	10	11	12	
Wong, wen-yuan, Formosa Chemicals & Fibre Corp.			V	V		V	V		V	V	V	V	V	V	V	0	
Hsie, Shih-ming, Keyford Development Co., Ltd.			V			V	V		V	V	V	V		V		0	
Cheng, Yu, independent director			V	V	V	V	V	V	V	V	V	V	V	V	V	2	
Wang, Kung, independent director	V		V	V	V	V	V	V	V	V	V	V	V	V	V	1	
Kuo, Chia-chi, independent director		V	V	V	V	V	V	V	V	V	V	V	V	V	V	2	
Hong, Fu-yuan, Formosa Chemicals & Fibre Corp.			V			V	V		V	V	V	V	V	V		0	
Lu, Wen-Chin Formosa Chemicals & Fibre Corp.			V			V	V		V	V	V	V	V	V		0	
Lee, Ming-chang, Formosa Chemicals & Fibre Corp.			V			V	V	V	V	V	V	V	V	V		0	
Tsai, Tien-shuan, Formosa Chemicals & Fibre Corp.			V			V	V	V	V	V	V	V	V	V		0	
Lee, Man-chun, Lai Shu-wang Foundation		V	V	V	V	V	V	V	V	V	V	V	V	V		0	
Hsieh, Ming-der			V	V		V	V		V	V	V	V	V	V		0	

Note 1: The number of columns can be adjusted, according to the actual situation

Note 2: For directors meeting the following conditions in the two years before assuming the post and during the tenure, please mark "✓" in the blank space below the code number of various

conditions:

- (1) not an employee of the company and affiliates;
- (2) not a director or supervisor of the Company or its affiliates (however, this restriction does not apply to the person who serves as the independent director concurrently in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located).
- (3) not a person owning more than 1% of the company's shares in circulation in the name of himself/herself, his/her spouse, children before the age of majority, or others, or among the top 10 natural-person shareholders;
- (4) Managers not listed in (1), or listed in (2), (3) not spouse, relatives within second kinship, or di-rect-blood relatives within third kinship ;
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or a corporate shareholder ranking among the top five in shareholdings, or a corporate shareholder that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (however, this restriction does not apply to the person who serves as the independent director concurrently in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located).
- (6) Not a director, independent director, or employee of other company which a majority of that other company's director seats or voting shares are controlled by the same person. (however, this restriction does not apply to the person who serves as the independent director concurrently in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located)
- (7) Not a director, supervisor, or employee of other company or institution who is the same person as, or the spouse of, the chairperson, general manager or personnel holding an equivalent position of the Company (however, this restriction does not apply to the person who serves as the independent director concurrently in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located)
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company. (However, this restriction does not apply to the specific company or institution holding more than 20% of the total issued shares of the Company, but not more than 50%, and independent director who concurrently serve in the Company, parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the regulations of the country where the company is located).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, manager and spouse of a sole proprietorship, partnership, company, or institution, that provides auditing services to the Company or any affiliate of the Company, or that provides

commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation less than NT\$500,000. Provided, this restriction does not apply to members of the Remuneration Committee, public acquisition review committee, or special committee for M&A, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or a relative within second kinship of other directors;

(11) Without one of the situations listed in article 30 of the Company Act

(12) Not elected as a representative of the government, judicial person, or other institutions according to article 27 of the Company Act.

Note 3: Independent director Cheng Yu is also independent director of Formosa Petrochemical Corp. and Formosa Advanced Technologies.

Independent director Wang Kung is also independent director of Qisda Corp.

Independent director Kuo Chia-chi is also independent director of Formosa Advanced Technologies and Fine Blanking & Tool Co., Ltd., as well as director of Zongtai Real Estate Development Co., Ltd.



(B) Diversification policy for membership of the board of directors

The Board of the Company consists of 11 directors with diversified backgrounds, professional capabilities, and operating experience in business management, leadership, decision-making, industrial knowledge, international knowledge, accounting analysis, and legal background. 1 director in the Board is female, which accounts for 9.1% of the Board; there are 3 independent directors, accounting for 27.3% of the Board, of which 1 independent director has a term of less than 5 years. There are 5 directors who serve as managers in other professional fields, accounting for 45.5% of the Board. The Board of Directors implements the policy of member diversity as follows:

Name	Nationality	Gender	Management/professional background and management/decision making capability					
			Management and administration	Leadership and decision making	Industrial knowledge	International knowledge	Financial/accounting analysis.	Law
Wong,Wen-yuan Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Hsie,Shih-ming Keyford Development Co., Ltd.	ROC	Male	V	V	V	V		
Cheng,Yu independent director	ROC	Male	V	V	V	V		V
Wang,Kung independent director	ROC	Male	V	V	V	V		V
Kuo,Chia-chi, Independent director	ROC	Female	V	V	V	V	V	
Hong,Fu-yuan Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lu,Wen-Chin, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lee,Ming-chang, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Tsai,Tien-shuan, Formosa Chemicals & Fibre Corp.	ROC	Male	V	V	V	V		
Lee,Man-chun, Lai Shu-wang Foundation	ROC	Male	V	V	V	V	V	
Hsieh,Ming-der	ROC	Male	V	V	V	V		

## (C) Management Team

April 21, 2020

Title (note 1)	Nationality	Name	Gender	Date of election	Shareholding		spouse and minor Shareholding		Shareholding in others' names		Experience (education) (note 2)	Other Positions Concurrent	Managers who are Spouses or Within Two Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relation
President	ROC	Lee Ming-chang	Male	2017.11.09	281,538	0.02	-	-	-	-	Department of Textile Engineering, Feng Chia University	Chairman of Formosa Taffeta Long An, and Formosa Taffeta Dong Nai, and director of Quang Viet Enterprise	Nil	Nil	Nil
Senior Vice President of the second business segment	ROC	Tsai Tien-shuan	Male	2018.10.01	75,000	-	49,000	-	-	-	Department of Textile Engineering, Feng Chia University	Nil	Nil	Nil	Nil
Vice president of the first business segment	ROC	Lin, Chun-nan	Male	2019.11.01	234	-	-	-	-	-	Department of Chemical Engineering, Tunghai University	Nil	Nil	Nil	Nil
Financial Chief Corporate Governance Chief	ROC	Cheng Hung-ning	Male	2018.11.02 2019.05.03	-	-	-	-	-	-	Department of Business Administration, Chinese Culture University	Nil	Nil	Nil	Nil
Accounting Chief	ROC	Lee Shu-ming	Male	2018.11.02	6,507	-	-	-	-	-	Department of Accounting, Feng Chia University	Nil	Nil	Nil	Nil
Assistant Vice President, Dyeing and finishing Division	ROC	Lee Kuo-yi	Male	2009.01.01	47,041	-	-	-	-	-	Machinery section, Provincial Taipei Institute of Technology	Nil	Nil	Nil	Nil

Title (note 1)	Nationality	Name	Gender	Date of election	Shareholding		spouse and minor Shareholding		Shareholding in others' names		Experience (education) (note 2)	Other Positions Concurrent	Managers who are Spouses or Within Two Degrees of Kinship	
					shares	%	shares	%	shares	%			Title	Name
Manager, Weaving Business Divison	ROC	Hsu, Chung-Fa	Male	2018.10.01	34,000	-	-	-	-	-	Department of Textile Engineering, Feng Chia University	Nil	Nil	Nil
Manager, Engineering & Civil Constraction	ROC	Chang Yung-chiao	Male	2007.06.01	15,050	-	42,651	-	-	-	Electrical engineering section, Electric Provincial Taipei Institute of	Nil	Nil	Nil
Manager, R&D Center	ROC	Liu Fang-jong	Male	2018.02.01	-	-	-	-	-	-	Textile section, Nan Ya Institute of Technology	Nil	Nil	Nil
Assistant Vice President, 2 <sup>nd</sup> Business	ROC	Chen Kun-yuan	Male	2018.10.01	-	-	-	-	-	-	Textile section, Provincial Taipei Institute of Technology	Nil	Nil	Nil
Manager, Petroleum Division	ROC	Chang Hung-chi	Male	2016.11.25	3,000	-	-	-	-	-	Department of Business Administration, Tunghai University	Nil	Nil	Nil
Manager, Tire Cord Division	ROC	Chao Wen-hong	Male	2017.04.01	4,000	-	-	-	-	-	Department of chemical engineering, Mational Central University	Nil	Nil	Nil
Manager, Industrial Material Division	ROC	Chan Chin-Shun	Male	2019.05.21	-	-	-	-	-	-	Bachelor of Textile Engineering, , Feng Chia University	Nil	Nil	Nil

Note 1: Disclosure should cover data on president, vice presidents, assistant vice presidents, or chiefs of various divisions and branches, as well as others with equivalent positions.

Note 2: If experience related to current positions includes the positions at the auditing accounting firm or its affiliates during the aforementioned period, specify the title and responsibilities of the positions.

Note 3: The Chairman of the Company and the General Manager or equivalent (the top manager) are the same person, spouse or relative within first

degree of kinship thereof, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors and more than half of the directors shall not concurrently serve as employees or managers, etc.)

Note 4: The stock ratio column is "-", indicating that the shareholding ratio is less than 0.01%.

Note 5: The aforementioned disclosures cover mainly those with management responsibilities and right of signature in the company.

## C. Compensations for general directors, independent directors, president, and vice presidents in the recent year

(A) The company disclosure in the form of pay range and names of payees

### 1. Compensations for general directors, independent directors

Unit: NT\$1,000; Dec. 31, 2019

Title	Names (note 1)	Compensations for directors				Share of the total of A, B, C, and D in after-tax net profit (note 10)	Collection of related compensations by part-time employees				Share of the total of A, B, C, D, E, F, and G in total after-tax net profit (Note 10)	Collection or not compensations from invested companies other than subsidiaries (note 11)
		Compensations (A)(note 2)	Retirement fund (B)	Compensations for directors (C)(note 3)	Business execution fees (D)(note 4)		Salary, bonus, and special allowance (E)(note 5)	Retirement fund (F)	Employee compensation (G)(note 6)			
		The company	The company	The company	The company	The company	The company	Cash amount	Stock amount	The company	All the companies in financial statement (note 7)	
Chairman	Wong, Wen-yuan Formosa Chemicals & Fibre Corp.	0	0	5,610	530	21,331	0	7	0	0	0.5296%	60,332
Vice chairman	Hsieh, Shih-ming Keyford Dpt Co., Ltd.											
Director	Hong, Fu-yuan, Formosa Chemicals & Fibre Corp.											
Director	Lu wen-Chin Formosa Chemicals & Fibre Corp.											
Director	Lee, Ming-chang Formosa Chemicals & Fibre Corp.											
Director	Tsai, Hien-shuan, Formosa Chemicals & Fibre Corp.											
Director	Lee, Man-chun Lai Shu-wang's Foundation											
Director	Hsieh, Ming-Der											
Standing director (independent director)	Cheng, Yu											
Independent director	Wang, Kung	3,600	0	0	490	0	0	0	0	0	0.0788%	3,802
Independent director	Kuo, Chia-chi											

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.: The Company allocated 0.1% of the pre-tax profit before deduction of employees and directors' compensation for 2019 as directors' compensation, and the amount of provision was NT\$5,610,218. The independent directors' remuneration is based on a fixed payment system. The main consideration is to maintain their independence and to play a supervisory role. The fixed annual remuneration for independent directors is NT\$1.2 million, and allowance of NT\$10,000 is paid each time according to the attendance of meetings. In order to enable independent directors to fully exercise their powers, independent directors' liability insurance has been insured to ease the work pressure of directors. In addition, the Company has stipulated the "Rules of Independent Directors' Duties", such as independent directors' monthly review of internal audit reports and financial communication with attesting CPA. For details of the meeting attendance of independent directors, please refer to the "Operational Situation of the Board of Directors", "Operational Situation of the Audit Committee" and "Operational Situation of the Remuneration Committee".

2. Collection of compensations by directors for provision of services to any of the companies in the financial statement in the recent year, other than those disclosed in the table above (such as consulting for non-employees): nil

\*\* Please list the relevant information of directors (general directors who are not independent directors) and independent directors separately.

Compensations  
brackets

Compensations brackets for the company's directors	Names of directors (note 12)			Total of first seven items (A+B+C+D+E+F+G)
	Total of first four items (A+B+C+D)	All the companies in the financial statement (note 9)	The company (note 8)	
Less than NT\$1,000,000	The company (note 8) Wong Wen-yuan, Hsieh Shih-ming, Hong Fu-yuan, Lu wen-Chin, Huang Dong-terng, Lee Ming-chang, Tsai Tien-shuan, Lee Man-chun, Hsieh Ming-der, Lai Shu-wang Foundation	Wong Wen-yuan, Hsieh Shih-ming, Hong Fu-yuan, Lu wen-Chin, Huang Dong-terng, Lee Ming-chang, Tsai Tien-shuan, Lee Man-chun, Hsieh Ming-der, Lai Shu-wang Foundation	Wong Wen-yuan, Hong Fu-yuan, Lu wen-Chin, Huang Dong-terng, Lee Man-chun, Hsieh Ming-der, Lai Shu-wang Foundation	Lee Man-chun, Hsieh Ming-der, Lai Shu-wang Foundation
NT\$1,000,000 (inclusive) ~ 2,000,000 (exclusive)	The company (note 8) Cheng Yu, Wang Kung Kuo Chia-chi, Keyford Development Co., Ltd.	Cheng Yu, Wang Kung Kuo Chia-chi, Keyford Development Co., Ltd.	Cheng Yu, Wang Kung Kuo Chia-chi, Keyford Development Co., Ltd.	Wang Kung, Keyford Development Co., Ltd.
NT\$2,000,000 (inclusive) ~ 3,500,000 (exclusive)	The company (note 8) Formosa Chemicals & Fibre Corp.	Formosa Chemicals & Fibre Corp.	Formosa Chemicals & Fibre Corp.	Kuo Chia-chi, Formosa Chemicals & Fibre Corp.
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Nil	Nil	Nil	Cheng Yu
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Nil	Nil	Lee Ming-chang, Tsai Tien-shuan	Lee Ming-chang, Tsai Tien-shuan
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Nil	Nil	Hsieh Shih-ming	Hsieh Shih-ming, Lu Wen-Chin, Huang Dong-terng
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Nil	Nil	Nil	Wong, Wen-yuan, Hong Fu-yuan
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	Nil	Nil	Nil	Nil
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	Nil	Nil	Nil	Nil
Over NT\$100,000,000	Nil	Nil	Nil	Nil
Total	15	15	15	15

- Note 1: Names of directors should listed separately (in the case of institutional directors, the names of representatives should also be listed); And list general directors and independent directors separately, disclose various payment amounts in summarized form; for directors who also hold the positions of president or vice presidents, fill in the table and tables (3-2-1) or (3-2-2) below.
- Note 2: Refer to compensations for directors in the recent year (including salaries, job-related allowance, severance pay, various bonuses, and incentive pay).
- Note 3: Fill in compensation payouts for directors in the recent year approved by the board of directors.
- Note 4: Refer to business execution fees for directors in the recent year (including transportation fees, special allowances, various fringe benefits, dormitory, and company car). For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations.
- Note 5: Payments collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, or other positions), including salaries, job-related allowances, severance pay, various bonuses, incentive pays, transportation expenses, special allowances, various fringe benefits, dormitory, and company cars. For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations. Salary expenses listed according to share-based payment specified in IFRS2, including share-subscription warrants for employees, employee right for subscription to new shares and participation in cash capital increment, should be included in compensations.
- Note 6: Refer to employee compensations (including shares and cash) collected by directors for simultaneous positions as employees of the company (including president, vice president, manager, and other positions) in the recent year. Disclose plan for payout of employee compensations in the recent year approved by the board of directors. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3.
- Note 7: Disclose the total of all the compensations paid by all the companies in the consolidated financial statement (including the company) to the company's directors.
- Note 8: Disclose the brackets of the total of compensations paid by the company to each director and his/her name.
- Note 9: Disclose the brackets of the total of compensations paid by all the companies in the consolidated financial statement (including the company) to each director of the company and his/her name.
- Note 10: After-tax net profit refers to net profit after tax in the most recent Individual or Individual financial report.
- Note 11: a. In the column, fill in the value of compensations for directors of the company paid by parent company or invested companies other than subsidiaries. (If there is none, please fill in "None")
- b. If the company's directors collect compensations from parent company or invested companies other than subsidiaries, incorporate the value into column I of compensation brackets and change the name of the column to "parent company and all the invested enterprises."

c. Compensations refer to rewards, pays, and business execution fees paid by parent company or invested companies other than subsidiaries to the company's directors for holding the latter's positions including directors, supervisors, or managers.

Note12:Compensations for the company's 11 directors (including independent directors) are listed separately, since compensations for representatives of institutional directors are collected by institutional directors.

\*Since compensations disclosed in the table are different from the income concept in income tax law, the table is meant for information disclosure, rather than tax levy.

## 2.Compensations for president and vice presidents

Unit: NT\$1,000; Dec. 31, 2019

Title	Name (note 1)	Salary (A) (note 2)		Severance or retirement pay (B)		Incentive pay and special allowance (C)		Value of employee compensations (D) (note 4)			Share of the total of A, B, C, and D in after-tax net profit(%) (note 8)		receive remuneration on from overseas investment in subsidiaries or parent company (Note 9)
		The company	All the companies in the financial statement (note 5)	The company	All the companies in the financial statement note 5)	The company	All the companies in the financial statement (note 5)	The company	All the companies in the financial statement (note 5)	Cash value	Stock value	Stock value	
President	Lee Ming-chang												
Senior vice president	Tsai Tien-shuan	3,471	3,471	0	0	10,964	10,964	7	0	7	0	0.2783	420
vice president	Lin, Chun-nan												

\*Regardless of the title, any position equivalent to the general manager, deputy general manager (for example: president, CEO, director...etc.) should be disclosed.



Compensation brackets

Bracket of compensations for the company's president and vice presidents	Names of president and vice presidents	
	The company (note 6)	Parent company and All the invested companies (note 7)
Less than NT\$1,000,000	Nil	Nil
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Nil	Nil
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Lin Chun-nan	Lin Chun-nan
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Nil	Nil
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Lee Ming-chang, Tsai Tien-shuan	Lee Ming-chang, Tsai Tien-shuan
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	Nil	Nil
NT\$15,000,000(inclusive)~NT\$30,000,000 (exclusive)	Nil	Nil
NT\$30,000,000(inclusive)~NT\$50,000,000 (exclusive)	Nil	Nil
NT\$50,000,000(inclusive)~NT\$100,000,000(exclusive)	Nil	Nil
Over NT\$100,000,000	Nil	Nil
Total	3	3

Note 1: Names of president and vice presidents should listed separately; disclose various payment amounts in summarized form; for directors who also hold the positions of president or vice presidents, fill in the table and tables (1-2-1) or (1-2-2) below.

Note 2: Fill in salaries, job-related allowance, and severance pay for president and vice presidents in the recent year.

Note 3: Fill in payments for president and vice presidents in the recent year, including various bonus, incentive pay, transportation expense, special allowance, various fringe benefits, dormitory, and company car. For the provision of accommodation, car, other transportation means, or other personal benefits, disclose the nature and cost of such offerings, rentals based on actual amount or calculation of fair market prices, gasoline costs, and other payments. In case chauffeuring service is available, describe pay for the chauffeur without including it in compensations. Salary expenses listed according to share-based payment specified in IFRS2, including share-subscription warrants for employees, employee right for subscription to new shares and participation in cash capital increment, should be included in compensations.

Note 4: Fill in employee compensations (including shares and cash) for president and vice presidents approved by the board of directors in the recent year. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year, and fill in attached table 1-3.

Note 5: Disclose the total value of compensations for the company's president and vice presidents paid by all the companies (including the

company) in the consolidated financial statement.

Note 6: Disclose the names of president and vice presidents of the company in the brackets for compensations paid by the company

Note 7: Disclose the names of president and vice presidents of the company in the bracket for the total of compensations paid by all the companies (including the company) in the consolidated financial statement.

Note 8: After-tax net profit refers to net profit after tax in the most recent Individual or Individual financial report.

Note 9: a. Fill in in the column compensations for president and vice presidents paid by parent company invested companies other than the company's subsidiaries. (If there is none, please fill in "None")

b. If the company's president and vice presidents collect compensations from parent company or invested companies other than subsidiaries, incorporate the value into column E of compensation brackets and change the name of the column to "parent company and all the invested enterprises."

c. Compensations refer to rewards, pays (including pays for the positions of employee, director, and supervisor) and business execution fees paid by parent company or invested companies other than subsidiaries to the company's president and vice presidents for holding the latter's positions including directors, supervisors, or managers.

\*Since compensations disclosed in the table are different from the income concept in income tax law, the table is meant for information disclosure, rather than tax levy.

3.Names of managerial staffers receiving payout of employee compensations and the status of the payout

Unit: NT\$1,000; March 31, 2020

Managerial staffers	Title (note 1)	Name (note 1)	Stock Value	Cash value	Total (note 2)	Share of the total in after-tax net profit (%)
	President	Lee Ming-chang	0	12	12	0.000231
	Senior vice president	Tsai Tien-shuan				
	vice president	Lin Chun-nan				
	Financial chief	Cheng Hung-ning				
	Corporate Governance chief					
Accounting chief	Lee Shu-ming					

Note 1: Disclose individual names and titles, along with payout of profits in summarized form.

Note 2: Fill in employee compensations (including shares and cash)for managerial staffers approved by the board of directors in the recent year. If it is impossible to forecast the value of the payout this year, calculate the value, based on the actual payout value last year. After-tax net profit refers to the figure of the recent year; for those having adopted IFRS (international financial reporting standards), the figure refers to the after-tax net profit in individual financial statement of the recent year.

Note 3: According to the definition of the Financial Supervisory Commission (decree 0920001301, March 27, 2003), the scope of managerial staffers includes

- (1) president and equivalent positions;
- (2) vice president and equivalent positions;
- (3) assistant vice president and equivalent positions;
- (4) financial chief;
- (5) accounting chief;
- (6) Other employees with management responsibility and signature right.

Note 4: If director, president, and vice president collects employee compensations (including shares and cash), fill in the above table, in addition to attached table 1-2.

(B)The company and all companies in the consolidated statements, in recent two years analysis of ratio of the total compensations for the company's directors, president, and vice presidents in after-tax net profits of Individual or individual financial report , and explain compensation policy, criteria, and combination, procedure for determination of compensations and their association with business performance.

1.Shares of the total compensation for the company's directors, president, and vice presidents paid by the company and all the companies in the consolidated financial statements in after-tax net profits in recent two years follow:

Unit: NT\$1,000, %

Year/item	2019	2018	Difference	Note
Total compensation for directors paid outby the board of directors	5,610	5,272	338	
Total compensation for directors	3,600	4,800	-1,200	
Transportation fees	1,030	1,320	-290	
Total compensation for president and vice presidents	14,435	10,955	3,480	
Total	24,675	22,347	2,328	
After-tax net profitin individual financial statement	5,188,729	4,737,406	451,323	
Share in after-tax net profit	0.4755	0.4717	0.0038	

Explanation: After-tax net profit in the company's 2019 individual financial statement increased by 9.53% over 2018. According to the allocation plan for 2019 after-tax net profit, after appropriation for legal surplus reserves, the company plans to pay out NT\$2.5 in cash dividend. In 2019, share of total compensation for directors, president, and vice presidents in after-tax net profit increased by 0.0038 of a percentage point from the 2018 level.

2.Explanation for the policy, criteria, and combination for compensation payout, procedure for determination of compensation and its association with business performance:

The company's compensations for directors is divided into two categories: including fixed transportation fees for each meeting and allocation of profits. According to the company's charter, the company appropriates up to 0.5% of pre-tax profit as compensations for directors, which are allocated among chairman, standing directors, and directors according to different rankings of their positions.

## D. Operation of corporate governance

### (A) Operating status of the board of directors

The board of directors convened 7 times (A) in 2019, with the attendances of directors listed below:

Title	Name (note1)	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A) (note2)	Note
Chairman	Wong, Wen-yuan Formosa Chemicals & Fibre Corp.	6	0	85.71	
Vice Chairman	Hsie, Shih-ming Keyford Development Co., Ltd.	6	0	85.71	
Standing director (independent director)	Cheng, Yu	7	0	100	
Independent director	Wang, Kung	7	0	100	
Independent director	Kuo, Chia-chi	6	1	85.71	
Director	Hong, Fu-yuan Formosa Chemicals & Fibre Corp.	7	0	100	
Director	Lu, Wen Chin Formosa Chemicals & Fibre Corp.	1	0	100	New appointment on November 8, 2019 (Note 3)
Director	Lee, Ming-chang Formosa Chemicals & Fibre Corp.	7	0	100	
Director	Tsai, Tien-shuan Formosa Chemicals & Fibre Corp.	7	0	100	
Director	Lee, Man-chun Lai Shu-wang Foundation	7	0	100	
Director	Hsieh, Ming-der	7	0	100	
Director	Huang, Dong-terng Formosa Chemicals & Fibre Corp.	5	0	83.33	November 8, 2019 Reassignment of the former (Note 3)

#### Other items mandating record:

A. In case there is one of the following situations in the operation of the Board of Directors, specify the date of the meeting, term of the board of directors, contents of agenda, opinions of all the independent directors, and approach of the company in handling the opinions of the independent directors:

(A) Items listed in article 14-3 of Securities and Exchange Act: Not applicable

(B) Except the aforementioned items, resolutions of the board of directors with opposition, or reserved opinions, by any independent director: nil.

B. For abstention of cases by directors due to involvement of related interests, specify the names of directors, contents of agenda, reasons for abstention, and situation of voting:

1. Seventh meeting of the board of directors on December 13, 2019

- (1) Name of director: Chairman Wong, Wen-yuan and Vice Chairman Hsieh, Shih-ming, etc., a total of 2 people
- (2) Contents of agenda: Disposal of no more than 70,756,000 shares of Formosa Technology Co., Ltd., a reinvestment business, through stock trade on centralized securities exchange market to the transaction counterparties Nanya Technology Corporation and Nan Ya Printed Circuit Board Corporation.
- (3) Reasons of recusal: The Chairman and Vice Chairman have not participated in the voting because they hold the position of director of the main transaction counterparties.
- (4) Situation of voting: Except aforementioned directors, all other directors present agreed to proposal.

C. TWSE/TPEX listed companies should disclose information on the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the Board's self (or peer) evaluation and fill out the attached table 2 (2) Board Evaluation Implementation.

Note: The Company will conduct the performance evaluation of the Board of Directors in accordance with the regulations starting from 2020 and disclose the implementation situation in the following year.

D. Evaluation of execution of objectives for strengthening the functions of the Board of Directors in the current year and the previous years:

- (A) In its operation, the company's board of directors abides by laws/regulations, corporate charter, and resolutions of shareholders' meeting. In addition to the professional knowledge, skills, and literacy related to their positions, all the directors adhere to the principle of loyalty and integrity in the execution of their duties, so as to create maximum benefits for shareholders.
- (B) In order to establish a good system of governance for the Board of Directors, as well as to strengthen its supervisory and management functions, the Company, in addition to the selection of independent directors, has set up the norm for Board meetings, covering contents of agenda, operating procedure, items to be recorded in the minutes of meetings, official notices, and others.
- (C) In order to strengthen the functions of the Board of Directors, the Company, in addition to regular self-examination of the Board's operation, has had its in-house auditors produce a monthly auditing report for independent directors' review before the end of the following month, in compliance with the requirement of the securities regulator.
- (D) In line with regulations of the securities regulator, the Board of Directors resolved on August 25, 2011 to set up a compensation committee. Four meetings were convened in 2019 to review the compensations for directors and managerial officers, to implement corporate governance.
- (E) In line with the requirement of the securities regulator, the Company's Board of Directors resolved on June 23, 2017 to set up an auditing committee to replace supervisors. Six meetings were convened in 2019 and resolutions were submitted to the Board of Directors for ratification to implement corporate governance.

Note 1: In case director is a judicial person, specify its name and the name of its representatives.

Note 2: (1) In case there is any director leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the

- number of committee meetings during his/her service period.
- (2) In case there is reelection for the board of directors by the end of the year, information on both original and new directors should be entered in the note column, including the distinction of previous, new, or continuing membership and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of board meetings during his/her service period.

Note 3: Due to the retirement of Mr. Huang, Dong-Teng, originally designated to be a director by Taiwan Chemical Fiber Co., Ltd., the Company's institutional shareholder, Mr. Lu, Wen Chin was reassigned as a director from November 8, 2019.

(B) Operation of the auditing committee status

The auditing committee convened six times (A) in the year, as of Dec. 31, 2019, with the status of attendance of independent directors listed below:

Title	Name	Number of attendance (B)	Number of attendance via proxy	Attendance rate (%) (B/A)	Note
Convener	Cheng, Yu	6	0	100	Independent director
Member	Wang, Kung	6	0	100	Independent director
Member	Kuo, Chia-chi	5	1	83.33	Independent director

Other items mandating record:

A. In case there is one of the following situations in the operation of the auditing committee, specify the date of the meeting of the board of directors, the term of the board of directors, contents of agenda, resolutions of the auditing committee, and approach of the company in handling the opinions of the auditing committee.

(A) Items listed in article 14-5 of Securities and Exchange Act

1. First meeting of the board of directors on March 15, 2019

(1) Contents of agenda: production of the company's 2018 financial statement

Resolution of the auditing committee: approval by the members present

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(2) Contents of agenda: production of the company's 2018 "statement on internal control system"

Resolution of the auditing committee: all the members agreed to the draft statement which was submitted to the board of directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

(3) Contents of agenda: It is proposed to amend the company's "procurement process for acquiring or disposing of assets", "proceeding process for dealing in derivative commodities", "methods for the operation of capital loans and others" and "procedure for guarantee of endorsement"

Resolution of the auditing committee: all the members agreed to the draft statement which was submitted to the board of directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal, and submitted to the 2019 shareholders' meeting for resolution.

(4) Contents of agenda: The Company plans to increase the investment of "FG INC" by US\$ 4.5 million according to the investment structure.

Resolution of the auditing committee: all the members agreed to the draft statement which was submitted to the board of directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

2. 2nd meeting of the Board of Directors on May 3, 2019.

(1) Contents of agenda: Propose to amend the Company's internal control system for share operations.

Resolution of the auditing committee: All members present agreed to pass the proposal. The proposal was submitted to the Board of Directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.



3. 4th meeting of the Board of Directors on August 8, 2019.  
(1) Contents of agenda: Prepare the Company's financial statement of second quarter, 2019.  
Resolution of the auditing committee: All directors present agreed to pass the proposal.  
Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: The proposal is known.

4. 5th meeting (temporary) of the Board of Directors on October 17, 2019.

(1) Contents of agenda: Propose to subscribe to the cash capital share of Schoeller Textil AG with no more than 40 million Swiss franc and sell the shares of Formosa Taffeta Hong Kong Co., Ltd.

Resolution of the auditing committee: All members present agreed to pass the proposal. The proposal was submitted to the Board of Directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal.

5. 7th meeting of the Board of Directors on December 13, 2019.

(1) Contents of agenda: Disposal of less than 70,756,000 shares of Formosa Advanced Technologies Co., Ltd., a reinvestment business, through stock trade on centralized securities exchange market to Nanya Technology Corporation or Nanya Printed Circuit Board Corporation.

Resolution of the auditing committee: All members present agreed to pass the proposal. The proposal was submitted to the Board of Directors for ratification.

Approach of the Company in handling the opinion of the auditing committee and the resolution of the Board of Directors: All directors present agreed to pass the proposal, except the Vice Chairman, who abstained from the case, due to conflict of interest (please refer to "B. Situation of abstention from cases involving related interests by directors").

(B) Except the aforementioned items, resolutions passed by the board of directors with the support of two thirds of directors or higher, without screening by the auditing committee beforehand: nil.

B. For abstention of cases by independent directors due to involvement of related interests, specify the names of independent directors, contents of agenda, reasons for abstention, and situation of voting: nil.

C. State of communications by independent directors with in-house auditing chief and certified public accountant (including major items for communications, such as corporate finance and business status, communications methods, and results):

1. State of communications by independent directors with certified public accountants:

The company's auditing committee consists of all the independent directors and certified public accountant is invited to attend its meeting at least once a year, for report on the audited results of the company's finance and business and possible effect of legal revision on the company's accounting.

2. State of communications by independent directors with in-house auditing chief

(1) Formulation and revision of the company's "internal-control system" and "enforcement rules for internal auditing" is subject to the approval by the auditing committee before being submitted to the board of directors for ratification.

(2) Evaluation of the effectiveness of the company's internal control system (with production of statement) is subject to the approval by the auditing committee before being submitted to the board of directors for ratification.

(3) The company's auditing office submits the monthly internal auditing report to independent directors for perusal.

(4) Independent directors meet with in-house auditing chief at least once a quarter, for report and communications on the execution status of the company's internal auditing and the operation of internal control. In addition to the production of auditing report on flaws of internal control system and abnormal items discovered in inspection, such problems are recorded for follow-up tracking, to assure adoption of proper improvement

measures by related units timely.

3. Communication matters and operation of Independent directors with accountants and in-house auditing chief.

Date	Communications method	Communications target	Communications items	Communications result
2019.3.15	Audit committee	Certified public accountant	Communications and explanation for auditing of 2018 financial statement	Good
2019.3.15	Audit committee	In-house auditing chief	Production of 2018 "statement on internal control system"	Submission to the board of directors for resolution
2019.3.15	Audit committee	In-house auditing chief	Report on the execution of the auditing plan for Nov. and Dec. of 2018	Acknowledgement
2019.5.3	Board of directors	In-house auditing chief	Revision of stock affairs-related regulations, including "internal-control system"	Submission to the board of directors for resolution
2019.5.3	Audit committee	In-house auditing chief	Report on the execution of the auditing plan for first quarter of 2019	Acknowledgement
2019.6.20	Board of directors	In-house auditing chief	Report on improvement of flaws and abnormal items in internal control system in 2018	Acknowledgement
2019.8.8	Board of directors	In-house auditing chief	Report on the execution of the auditing plan for second quarter of 2019	Acknowledgement
2019.11.1	Board of directors	In-house auditing chief	Report on the execution of the auditing plan for third quarter of 2019	Acknowledgement
2019.12.13	Board of directors	In-house auditing chief	Report on the execution of the auditing plan for Oct. 2019	Acknowledgement
2019.12.13	Board of directors	In-house auditing chief	Formulation of 2020 auditing plan	Approval by the board of directors

D. Annual work priorities and operational conditions:

1. The audit committee of the Company consists of 3 independent directors. In 2019, 6 meetings were held. The contents of each proposal and the subsequent processing details are as follows: "A. Results of the Audit Committee Resolution and the Company's Treatment of the Audit Committee's Opinions". Highlights are as follows:

- (1) The Company amended the "Internal Control System" and "Internal Audit Implementation Rules".
- (2) Assess the effectiveness of the "internal control system".
- (3) The rationality of the director's own interest relationship proposal.
- (4) Significant asset transactions.
- (5) Major funds are loaned, endorsed or provided with guarantees.
- (6) Annual financial report and semi-annual financial report check and accounting policies and procedures.

2. 2020 will continue to assist the Board of Directors in overseeing the company's financial statements, the selection and resolution of visa applicants, independence and performance, effective implementation of internal control, compliance with relevant laws and regulations, company presence or potential risks.

Note:

- \* In case there is any independent director leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
- \* In case there is reelection for independent directors by the end of the year, information on both original and new directors should be entered in the note column, including the distinction of previous, new, or continuing post of independent directors and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of board meetings during his/her service period.

(C) Operating status of corporate governance and difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reason

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
A. Does the Company establish and disclose the Corporate Governance Best Principles based on "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies"?	V	<p>The company's board of directors approved the Company's corporate governance principles on Nov. 7, 2014 and posted the contents on the information declaration website designated by the securities regulator and the Company's website <a href="http://www.ftc.com.tw/newftc/files.php?m=governance&amp;file=ab6f2cae95c78a49e748895776573bbe">http://www.ftc.com.tw/newftc/files.php?m=governance&amp;file=ab6f2cae95c78a49e748895776573bbe</a> for public disclosure.</p>	Compliance with articles 1 - 2 of "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies." Despite some revisions to accommodate the Company's actual situation, the Company's corporate governance principles are in line in spirit with "Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies."
B. shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V	<p>1.1 Names of the Company's contact persons for stakeholders, spokesperson, and deputy spokesperson are publicized on the Company's website and annual report, ready to take the suggestions and proposals of shareholders and other stakeholders.</p> <p>1.2 In addition to setting up a spokesperson to deal with the suggestions from shareholders and other stakeholders or make explanation for any doubt at any time, the personnel in the General Manager's office and the Finance Department shall provide oral or written responses to satisfy the shareholders and stakeholders.</p> <p>1.3 As for internal operation in handling stakeholders' affairs, the Company details ways for upholding stakeholders' interests in chapter 2 of the Company's corporate governance best-practice principles.</p>	Compliance with article 13 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V	<p>2.1 The company has constantly noticed and grasped shareholding status of major shareholders with over 5% stake, directors, and managerial staffs, including increase/decrease, mortgages, and changes of shareholding. Information on directors, managerial staffs, and shareholders with over 10% stake is disclosed publicly, including monthly posting on information declaration website designated by securities regulator, as well as inclusion in the Company's annual report and posting on the Company's website.</p> <p>2.2 Except foreign investors or professional investment trust institutions featuring faster change in subscribers and the amount of shareholding, information on eventual controllers of other major shareholders is available in the Company's annual report or website.</p>	Compliance with article 19 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V	<p>3.1 The company and affiliates are separate corporate bodies, with respective management, profit/loss, and risk. The companies have strict and clear distinction in personnel and properties, engaging in trading according to laws/regulations and norms and undertaking separate investment risks which are inevitable for any investor.</p> <p>3.2 Financial dealings are based on market interest rates with markup, with the amount of loans subject to quarterly review according to the status of business dealings. Endorsement and guarantee for a specific enterprise is also subject to restriction on the scope and quota of guarantee.</p> <p>3.3 General risk is evaluated for business dealings with affiliates, banks, customers and suppliers on top of auditing of credit line and accounts receivable/payable, so as to cut loss risk or enhance business opportunities.</p> <p>3.4 The company has formulated measures governing the various dealings with affiliates, including trading, endorsement and guarantee, and loans. Also in place is regulation on "supervision and management of subsidiaries," facilitating risk management for subsidiaries, drawn according to "Regulations Governing Establishment of Internal</p>	Compliance with articles 14 -17 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
		Summarized explanation	
		Control Systems by Public Companies" formulated by the Financial Supervisory Commission. Details for related control and management are included in articles 14-19 of chapter 2-c "relationship of governance between the Company and affiliates" of the Company's corporate governance principles. 3.5 The company dispatches directors or managerial staffers to take part in the management of subsidiaries or joint ventures with over 40% stake, so as to have firm grip on market risk, in addition to monthly review of business performance. Quarterly review is also carried out for the performance of invested companies with less than 40% stake, with outcome included in quarterly financial statement. 3.6 Over the past years, the dealings of the Company with other affiliates of Formosa Plastics Group, in finance, business, and investment, have involved risks lower than similar dealings with enterprises with similar business nature and within controllable scope, with overall advantages outweighing disadvantages. 4. The company has formulated "key points for internal auditing in prevention of insider trading"(access website: <a href="http://www.ftc.com.tw/newftc/internal_audit.php?id7">http://www.ftc.com.tw/newftc/internal_audit.php?id7</a> ), which forbids company insiders to take advantage of undisclosed information in trading in securities for profit illegally, supplemented by timely education and promotion for employees to abide by the regulation.	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		Compliance with article 10-3 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
C. Composition and Responsibilities of the board of directors (1) Does the board of directors develop and implement a diversified policy for the composition of its members?	V	1. Article 20 of the Company's corporate-governance principles has called for diversification in the membership of the Company's board of directors. Sitting directors have diversified backgrounds and abundant varied experience, including management, leadership and decision making, industrial knowledge, international perspective, and financial and accounting analysis. The company currently has a total of 11 directors, including 3 independent directors (including one	Compliance with article 20 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons	
	Yes	No		
<p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Auditing Committee?</p> <p>(3) Does the Company establish a standard to measure the performance of the board of directors and carry out periodic review of such performance annually? Does the Company report the results of the performance evaluation to the board of directors and use the results as the reference for individual directors' remuneration and renewal.</p> <p>(4) Does the Company regularly evaluate the independence of certified public accountant periodically?</p>				
		V	<p>female) and the board of directors has diversified membership, in terms of education, experience, gender, professional qualifications, and working experience, as shown in pages 18~20 and pages 27 of the annual report.</p> <p>2.1 The company's board of directors resolved on Dec. 29, 2011 to establish compensation committee, followed by decision by shareholders' meeting in July 2017 to institute auditing committee. In the future, the Company will consider institution of other functional committees according to the need of business environment, in line with articles 27-30 of chapter 3-3 of the Company's corporate governance principles.</p> <p>2.2 A standing auditing office and auditing chief have been instituted under the President's Office, for exercise of their prescribed duties.</p> <p>3. The company has yet to formulate measures for evaluating the performance of the board of directors but is scheduled to conduct such evaluation from 2020, according to regulation. The company has formulated rules governing meetings of the board of directors and convened such meeting regularly, according to regulation. Directors have firm grip on the company's objective, operation, and finance. The board of directors has functioned well and communicated with management team and managerial staffers effectively.</p>	Compliance with articles 28 and 28-1 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
		V		At odds with articles 37-2 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," which will be rectified in 2020
	V		4. The company reviews the independence and competence of certified public accountant at least once a year, taking into account such factors as the scale and international repute of accounting firm, years for continuing provision of auditing service, nature and extent for the provision of non-auditing service, auditing and certification fees, evaluation by peers. Whether there is no record for involving in any	Compliance with articles 29 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
		Summarized explanation	
		litigation or cases rectified or investigated by the regulator, quality of auditing service, whether there are regular trainings, Interaction indicators with senior professional managers and internal audit supervisors, The commissioned accountant and its firm provide relevant information and statements, etc., which are evaluated by the general management divisions. We had reported the assessment results to the Board of Directors on March 13, 2020.	
D. Has the TWSE listed company been equipped with a qualified or appropriate number of corporate governance personnel, and designated the director of corporate governance to be responsible for corporate governance affairs (including but not limited to, providing Directors and Supervisors with the necessary information to perform business, assisting Directors and Supervisors in legal compliance, handling the relevant matters of the board of directors and shareholders' meetings pursuant to related laws, preparing the minutes of the board of directors and shareholders' meeting, etc.)	V	<p>D.1 The Company has set up a corporate governance director on May 3, 2019, which is the highest supervisor in charge of corporate governance related matters. Qualified personnel to handle corporate governance matters has been designated.</p> <p>D.2 The authority of the corporate governance supervisor includes: supervising the General Manager's office and the Finance Department to handle corporate governance related matters, including organizing the meetings of the board of directors, audit committee, remuneration committee and shareholders' meeting in accordance with the law, preparing the minutes of the board of directors, audit committee, remuneration committee and shareholders' meeting; handling company registration and change registration, internal audit, financial report, material information, shareholders' opinions and shareholding changes, public disclosure of official website information; assisting the Directors in re-election, appointment, continuous training; and providing the Directors with the necessary information to perform business, assisting the Directors in legal compliance, and inviting the Legal Affairs Office and other relevant units from General Management Office of the parent company, Formosa Plastic Group to assist in the promotion of corporate governance affairs.</p> <p>D.3 Manager of General Management Division, Cheng Hung-Ning, concurrently serves as corporate governance supervisor. Equipped with financial and professional managerial experience, Mr. Cheng attended a series of courses during his term as corporate governance</p>	Compliance with article 3-1 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"



Evaluation items	Status of operation (note)		Summarized explanation	Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons																								
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			<table border="1"> <thead> <tr> <th colspan="5">supervisor in 2019:</th> </tr> <tr> <th>Title</th> <th>Name</th> <th>Date of Study</th> <th>Organizer of Study</th> <th>Title of course for study</th> <th>Study Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Supervisor of corporate governance</td> <td rowspan="3">Cheng, Hung-Ning</td> <td>2019. 10.25</td> <td rowspan="2">Securities and Futures Institute</td> <td>2019 Prevention of Insider Trading Promotion Conference</td> <td>3</td> </tr> <tr> <td>2019. 11.15</td> <td>Act- Discussion about the false financial reports and insider trading</td> <td>3</td> </tr> <tr> <td>2019. 11.15</td> <td>Dharma Drum Mountain Humanity and Social Im-provement Foundation</td> <td>Innovation of corporate value</td> <td>3</td> </tr> </tbody> </table> <p>Note: According to the regulations, personnel who serves as the corporate governance supervisor for the first time should pursue at least 18 hours of study within one year from the date of taking up this position. The company will assist the supervisor to complete the 18 hours of training hours before the end of April 2020.</p>	supervisor in 2019:					Title	Name	Date of Study	Organizer of Study	Title of course for study	Study Hours	Supervisor of corporate governance	Cheng, Hung-Ning	2019. 10.25	Securities and Futures Institute	2019 Prevention of Insider Trading Promotion Conference	3	2019. 11.15	Act- Discussion about the false financial reports and insider trading	3	2019. 11.15	Dharma Drum Mountain Humanity and Social Im-provement Foundation	Innovation of corporate value	3	
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Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
E. Does the Company has established a communications channel and build a designated section on its website for stakeholders (including, but not limited to shareholders, employees, customers, and suppliers) as well as handle all the issues they care for in terms of corporate social responsibilities?	V	<p>Summarized explanation</p> <p>E.1 The company has demands various related units in General Management Divisions to communicate with stakeholders according to their duties, in written form when necessary, according to working procedure and the level of authorization, on top of institution of spokesperson and acting spokesperson for external communications.</p> <p>E.2 The company has set up a special section for stakeholders on corporate website, which contains contact windows of spokesperson, contact persons for investor relationship, and contact persons for stakeholders, along with their contact information, including phone numbers and e-mail addresses, for handling various related issues, including, but not limited to, issues on corporate social responsibilities, offering broad channels for stakeholders to communicate with the Company in various situations.</p> <p>E.3 The company responds to issues concerned by stakeholders timely via the following channels:</p> <p>(1) Shareholders &amp; investors: The company convenes shareholders' meeting every year, for which shareholders can exercise their voting right in electronic form, in addition to the publication of annual report, monthly revenues, and self-calculated quarterly profit/loss, so that shareholders can have firm grip on the Company's business status.</p> <p>(2) Suppliers and contractors: The Company adheres to the concept of sustainable management, abides by the principle of fair trade, and strives to require the suppliers to meet the environmental protection, industrial safety, and human rights. Through the verification and management of the manufacturer's chip card, the security of the procurement and contracting system is strengthened. Public bidding and regular manufacturer briefings are held to strengthen two-way multiple communication and promotion.</p>	Compliance with article 47 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
			(3) Customers: Respond to issues on production quality and after-sales service concerned by customers via visits to customers, participation in exhibitions, holding of product demonstration sessions, and surveys on customer satisfaction. In addition, publicize dedicated phone number and e-mail for customer service, handling customer complaints via "form for customer opinions" and "form for handling customer complaints." E.4 For communication with stakeholders, please refer to the Company's 2019 Corporate Social Responsibility Report -2.2.1, identification of stakeholders, concerned issues, communication channels and communication frequency.
F. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V	V	F.In quest of perfection, the Company's shareholder meeting is currently handled by the Finance Department, Accounting Department, President's Office and other relevant departments, except common or routine affairs which are commissioned to dedicated stock-affairs unit and legal office of Formosa Plastics Group. Thanks to painstaking rigorous planning and screening, shareholders' meeting are held, under the principles of openness, law-abidance, effectiveness, and safety, so as uphold the rights and interests of shareholders.
G. Information Sisclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		At odds with article 7-1 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," which doesn't affect the efficacy of the operation of shareholders' meeting, though. Compliance with articles 57 and 59 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure,	V		Compliance with articles 55-3 and 56 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
<p>creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed deadline?</p>		<p>and regulator.</p> <p>G.2.2 Articles 45 to 48 of the the Company's corporate governance principles have regulated operations such as information disclosure, collection, spokesperson system, website, and investor conference , and designated personnel to be responsible for implementation and implemented personnel to be responsible for having been posted on the corporate's website.</p> <p>G.3 In principle, the Company announces and declares the operating revenue of the previous month on the 6th of each month (postponed every holiday, no later than the 10th), and announces the unaudited financial data of the previous quarter on the 10th of each quarter, and announce and declare the financial report within the deadline in accordance with the regulations. Due to the auditing period of CPA which caused the Company unable to announce the annual financial report within two months after the end of the fiscal year, unaudited financial data of the previous year was announced in January. It helped investors to better understand the Company operation.</p>	<p>Fail to comply with Item 2, Article 55 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", but the annual unaudited financial data has been announced in advance.</p>
<p>H. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g. including, but not limited to, employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors, training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policy, and purchasing insurance for directors</p>	V	<p>People can understand the Company's various corporate-governance operations directly by accessing the Market Observation Post System (<a href="http://mops.twse.com.tw/">http://mops.twse.com.tw/</a>) and the special corporate-governance section on the Company's website (<a href="http://www.ftc.com.tw/newftc/governanceop.php">http://www.ftc.com.tw/newftc/governanceop.php</a>). Corporate governance -related inquiry can also be made with the Company's spokesperson, chiefs of related units, and the Company's labor union, with other key information described briefly in the following:</p> <p><b>1.</b> Employee rights and interests: In order to seek a harmonious labor-management relationship and encourage employees expressing their opinions, the government has established various channels for employees to put forth their opinions, including physical opinion boxes and online opinion box on the Company's website, with designated staffers responsible for understanding and responding to the opinions. To remove blockade to opinion expression, the Company</p>	<p>Compliance with articles 51 ~ 54 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"</p>

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
and supervisors).		<p>Summarized explanation</p> <p>has set up whistle-blower management and protection system, in addition to formulate measures for reporting by employees. Moreover, the Company has held labor-management meetings regularly, wherein chiefs of related units would discuss with labor representatives to understand the stand of labor union on major labor-management issues. Ranking officials also talk with union representatives, for attaining consensus on major labor-management issues, so as to assure harmonious labor-management relationship and the Company's sustainable development.</p> <p>2. Care for employees: In order to help employees maintain physical and mental health, the Company appropriates budget for arranging physical examination for employees annually, which covers more than mandatory checkup items. The company has maintained employee restaurant, whose operation is subject strict regulations on hygiene and nutrition, covering sources of foodstuff, storage of foodstuff, water, edible oil, and cleanness of service staffers and kitchen. In addition, the Company builds dormitories, basketball courts in the leisure life area, etc. to provide employees with a high-quality accommodation environment, and sets up special counseling personnel to hold regularly employee visits and seminars, to better understand the employees' status in adapting company. Colleagues are able to immediately consult and negotiate with the counseling personnel when they face difficulties in work or life. For related measures, please refer to pages 138~142 of the annual report or 2019 Corporate Social Responsibility Report V. (I). ii. (v). Employee Welfare Benefits and other chapters.</p> <p>3. For information on labor-management relationship, study by directors and auditing-committee members, risk-management policy, and risk evaluation standard, formation of customer policy, and taking out of liabilities insurance for directors and audit-committee members, refer to related pages in the annual report.</p>	

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
		<p style="text-align: center;">Summarized explanation</p> <p>4. Investor relationship: The company's spokesperson responds to inquiries from shareholders, potential investors, and stakeholders, as well as suggestions from social public, addressing their concerns, in addition to assistance from financial department, stock-affairs office, and president's office, whose staffers understand and respond to suggestions or concerns of shareholders. To attain information transparency, the Company sets up special investor section on the corporate website, providing related information to investors, so as to uphold a good relationship with investors.</p> <p>5. Supplier relationship: The company's has set up a mechanism for procurement via open bidding, in order to create a platform for fair competition and seek excellent suppliers capable of providing equipment, materials, engineering works, or services at adequate quality and quantity, so as to meet the needs of various units for expansion or operation.</p> <p>5.1 Open and fair procurement mechanism via open bidding: The company carries out procurement and outsourcing via open bidding, accepting bids from prospective suppliers via the Internet, mail, and fax, with all information is strictly controlled according to the chip card certificate. All bids for procurement projects via open bidding are evaluated are evaluated according to the bidders' management concept of sustainability, ethics and integrity, and optimal quotes, in addition to conformance to the Company's business needs, in terms of quality, delivery, and environmental protection and safety.</p> <p>5.2 Sound supplier management: To assure the quality and delivery of materials, as well as quality and progress of engineering works, the Company has put in place a sound supplier management system, featuring regular evaluation and irregular inspection, in addition to seeking suppliers with good track record in environment protection, in line with the policy of the</p>	

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons																						
	Yes	No																							
		Summarized explanation																							
		<p>Environmental Protection Administration pushing green procurement, so as to materialize the policies of energy conversion, energy conservation, carbon abatement, and green consumption.</p> <p>6. Rights of stakeholders: In line with the Sustainable Development Goal indicators of the UN, the Company has been seeking attainment of good business performance, striving to fulfill the mission of "care for employees, service to customers, and giveback for shareholders," as a result of which the Company bears the responsibility of taking good care of shareholders, customers, suppliers, employees, and the society. The company has to abide by legal requirements and business ethics and norms, and connect with the world for stronger competitiveness, so as to create benefits for shareholders, assure stable supply of quality products at reasonable prices conforming to the conditions of safety, hygiene, and environment-friendliness. Moreover, the Company has strived to become a friend of the environment, develop in the direction of ecological industrial zone, push green industry and green procurement of energy and materials, address various social issues, following the campaign of international organizations, and take part in communal and social public services, so as to fulfill its social responsibilities.</p> <p>7. Study of directors:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date of study</th> <th>Organizer of study</th> <th>Title of course for study</th> <th>Study hours</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Wong Wen-yuan;</td> <td rowspan="3">2019.11.15</td> <td rowspan="3">Securities and Futures Institute</td> <td rowspan="3">Avoid violating the Securities and Exchange Act- Discussion about the false financial reports and insider trading</td> <td rowspan="3">3</td> </tr> <tr> <td>Vice chairman</td> <td>Hsieh Shih-ming;</td> </tr> <tr> <td>Independent director</td> <td>Wang Kung;</td> </tr> <tr> <td>"</td> <td>Kuo Chia-chi</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Title	Name	Date of study	Organizer of study	Title of course for study	Study hours	Chairman	Wong Wen-yuan;	2019.11.15	Securities and Futures Institute	Avoid violating the Securities and Exchange Act- Discussion about the false financial reports and insider trading	3	Vice chairman	Hsieh Shih-ming;	Independent director	Wang Kung;	"	Kuo Chia-chi					Compliance with article 40 of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
Title	Name	Date of study	Organizer of study	Title of course for study	Study hours																				
Chairman	Wong Wen-yuan;	2019.11.15	Securities and Futures Institute	Avoid violating the Securities and Exchange Act- Discussion about the false financial reports and insider trading	3																				
Vice chairman	Hsieh Shih-ming;																								
Independent director	Wang Kung;																								
"	Kuo Chia-chi																								

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
	Summarized explanation		
	Director	Hong Fu-yuan; Lu, Wen-Chin Lee	3
	"	Ming-chang; Tsai Tien-shuan; Lee Man-chun; Hsieh Ming-der	Innovation of corporate value
	"		2019. 11.15
	"		Securities and Futures Institute
	"		2019. 11.15
	Standing director (independent director)	Cheng Yu;	3
			Avoid violating the Securities and Ex-change Act- Discussion about the false financial reports and insider trading
			Strategies and management of enterprise upgrading and transformation-selection for M & A (merger and acquisition) and alliance
			2019. 11.19
			Securities and Futures Institute

Note: Study hours of directors average six hours



Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
		Summarized explanation	
		<p>8. Taking out of liabilities insurance by the Company for directors and supervisors: The company has taken out liabilities insurance for all directors and supervisors, with the total insured amount reaching US\$7 million (around NT\$215 million), for the period from Aug. 1 2019 through Feb. 1, 2020 (to be extended upon expiration of the insurance contract).</p> <p>9. Status of execution of risk-management policy and risk evaluation standard:</p> <p>9.1 Risk management policy:  Belonging to textile manufacturing industry, the Company inevitably has need for forex trading position (deriving from, for instance, import of materials or equipment and export of fabric), plus limited trading in derivatives. However, for the sake of sustainable development, the Company has embraced the principle of steadiness in business policy, dedicated to the quest for core business performance in an earnest manner, while shying away from high-risk and high-leverage speculative -investment benefits. In order to identify, evaluate, supervise, and manage various risks, the Company has endeavored to raise risk awareness among all employees, in the hope of containing possible risks within bearable scope and attaining the balanced goal of rationalizing risks and returns and optimizing benefits. For explanation for related risks, please refer to pages 160~165 of the annual report.</p> <p>9.2 Risk management mechanism:  In trading in derivatives, confirmation and delivery for the trading are carried out by separate staffers. Traders must deal with counterparts of institutional partner for the trading directly according to trading method set according to approved trading contents. Countermeasures must be taken immediately upon discovery of irregularities in trading prices or specifications.</p>	Compliance with article 39 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
		<p>Summarized explanation</p> <p>9.3 The company has instituted internal auditing office, reviewing irregularly efficacy and propriety of various risk-hedging trading and producing auditing reports for submission to the board of directors regularly, for continuing tracking and improvement.</p> <p>9.4 Formulation of trading strategy: In line with the Company's forex need and fund in hand, as well as market trend, formulate risk-hedging strategy and select proper financial products, avoiding in principle expansion of trading volume exceeding own need and overstretching of credit line, so as to contain loss within bearable scope, on top of setup of stop-loss criteria.</p> <p>9.5 Trading strategy: The company's forex risk-hedging trading is mainly for reducing risk for the net forex position. The company engages in spot or forward forex trading at relatively advantageous timing, in line with level of forex holding resulting from business activities and the need for pay off long-term forex-denominated debts, so as to minimize the effect of exchange-rate fluctuation on the Company's revenue and profit.</p> <p>9.6 Evaluation of loan and risk-hedging positions according to market prices: A special unit of the president's office evaluates twice monthly the unrealized profit/loss of the risk-hedging positions of various forward forex contracts according to market prices for submission of the finding to managerial staffers, to help them have firm grip on the risk status of the Company's forex position and the efficacy of risk-hedging trading.</p> <p>10. Status of the execution of customer policy: As customers are the cornerstone for the survival and continuation of enterprise, it is essential to provide products and services needed by customers in a quick manner, so as to attain a stable relationship based on honesty</p>	

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
		<p>Summarized explanation</p> <p>and trust for mutual benefits and prosperity.</p> <p>10.1 Forging a stable supply-demand relationship:  Given the critical relationship with customers for mutual survival and prosperity, a key task for any enterprise in its quest for sustainable development is to forge a stable supply-demand relationship with customers. With an eye on long-term industrial development and in line with customers' global marketing, the Company has forged a longstanding good cooperative relationship with customers, based on integrity-oriented trading, reasonable pricing, stable supply and demand, realizing mutual benefits and prosperity.</p> <p>10.2 Enhance competitiveness of medium- and downstream customers:  Only via sharing of growth benefits with medium- and downstream customers can an enterprise attain sustainable development. The company's R&amp;D center would discuss with medium- and downstream branded customers for formulating a win-win strategy before development of new products, not only facilitating pushing of new products but also augmenting customers' competitiveness.</p> <p>10.3 Resort to e-commerce to cut cost and raise efficiency:  In order to raise the efficiency of customer services, the Company has established a corporate website, online customer service system, and online marketing system, enabling customers to access in real time product information, progress of production for orders, inspection report, warehousing and shipment status. Also in place are rear-end systems, including project customer performance evaluation system, forecast and tracking system for customer orders, and product inspection system, so as to enhance the service standard and the extent of customer satisfaction, as well as reduce operational errors and</p>	

Evaluation items	Status of operation (note)		Difference from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
		Summarized explanation	
		<p>cost.</p> <p>10.4 Materialization of K.P.I benefits: In response to the demands of customers, the Company has embraced and actively implemented KPI (key performance indicators) system, including first pass yield rate at one try and punctual delivery rate.</p>	
<p>I. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>1. The Company ranks among the top 20% among TWSE-listed companies in result of 5th corporate governance evaluation released by the corporate governance center of Taiwan Stock Exchange in April 2019. Improvement plan for major items of the corporate-governance evaluation is listed below:</p>			
	The difference and reasons of failure to score		The Description of improvement
2018 Indicators	The difference and reasons of failure to score		The Description of improvement
1.11	The 2018 annual report in English is not yet available for investors' reference.		The English version of the annual report was uploaded 7 days prior to the shareholders' meeting on June 13, 2019.
2.21	No corporate governance supervisor was established in 2018.		On May 3, 2019, with the approval of the board of directors, a corporate governance supervisor was established. A designated person was in charge of corporate governance related matters.
4.2 4.15	The CSR Committee has been established in March 2015, and reports to the Board of Directors on the operation and implementation status regularly every year. However, in terms of the formulation of integrity management policy, risk control, and implementation effectiveness, no task force has been established to promote related businesses.		The Company has set up a corporate governance supervisor in 2019 and designated General Manager's office to assist in corporate governance, corporate social responsibility, integrity management and other business promotion plans, and the effective results of operational situations of implementation. Meanwhile, the Company continues to strengthen the transparency of relevant information on the Company's website, annual report, and corporate social responsibility report.
<p>2. The Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. published the results of the sixth annual corporate governance evaluation of 2019 in April 2020. The company is listed in the 21% to 35% of listed companies. The countermeasures for the priority improvement of the Company's un-scored matters in the sixth corporate governance evaluation are described below:</p>			

2019 Indicators		The difference and reasons for unscored	Description of Improvement
3.2	Does the Company announce and declare the material information in English at the same time?	The Company has not declared material information in English in 2019.	The Company starts to announce and declare the material information in English from 2020.
3.20	Has the Company been invited (or on its own) to hold institutional investor conferences at least twice, and the first and last institutional investor conference of the evaluated year will be more than three months apart?	The Company only held one institutional investor conference in 2019.	Since 2020, the Company shall hold the institutional investor conference at least twice in compliance with laws and regulations.

Note: Whether checking yes or no for operating status, make description in the column of summarized explanation.

(D) Makeup, responsibilities, and operation of the remuneration committee

1. Data on the members of remuneration committee

Identity (note 1)	Condition	Possession of over five years of working experience and the following professional qualifications or not			Compliance with independence (note 2)										Number of concurrent memberships on the remuneration committees of other companies with public share offering	Notes
		Instructor or higher teaching positions in commerce, judicial affairs, finance, accounting, or other fields related to the company's business at public or private colleges	Judge, prosecutor, attorney at law, certified public accountant, or other licensed professionals and technicians with passage of national examination in fields related to the company's business	working experience in commerce, judicial affairs, finance, accounting, or other fields related to the company's business	1	2	3	4	5	6	7	8	9	10		
Independent director	Cheng, Yu			√	√	√	√	√	√	√	√	√	√	√	2	
Independent director	Wang, Kung	√		√	√	√	√	√	√	√	√	√	√	√	1	
Independent director	Kuo, Chia-chi		√	√	√	√	√	√	√	√	√	√	√	√	2	

Note 1: Please fill in the identity column with director, independent director or others.

Note 2: For members meeting the following conditions in the two years before assuming the post and during the tenure, please mark "√" in the blank space below the code number of various conditions:

- (1) Not an employee of the company and affiliates;
- (2) Not a director or supervisor of the Company or its affiliates, but this restriction does not apply to the person who concurrently serves as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent 1% or more of the total number of issued shares of the company Company or ranking in the top 10 in shareholdings.
- (4) Not a managerial officer listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the persons listed in (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (but this restriction does not apply to the person who concurrently serves as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.)
- (6) Not a director, independent director, or employee of other company which a majority

of the company's directors or voting shares are controlled by the same person. (but this restriction does not apply to the person who concurrently serve as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.)

- (7) Not a (managing)director, (managing)supervisor, , or employee of other company or institution whose chairman, general manager, or person with equivalent position are the same person, or spouse thereof (but this restriction does not apply to the person who concurrently serves as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.)
- (8) Not a (managing)director, (managing)supervisor, manager, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company. (However, this restriction does not apply to the specific company or institution holding more than 20%, but not more than 50%, of the total issued shares of the company, and the person who concurrently serves as an independent director of the company, its parent, subsidiary or a subsidiary of the same parent pursuant to the Act or the laws and regulations of the local country.)
- (9) Not a professional individual who, or an owner, partner, (managing) director, (managing)supervisor, manager, or spouse thereof of a sole proprietorship, partnership company or institution that provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the cumulative compensation less than NT\$500,000 has been received in the past two years. This restriction does not apply to members of the Remuneration Committee, Public Tender Offers Committee, and Merger &Acquisition Committee pursuant to the Securities and Exchange Act, Business Mergers and Acquisition Act and other regulations
- (10)without provisions of article 30 of the Company Act

## 2. Information on the operation of the remuneration committee

- (1)The company's remuneration committee consists of three members.
- (2)Term of the members of the current committee: From June 23, 2017 through Jun 22, 2020, with the qualifications of the members and their attendance in the four meetings (A) in the recent year listed below:

Title	Name	Times of attendance (B)	Times of attendance via proxy	Attendance rate (%) (B/A) (note)	Note
Convener	Cheng Yu	4	0	100	
Member	Wang Kung	4	0	100	
Member	Kuo Chia-chi	4	0	100	

Status of operation:

- A. The company's board of directors resolved on Aug. 25, 2011 to set up the remuneration committee.
- B. The committee convened four times in 2019.

Other items mandating record:

- A. In case of rejecting or revising the suggestions by the remuneration committee, the board of directors should specify the date of the board meeting, the term of the board, contents of agenda, resolutions of the board meeting, and handling of the opinions of the remuneration committee (should the level of remunerations passed by the board of directors be higher than that suggested by the remuneration committee, the extent of difference and reasons

should be specified): nil

B. In case there is any member opposing or having reservation for the resolutions of the remuneration committee, on record or in written form, the committee should specify the date of the meeting, the term of the committee, contents of agenda, opinions of all the members, and handling of the contrarian opinion:

Meeting of Remuneration Committee Date and term	Proposal content, opinions of all members and company processing results
January.16.2019 (first meeting in 2019)	<p>1. In 2018, the manager and the head of the finance and accounting department appointed by the Company through the resolution of the board of directors were compared with the standard report of the year-end bonus distribution of all employees, which was calculated according to the Company's "year-end bonus and remuneration distribution method", which is expected to be issued on January 24, 2019.</p> <p>Resolution results of the remuneration committee: Acknowledgement. The Company's treatment of the remuneration committee's opinion: None.</p>
March 15,2019 (second meeting in 2019)	<p>1. Propose to prepare the 2019 Remuneration of Directors, please make resolution.</p> <p>Resolution results of the remuneration committee: all members present approved and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal, which was submitted to the 2019 Annual Meeting of Shareholders to report.</p>
August 7,2019 (third meeting in 2019)	<p>1.The adjustment of the managers' salary in 2019 shall follow the range of all the employees of the Company, please make resolution.</p> <p>Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal.</p>
December 13,2019 (fourth meeting in 2019)	<p>1.Propose to revise the Company's "year-end bonus and remuneration distribution measures", please make resolution.</p> <p>Resolution results of the remuneration committee: All members present approved the proposal and submitted to the board of directors for ratification. The Company's treatment of the remuneration committee's opinion: All the directors present at the meeting of the board of directors approved the proposal.</p>

Note:

1. In case there is any member of the remuneration committee leaving the post by the end of the year, the following information should be entered in the note column, including job expiration date, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.
2. In case there is reelection for the remuneration committee by the end of the year, information



on both original and new members should be entered in the note column, including the distinction of previous, new, or continuing membership and the date of reelection, with attendance rate (%) based on division of the actual number of attendances by the number of committee meetings during his/her service period.

3. The Company's Remuneration Committee consists of three independent directors appointed by the resolution of the Board of Directors. Convener is selected among the members. Term of office is the same as the Board of Directors. Four meetings were convened in 2019 to set up the remuneration of the current chairman and vice chairman, monthly salary of managers, year-end bonus etc. and submitted to the Board of Directors for ratification.
4. The Company has stipulated the "Organization Regulations of the Remuneration Committee". The Committee shall perform the following duties faithfully with the care as a good manager, and submit the recommendations to the Board of Directors for discussion:
  - (1) Regularly review this Regulation and propose amendments.
  - (2) Formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and remuneration.
  - (3) Regularly evaluate and determine the remuneration of directors and managers. °

(E) Status for fulfilling social responsibilities:

Status for fulfilling social responsibilities and difference from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
A.Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 3)	V	<p>The President's office of the Company, together with the departments of the management headquarters, assesses the risk impacts of material issues affecting the operation of the Company according to the degree of impact on stakeholders, and sets the risk management policies that can effectively identify, measure, evaluate, and monitor risks. The purpose is to prevent future risks and reduce the impact and damage.</p> <p>1.1 Environmental issues: climate change (CDP), Zero Discharge of Hazardous Chemicals (ZDHC), water resources, greenhouse gas emissions, waste management, etc.</p> <p>1.2 Countermeasures: Actively participate in the annual CDP assessment and verification of greenhouse gas emissions, use big data analysis to monitor the emission quality of effluent and gas for 24 hours, and formulate various goals such as energy saving, waste reduction and carbon reduction.</p> <p>2.1 Social issues: human rights, labor rights, social participation and feedback, etc.</p> <p>2.2 Countermeasures: formulate human rights policies in compliance with laws and regulations, set up employee restaurants, leisure and living areas, employee dormitories, family dormitories, etc., and formulate employee welfare that is above the average standard, on-the-job training, and employee complaint handling methods that are superior to those of ordinary enterprises, and uphold the concepts of the friendly community and giving back to society, set up kindergartens, participate actively in road adoption, plant bare trees, and numerous social welfare activities.</p> <p>3.1 Corporate governance issues: strategic operations, business</p>	"Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons Compliance with articles 3-2 "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies"

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons	
	Yes	No		
		<p>ethics, legal compliance, prevention of insider trading, etc.</p> <p>3.2 Countermeasures: Set up corporate governance supervisors to handle shareholders' meetings, board meetings and relevant affairs, assist directors in obtaining corporate governance related materials, arrange directors' training in accordance with laws and regulations, and regularly carry out education and training under the standards of professional ethics and internal control standards to prevent managers or employees from using insider information to engage in illegal or unethical behavior.</p>		
B. Does the Company establish exclusively (or concurrently) dedicated first line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		<p>The company's president Lee Ming-chang oversees the committee pushing CSR-related works, while the CSR consists of representatives from the President's Office, the Standard Section, the Engineering Division, the Safety and Hygiene Office, the Management Department, the Procurement Department, and the managerial offices of various business groups. The latter summons chiefs in charge to address issues concerned by stakeholders and formulate risk-management system and execution guidelines, with the executive secretary and other specialized staffers responsible for pushing various CSR works, production of reports on the works, as well as production of CSR report, for submission to the board of directors.</p>	<p>Compliance with articles 9</p> <p>"Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"</p>
C. Environmental issues (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		<p>1.1 Given the critical importance of continuous innovation for the sustainable development of enterprise, the Company has been dedicated to the production of functional textiles and the cause of environmental protection, following the promotion and policy of international organizations and installing and renovating facilities for water conservation, power conservation, and emission reduction, as well as garbage sorting. For the sake of sustainable development, the Company has also embraced green procurement, purchasing</p>	<p>Compliance with articles 13</p> <p>"Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"</p>

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?		<p>in priority products conducive to environmental protection and consumer safety and health, as well as green building, machinery, facilities, packaging, and raw materials. In essence, environmental protection and social responsibility have become part of the Company's DNA (for various environment management system and measures, please refer to IV. Environmental Aspect, the first to fifth chapters of the Company's 2019 CSR report).</p> <p>1.2 Intensify cooperation with international green certification body Bluesign in developing environment-friendly healthful fabric featuring non-toxic dye.</p> <p>1.3 The company completed construction of several separate sewer systems and fully automated water-quality analyzer for discharged water at wastewater treatment plant, which is connected to municipal environmental protection bureau for instant inspection, in materialization of the Company's zero pollutant discharge policy (for Bluesign and ZDHC plan in short-, medium-, and long-term, please refer to IV. Environmental Aspect, the sixth chapters of the Company's 2019 CSR report).</p> <p>2.1 In order to fulfill the responsibility of protecting the earth's environment, the Company introduced water-free dyeing machine in April 2014 as part of its goal developing a production flow without any water emission. The company has renovated its equipment and process and planned to build a full green-energy dyeing plant, in quest of maximum benefits from water conservation, power conservation, steam conservation, and carbon abatement.</p> <p>2.2 In response to the urge of international textile product organizations, continuously push management of chemicals and ZDHC (zero discharge of hazardous chemicals) program. The company has employed recycled fiber from PET bottles, recycled fiber from coffee husks, fluorine-free</p>	Compliance with articles 12 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"
	V		

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility/ Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
		<p>water repellent, and biological moisture-catching agent in the production of functional textiles, with very good market reception.</p> <p>2.3 Application for purchase of reclaimed polyester long-fiber yarn jumped by 57.5% to 2,342tons in 2019 coupled with yearly growth in the purchase of green products.</p> <p>2.4 The company has dedicated in long term to water conservation, energy conservation, carbon abatement, pollution prevention and improvement, office environmental protection, recycling of resources, green procurement, green packaging, and green building.</p> <p>2.5 The company regards highly customer health and safety during various stages of operation from purchase of raw materials to sales of products and has been shifting towards the production of products featuring non-toxic, environment friendliness, and green energy, in line with customer demands and market trend (for details, refer to IV. Environmental Aspect, all chapters of the Company's 2019 CSR report).</p>	
(3) Does the Company assess the potential risks and opportunities of climate change to the Company now and in the future, and take measures to deal with climate-related issues?	V	<p>3. The Company continuously assesses the potential risks and opportunities caused by climate change. After comprehensively considering the financial impact, reputation impact, global economic situation, energy cost volatility, environmental regulatory cost and other factors, energy-saving targets and measures were formulated while environmentally friendly products are developed and promoted to ensure the Company's stable operation and maintain competitiveness. (for details, refer to items 6 Risks of Climate Change of III.(II).iv. Overall Corporate Risk Inspection and Countermeasures of the Company's 2019 CSR report).</p>	Compliance with articles 17-1 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"
(4) Does the Company record the amount of greenhouse gas emissions, water consumption and total	V	<p>4.1 The Company's CSR committee consists of numerous sub-groups: CDP, greenhouse gas inventory, voluntary</p>	Compliance with articles 17-2, 17-3 "Corporate Social Responsibility Best Practice

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility/ Best Practice Principles for TWSE/TPEX Listed Companies" and reasons Principles for TWSE/TPEX Listed Companies"
	Yes	No	
weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?		<p>Summary description (Note 2)</p> <p>energy consumption reduction, water resource reduction, and waste reduction. Various energy conservation and carbon reduction policies have been implemented every year through an interdepartmental management mechanism. It is expected that the plans can be extended to upstream and downstream suppliers, cooperating the whole supply chain to save energy and reduce carbon emission, and setting environmental protection as the joint effort.</p> <p>4.2 In response to the government's policy pushing circular economy and UN sustainable development objective, the Company has commissioned SGS Taiwan carrying out greenhouse-gas inventory and certification annually since 2014, with figures of energy recycling and use, cases for improvement of energy conservation and emission reduction, and greenhouse-gas emission reduction listed below:</p> <p>2014 completion of 52 cases of energy conservation and carbon abatement, with reduction of CO<sub>2</sub> emission reaching 11,616 tons;</p> <p>2015 completion of 39 cases of energy conservation and carbon abatement, with reduction of CO<sub>2</sub> emission reaching 7,795 tons;</p> <p>2016 completion of 48 cases of energy conservation and carbon abatement, with reduction of CO<sub>2</sub> emission reaching 9,209 tons;</p> <p>2017 completion of 55 cases of energy conservation and carbon abatement, with reduction of CO<sub>2</sub> emission reaching 9,261 tons;</p> <p>2018 completion of 72 cases of energy conservation and carbon abatement, with reduction of CO<sub>2</sub> emission reaching 4,530 tons;</p> <p>2019 completion of 62 cases of energy conservation and carbon abatement, with reduction of CO<sub>2</sub> emission</p>	

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility/ Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
		<p>Summary description (Note 2)</p> <p>reaching 5,558 tons; (for figures of greenhouse gases inventory and certification, refer to IV.(II).v. Measures for Reducing Emissions of the Company's 2019 CSR report).</p> <p>4.3 To attain various energy-conservation and emission reduction objectives, the business group convenes energy conservation meeting every month and sets the annual goals for cutting water consumption by 20%, power and steam consumption by 5%, total power consumption by 2%, thereby reducing total CO<sub>2</sub> emission by 2.5%.</p> <p>4.4 In line with municipal government's policy pushing reduction of air pollution, close burners RTO have been installed at processing plants from Nov. 2016, cutting air-pollutant emission by over 90%.</p> <p>4.5 Track and calculate figures of energy consumption, energy conservation, and carbon abatement every year and review extent of improvement, as basis for disclosure of information on environmental issues and execution efficacy of related measures in CSR report (for details of figures of energy consumption, energy conservation, and carbon abatement, refer to IV. Environmental Aspect, the second to fourth chapters of the Company's 2019 CSR report).</p>	
D.Social issues (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V	<p>1.1 In order to uphold the basic human rights of stakeholders, including employees and customers, In addition to complying with Labor Standards Act and other relevant labor regulations, the Company abides by the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprise and Social Policy, in the formulation of personnel regulations and systems, providing employees relatively steady pays, board and lodging, promotion and other</p>	<p>Compliance with articles 18 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"</p>

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility/ Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
(2) Does the Company formulate and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflect the operating performance or results in employee compensation?	V	<p>development system, and improved safety and hygiene, so as to protect employees' rights and help them develop multiple professional capabilities. The President of the Company, Lee Ming-Chang, officially signed the human rights policy in April 2019. For the detailed content of and human rights protection, please refer to the website <a href="http://www.ftc.com.tw/newftc/regulations.php">http://www.ftc.com.tw/newftc/regulations.php</a>, and refer to V.(I).i. Human Rights Protection of the Company's 2019 CSR report</p> <p>1.2 In line with the principles of UN Sustainable Development Goal Indicators and international labor rights convention, the Company employs proper amount of foreign laborers in a legal manner and hire dormitory supervisors and interpreters to take good care of them, on top of arranging leisure activities and mutual communications.</p> <p>2.1 The Company has clear regulations on employee promotion, assessment, training, rewards and punishments. The salary standard for new recruits is determined according to the education requirement and other conditions of the position. After hiring, the salary will be adjusted and promoted on a yearly basis according to their work performance, and the corresponding salary will be given.</p> <p>2.2 The Company's fixed holidays are Saturdays, Sundays, national holidays and other dates that are designated as holidays by the central competent authority. Employees are granted annual paid leaves in accordance with the Labor Standards Act. For other employee benefits, please refer to page 138 ~ 142 of this annual report and the 2019 Corporate Social Responsibility Report. V (I).ii Employees' Rights and Benefits °</p> <p>2.3 Article 30 of the Company's charter stipulates that should the Company turn in profit in a specific year, provision should be made for bonus payout, equivalent to 0.05% to 0.5% of</p>	Compliance with articles 21-2 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"



Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
(3) Does the Company has provided a healthful and safe working environment, and organize training on health and safety for its employees on a regular basis?	V	<p>pretax profit, before deduction of compensations for employees and directors, for employees and up to 0.5% for directors. Such resolutions should be made, according to article 235 of the Company Act.</p> <p>3.1 Provide periodically physical exam and information on hygiene education and offer employees "manual for safety and hygiene works" and ""reminder car for dangerous operations," in addition to the provision of education/training and safety check, improving employees' operating safety, so as reduce job-related damage, injury, and risk.</p> <p>3.2 For a long time, the Company has provided employees library, sports and leisure apparatuses, basketball and volleyball courts, entertainment and club events, medical room, and breastfeeding room.</p> <p>3.3 For measures on enhancing employee and workplace safety, refer to V.(I).(iii) Health and Safety of the Company's 2019 CSR report.</p>	Compliance with articles 20 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"
(4) Does the Company provide its employees with career development and training sessions?	V	<p>4.1 When there vacancies resulting from regular job rotation or shortage or expansion of workforce at various units, employees can apply to attend exams for the positions, according to their interests and specialties. Unit chiefs would deliberately cultivate the expertise of employees via training and job rotation, according to their specialties, and help them obtain related professional certificates and carry out career planning, in addition to holding of seminars on various subjects and intensifying employees' human-rights and job-safety awareness.</p> <p>4.2 For specific methods and effectiveness of employee education and training, please refer to the Company's 2019 Corporate Social Responsibility Report V. (I) .i Human Rights Protection and V. (I) .iv Personnel Training.</p>	Compliance with articles 21-1 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"
(5) Does the Company complied with relevant regulations and	V	<p>5.1 99% of the Company's textile products are semi-finished products, which is a large B2B transaction; except for the gas station, which is a retail business, most products are not</p>	Compliance with articles 24 "Corporate Social Responsibility Best Practice Principles for

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility/ Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has formulated relevant consumer protection policies and appeal procedures?		<p>directly sold to general consumers, therefore there are few marketing activities such as media advertising and publicity. For regulatory promotions, all units will consult the Formosa Plastics Enterprise Legal Affairs Office to avoid violating laws and regulations. In addition, the Company has stipulated the "Personal Asset Management Measures" to strictly limit and control the query of personal data to protect customer privacy.</p> <p>5.2 Maintaining a good supply chain relationship with customers is an important part of the Company's sustainable operation. In order to understand the valuable opinions of customers, the Company clearly defines the customer complaint channel, product return and compensation as well as compensation application procedures. Customers can express their relevant appeals through the "Opinion Response Form". Product complaints are handled by the salesperson to fill out the "customer complaint handling form" for various returns.</p> <p>6.1 The Company strictly requires raw material suppliers to comply with Oeko Tex Standard 100, Substances of Very High Concern (SVHC), no organic tin component guarantee, no APEOs component guarantee, ZDHC restricted chemical content questionnaire declaration, and dangerous goods transportation must meet standard conditions such as national regulations on safe transportation. It is clearly stipulated in the terms of the procurement contract that suppliers are required to comply with the regulations. The principle of sustainable management shall be clearly stated in the "Inquiry Form" and "Order Notice" to abide by the fair trading principle. Suppliers are required to follow the principles of environmental protection, occupational safety and human rights. Unqualified products and materials shall be rejected and shall be included in the supplier's evaluation and review. Suppliers with serious violation shall be banned from</p>	Difference from "Corporate Social Responsibility/ Best Practice Principles for TWSE/TPEX Listed Companies" and reasons TWSE/TPEX Listed Companies"
(6) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	V		Compliance with articles 26 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
		<p>Summary description (Note 2)</p> <p>6.2 The Company actively requested suppliers to increase products certified by Bluesign, and increased the procurement volume of certified products year by year.</p> <p>6.3 The procurement of materials takes priority in products that comply with international environmental regulations, or the ones that obtain environmental protection labels, energy-saving labels and other recycled materials / low pollution / recyclable products.</p> <p>6.4 For details of supplier management practices, please refer to the Company's "2019 Corporate Social Responsibility Report. III. (III) .iii Raw Material Management and Assessments of Suppliers' Environmental Conformity.</p>	
E. Does the Company prepare corporate social responsibility reports and other reports that disclose the Company's non-financial information based on the internationally accepted report preparation standards or guidelines? Did the above mentioned report obtain the assurance from the third-party verification unit?	V	<p>The structure of the Company's "2019 Corporate Social Responsibility" is based on the Global Reporting Initiative (GRI) standards guideline as well as the guidelines and structure listed in the core options. It discloses the Company's main sustainability issues, strategies, goals and measures. Verified by the third-party impartial unit, Taiwan Inspection Technology Co., Ltd. (SGS), the report disclosed according to the core options, and presented with internationally common indicators.</p>	Compliance with articles 29 "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"
F. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: Explanation: The company's board of directors passed on Nov. 7, 2014 the Company's corporate-governance principles, which covers CSR, followed by set up of CSR committee on March 6, 2015, chaired by standing director-cum-vice chairman. On Aug. 7, 2015, the Company approved the Company's CSR principles, conforming in spirit to "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," despite some revisions made according to the Company's practical needs. Based on the former, the Company has been striving to fulfill its social responsibilities in the three major aspects of corporate governance, environmental protection, and social benefits, outperforming peers, in quest for common benefits for the Company, customer, society, environment, and the world. CSR has become part and parcel of the Company's operation. For details of the Company's CSR works, please refer to the Company's annual CSR reports starting from 2014 and website.			
一、Other important information that helps to understand the operation of Corporate Social Responsibility			

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
<p><b>【Explanation1】</b> Related system and structure of Corporate Social Responsibility</p> <p>The Chairman of the Corporate Social Responsibility Committee is served by the President of the Company, Li Min-Zhang, and the manager of the management headquarters, Cheng Hung-Ning serves as the vice chairman. The Committee is responsible for the formulation, goal planning, performance monitoring, and management of the corporate social responsibility policies for Formosa Taffeta Co., Ltd.; The management department, industrial safety office, public works department, security department, accounting department, materials department, managerial offices of various business departments and other units form a corporate social responsibility promotion group, which is responsible for corporate governance, industrial safety and environmental sustainability, water and energy conservation, products and customer service, supplier and contractor management, social welfare and good community as well as affairs related to the economic, environmental, and social aspects.</p> <p><b>【Explanation1】</b> Status of the Company's engagement in CSR and public-food works:</p> <p>(1)Policy on safety, hygiene, and environmental protection:</p> <p>It is a company's social responsibility to assure the safety of products, employees, contractors, factory premises, and community, which has become an essential element in corporate competitiveness.</p> <p>We believe any disaster and accident, big or small, is avoidable. Adhering to high-standard universal values, the Company utilizes the power of organization and system to attain its objective, asking all unit chiefs to understand and take part in the initiative, providing promotion and education/training, and demanding faithful execution of system, and seeking constant improvement in performance figures.</p> <p>(2)The company has installed at factory premises detection and analytical instrument for the quality and quantity of discharged waste water, with upgrading of information on screen once every 15 seconds. The instrument is linked to the municipal environmental protection bureau for inspection, for joint prevention of water pollution. The company has also implemented by its own various energy-conservation and waste abatement measures, green procurement, resources recycling, employment of non-toxic chemicals, and decrease of packaging materials, in a continuing effort in materializing the vision of green factory.</p> <p>(3)Employ cutting-edge and energy conserving equipment in priority, either for new installation or replacement purpose. Throughout the company's factory premises, including whole set of machinery and facilities and small items such as lights and faucets, the Company has adhered to the practices of energy conservation, consumption reduction, emission reduction, recycling, circular or repetitive use, toxin-free, and degradability. The company has strived to have all machinery equipment in factory to function and stop at the same time, so as to attain energy conservation and cut consumption via concentrated production, leading to cost reduction and environmental improvement in long run.</p> <p>(4)System and measures for communal participation and status of implementation:</p> <p>It is the Company's policy to become a good neighbor of nearby communities, communicating friendly with their residents and giving them multiple assistances, upholding a good common environment jointly, taking part in various local public services, and helping take care of poor families and underprivileged groups, so as to build an emotional bond with neighboring communities. Meanwhile, employees have also organized by their own public-service clubs, to provide givebacks to neighboring communities, such as communal cleaning, manifesting human care and love and contributing to formation of a harmonious community.</p> <p>(5)System and measures for social contribution, social service, and social benefits and status of implementation: In line with the spirit of "diligence and down-to-earth style," the Company has been pushing the management concept of "harmony, innovation, service, and dedication," as</p>		Summary description (Note 2)	

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
<p>embodied in honest tax payment, high regard for environment protection and industrial safe, and care for employees, so as to uphold the company's corporate image and repute, give back to the society, and fulfill corporate social responsibilities.</p> <p>(6) All employees must constantly improve their specialties and take into account safety, hygiene, and environmental protection in any decision, thoroughly understand the spirit of system for faithful implementation, tackle root causes for problems, embrace SOP of international brands, and safeguard safety of oneself, colleagues, and neighbors, uphold natural environment, and protection corporate assets. Adhering to the concept of "co-existence of industrial development and environmental protection," the Company believes that fulfillment of social responsibility is critical for sustainable development.</p> <p>(7) Vice chairman Hsie issued a sustainable development declaration in May 2013, covering the three major aspects of economy, society, and environment. In July 2013, chiefs of various units convened and passed major revisions on the corporate vision and common values, in addition to adoption of sustainable development policy/strategy and 10-year development matrix, highlighting the synergy of specialties and environmental protection, green innovation, and stakeholder relationship. The CSR committee was set up in March 2014 and the board of directors passed "CSR principles" in Aug. 2015, followed by addition of the narrative on common values in Oct. 2015, calling for compliance with universal values in operation. In 2018, linkage between the Company's various management policies and UN SDG (sustainable development goal) indicators was intensified.</p> <p>The company has been continuously caring for the society, assisting the underprivileged, and taking part in public services, in the fields of education, industry, academia, and society:</p> <p>a. Education: Dated back to early stage of Taiwan's economic development, the Company cooperated with "Dade vocational high," providing part-time job opportunities to students from poor families and enabling them to work at the Company or seek advanced study after graduation, a program which lasted until 2009, due to the reduced need of the school. For decades, the Company has run kindergarten, tuition free, to accommodate children of employees and neighboring residents.</p> <p>b. The company supports 19 employee clubs dedicated to healthful and social-benefits activities.</p> <p>c. Other social-benefits activities: continuously pushing and sponsoring various social-benefits activities, such as:</p> <ul style="list-style-type: none"> <li>(a) festivals and religious rites organized by nearby temples or shrines;</li> <li>(b) birthday parties and other healthful activities of the clubs of the elderly in nearby communities;</li> <li>(c) neighboring communal voluntary safety teams;</li> <li>(d) assistances to underprivileged groups in nearby communities;</li> <li>(e) relief and assistances for poor families in nearby communities;</li> <li>(f) sponsorship for specific public-service events of nearby schools and institutions;</li> <li>(g) sponsorship for specific environmental-protection events in nearby communities;</li> <li>(h) sponsorship for charitable activities in neighboring communities of overseas factory premises.</li> </ul> <p>In addition to fully cooperating with the Environment Protection. Administration to promote green procurement in private sectors to implement energy-saving, carbon-reducing and green consumption policies, the Company also actively requests suppliers to increase the number of products certified by Bluesign year-on-year, and the certified products have been increased from 52.2% in 2018 to 73.5% in 2019. In the future, we will</p>			

Evaluation items	Status of operation (note 1)		Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
<p>continue to implement various related businesses such as water conservation, energy conservation and carbon reduction, sustainable utilization of resources, and friendly environment, aligning with the concepts of environmental protection and economic development, and fulfilling our social responsibilities.</p> <p>In addition, a healthy and safe working environment has always been the goal of our efforts, and it is also the Company's responsibility to employees and their families. Requiring employees to pay attention to "safety first" when entering the workplace is an important principle that demonstrates our focus on employees; The Company encourages employees and contractors to propose improvements and suggestions for unsafe operating environment, and we use the shift time to strengthen the precautions for the promotion of operational safety, and appropriately reward the zero-work disaster department.</p>		Summary description (Note 2)	

Note 1: If "Yes" is selected for the operation status, please explain the important policies, strategies, measures and implementation; if "No" is selected for the operation status, please explain the reasons and plans for the future implementation of related policies, strategies and measures.

Note 2: If company has produced CSR report, explain in brief method for accessing the report.

Note 3: The principle of materiality refers to environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.

(F) Status for implementation of ethical management and measures

Status for implementation of ethical management and difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reason

Evaluation items	Operating status (note 1)		Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
<p>A. Establishment of ethical management policy and program                      (1) Does the Company formulate the ethical corporate management policies resolved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board of Directors and senior management to implement the policies?</p> <p>(2) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly,</p>	V	<p>1. The company abides laws/regulations and follows ethical norms, including the requirement of honesty and truthfulness in the Company Act, the Securities and Exchange Act, and the Business Entity Accounting Act. Adhering to the "diligence and down-to-earth style" of the spirit of the corporate culture of Formosa Plastics Group and following the management concept of cleanness and integrity, openness and transparency, and self-discipline and responsibility, and has formulated the Company's "Ethical Management Rules and Codes of Conduct" approved by the Board of Directors, the various units of the corporate headquarters form a task force pushing corporate governance and ethical management, formulating and implementing multiple ethical norms and policies, and establish good business and risk management mechanism, in order to assure the company's sustainable development, the Board of Directors and senior management also promises to actively implement and supervise the implementation of the ethical corporate management policy.</p>	<p>Compliance with articles 4 &amp; 5 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"</p>
	V	<p>2. 1. The Company clearly stipulates rigorous codes of conduct for integrity and ethical norms in the "Personnel Management Rules", "Work Rules" and other rules and regulations. The Board of Directors and the management also commit to actively implement and supervise the implementation of integrity management policies.                      2.2. Relevant rewards and punishment provisions were specified. Any manager, employee or person with internal control capabilities of the Company is strictly prohibited from accepting any improper</p>	<p>Although the company has not established its own "Procedures for Ethical Management and Guidelines for Conduct", it has separately formulated relevant regulations and fully implemented them in other different regulations.</p>

Evaluation items	Operating status (note 1)		Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
<p>and at least covers the prevention measures of acts listed in the Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies, and regularly review and correct the prescribed procedures and guidelines?</p>	V	<p>benefits directly or indirectly, or other acts that violate the integrity, law and breach of fiduciary duty in order to prevent fraud, misappropriation of public funds, acceptance of bribes, disclosure of secrets, profit from others, false reporting and other dishonest behaviors.</p> <p>2.3. The Company has specified in the "Work Rules" that any person in the position such as business, procurement, contracting, supervision and budget positions, and other positions with interests in the suppliers, shall not accept the banquet or other entertainment activities invited by the supplier, or any gifts and benefits offered. The violator shall be dismissed and his/her supervisor shall be jointly and severally dismissed. Besides, job rotation have been carried out in some positions to prevent such misconducts. The Company also regularly analyzes and reviews business activities that have a higher risk of unethical conduct.</p> <p>3. The Company clearly illustrated its ethical policies for integrity management and relevant operating procedures, behavior guidelines, reports, disciplinary penalties, appeals and other regulations in the "Personnel Management Rules", "Ethical Management Rules and Codes of Conduct", "Precautions against Insider Trading Operations", "Procedures for Inspection and Control", and "Employees' Complaint Operation Points", etc. The Company, meanwhile, has formulated "Guidelines for Ethical Conduct" for directors and managers, (please refer to the Company's website <a href="http://www.ftc.com.tw/newftc/integrity.php">http://www.ftc.com.tw/newftc/integrity.php</a> or the sixth item of Special Disclosure in the Company's annual report, for guidelines of ethical conduct for the company's directors and managers'). The above rules and regulations are regularly reviewed to meet practical needs.</p>	Compliance with articles 7-1 & 10 to 13 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
<p>B. fulfill operations integrity policy</p> <p>(1) Does the company evaluated business partners' ethical records and include ethics-related clauses in business contracts?</p>	V	<p>1. The company's contracts for business dealings all include article on ethical behavior. The company has also carried out credit check on customers, suppliers, and other stakeholders, including auditing, in order to prevent harm to the company's interests by unethical behaviors.</p>	Compliance with articles 9 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"



Evaluation items	Operating status (note 1)		Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
(2) Does the Company set up a full-time (part-time) unit that promotes corporate ethical management under the Board of Directors, and regularly (at least once a year) report to the Board on its ethical management policies and prevention programs and supervise the implementation?	V	<p>2.1 The President's office, the standard group, manager office of each division and general affair office jointly implement ethical management, including the promotion of the ethical management policy, and the organization of education and training on integrity management related issues, and handling cases related to inspection and prosecution pursuant to the Company's "Rules of Prosecution". The promotion units of integrity management shall report to the Board of Directors at least once a year.</p> <p>2.2 The latest report date was December 13, 2019, which mainly reported the policies, practices and implementation of ethical management, and the commitments of the Board of Directors and senior management to actively implement the management policy. In addition, the internal audit report is submitted to the independent directors for review every month, and regularly report to the Board of Directors.</p>	Compliance with articles 17 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V	<p>3.1 In compliance with the "rules governing meetings of the board of directors" (for details refer to the company's website <a href="http://www.ftc.com.tw/newftc/director.php">http://www.ftc.com.tw/newftc/director.php</a>), the company's directors in a high self-discipline have to explain major contents of related interests on cases involving interests of their own or legal entities they represent on the agenda of the meetings of the board of directors which should exclude cases with possible harm to the company's interests. Directors with related interests should abstain from discussion and voting for such cases and should not commission other directors to exercise their voting rights.</p> <p>3.2 The company has asked employees to follow the regulation of abstention from behaviors involving personal interests and report by their own conflict of interests, according to stipulations in the "personnel management rules" and "key points of internal auditing and management for prevention of insider trading," which also non-compete clause to avoid conflict of interests.</p> <p>3.3 According to "measures governing handling of complaints by inside and outside stakeholders" the company provides channels for employees or inside or outside stakeholders to report or complain any illegal or improper behaviors.</p>	Compliance with articles 19 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)		Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
(4) Has the Company established an effective accounting system and internal control mechanism for the implementation of the ethical management, and formulated relevant audit plans based on the results of the risk assessment of unethical conduct conducted by the internal audit unit? Has the Company reviewed the implementation status of unethical conduct prevention plan or entrusted an CPA to perform the audit instead?	V	4. The company has established complete accounting system and internal control mechanism and has been pushing at full scale linkage between the six major management functions of personnel, finance, management, production, procurement, and engineering, to attain mutual check and conduct abnormality management. Meanwhile, the company has put in place an independent professional internal auditing structure, consisting of multiple aspects. The first aspect is executed by the auditing office under the board of directors, and an audit plan is set up every year to audit the regulatory compliance to reduce the risk of unethical conduct.; the second aspect is regular and specific auditing by the president's office of parent company Formosa Chemicals & Fibre Corp.; the third is regular or project-based independent auditing by the president's office; the fourth is auditing by the company's various units themselves; the fifth is mechanism for inside or outside reporting or complaints and tracking. As internal auditing is the responsibility of all employees, auditing operation of the fourth aspect involves regular business check by various units themselves (at interval of one month, one quarter, half a year, or a year, according to nature of different items), so as to extend the spirit and purpose of internal control to every unit, every corner, and every individual. In addition, outside certified public accounts are engaged for regular spot check.	Compliance with articles 20 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V	5.1 In addition to the aforementioned implementation and check by various units, the company's auditing committee and auditing office must provide items and scope of annual supervision or auditing plan, case report, and statement. In addition to check of proofs and invoices, certified public account commissioned by the company must disclose regularly specifics of transaction items. Restrictions of non-competete clause on director cannot be removed without understanding and approval of the board of directors. 5.2 The company has instilled the corporate spirit of "diligence and down-to-earth style" among employees via timely promotion and education at various occasions and cultivate the concept and attitude of ethical management highlighting integrity, openness,	Compliance with article 22-2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation items	Operating status (note 1)		Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
<p>C. Operation of the company's reporting system</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures, follow-up measures that should be taken after the investigation is completed, for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company take appropriate measures to protect whistleblowers in order to protect them from inappropriate treatment?</p>	V	<p>self-discipline, and responsibility via various education and training courses inside and outside the company.</p> <p>The company has publicized complaint and appeal channels for any illegal or improper treatment received by employees or outside people because of their reporting. In the process, the identities of the complaining parties will be kept confidential and informants will be awarded properly for reporting in authentic name which benefits the company. The company's "work rules" calls for penalties for employees with unethical behaviors, including:</p> <p>1.1 Provide mailbox, e-mail address, and fax line for reception of reporting, whose information is available via notice at the spot for clock in/clock out by employees.</p> <p>1.2 Significant reward money is available for informants who provide clues for the company to prevent illegal, irregular, or improper behaviors and thereby uphold the company's benefits, with the amount of the reward set according to the value of possible loss of the company.</p> <p>2.1 After reception of reporting, staffers of the president's office in charge will handle the cases according to the procedure of review, validation, investigation, and award/penalty.</p> <p>2.2 If any violation of the regulations is found, the violator shall be punished in accordance with the Company's personnel management rules. The judicial and prosecutor's authorities shall be notified if necessary.</p> <p>3. Principle of confidentiality: During and after investigation of reporting, staffers in charge are strictly forbidden to reveal the contents of case and the name of informant to unrelated parties and their superiors at various levels also bear the responsibility of confidentiality. Related materials must be handled and filed as confidential documents, to protect informants from improper trouble or retribution.</p>	<p>Compliance with article 23 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"</p>

Evaluation items	Operating status (note 1)		Difference from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
<p>D. Strengthening of information disclosure</p> <p>Does the company disclose its ethical corporate management principles and execution results on its website and the Market Observation Post System?</p>	V	No	<p>Summarized explanation</p> <p>1. The company has disclosed information on ethical management on its website (<a href="http://www.ftc.com.tw/newftc/integrity.php">http://www.ftc.com.tw/newftc/integrity.php</a>) and in its annual report.</p> <p>2. Designated staffers at related business unit are responsible for information collection and upgrading for posting on the company's website, in both Chinese- and English-language versions by staffers at the information center. Under the direction of spokesperson, designated staffer at the financial department is responsible for posting financial information and other key information on the Market Observation Post System.</p> <p>3. Meanwhile, the company has provided handbook for shareholders' meeting, in both Chinese- and English-language versions, for use by domestic and foreign investors, foreign investors, investment trust companies, other institutional investors or individuals.</p>
<p>E. For company with own ethical management principles, formulated according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," describe the operation of its own principles and the difference with the later:</p> <p>The company's board of directors approved revised ""corporate ethical management principles" on Nov. 7, 2014 and resolved to make further revision of the principles on June 23, 2017. The company's principles is in general similar to the official version but stresses more the nature of guidelines and integration, to accommodate the need of the company's survival and development.</p>			<p>Compliance with article 25 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"</p>
<p>F. Other key information conducive to the understanding of the operation of the company's ethical management (such as how does the company revise its ethical management principles).</p> <p>The company arranges attendance of corporate-governance courses by directors and managerial staffers every year to augment their capabilities governing and supervising various businesses, in the hope of boosting governance efficacy and materializing ethical management.</p>			

(G) How to inquire about the company's corporate governance best-practice principles:

The company has formulated corporate governance best-practice principles; please access the company's website at

<http://www.ftc.com.tw/newftc/files.php?m=governance&file=dca43963205469734867f8d92346764c>

(H) Disclose other important information conducive to the understanding of the operation of the company's corporate governance:

The company has formulated "Guidelines for Ethical Conducts of the Company's Directors and Managerial Staffers" (for details, refer to the company's annual report, item 6 specially registered items, VIII).

The company will publish the latest "CSR report 2019" by the end of June 2020; for reference please access the company's website at

[http://www.ftc.com.tw/newftc/respons\\_report.php](http://www.ftc.com.tw/newftc/respons_report.php)

(I) Execution status of internal control system

1. Statement on internal control system

Statement on internal control system by public companies

(Legal compliance specified in the statement is applicable to all laws/regulations)

Formosa Taffeta Co., Ltd.  
Statement on Internal Control System  
March 13, 2020

Based on self review, the company makes the following statement on the company's internal control system in 2019:

1. The company is fully aware that establishment, execution, and maintenance of internal control system is the company's board of directors and managerial staffers, in order to provide reasonable assurance for the efficacy and efficiency of operation (including profitability, performance, and protection of the safety of assets), the reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
2. Internal control system has its inherent constraint, as it, no matter how perfect is its design, can only provide reasonable assurance for the attainment of the aforementioned three objectives. In addition, change in environment and status may affect the efficacy of internal control system. Therefore, the company's internal control system has a mechanism of self supervision, capable of locating defects for immediate rectification.
3. The company evaluates the efficacy of its internal control system, according to the evaluation items contained in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" ("regulations" in short hereafter), which divides internal control system into five constituents, according to the procedure of management control: 1. control environment, 2. risk management, 3. control activities, 4. information and communications, 5. monitoring activities, with each containing several items (refer to the stipulations of the "regulations."
4. The company has employed the aforementioned evaluation items in checking the efficacy of the design and execution of the internal control system.
5. Based on the aforementioned evaluation, the company believes that with reasonable assurance, the company's internal control system (including supervision and management of subsidiaries) as of Dec. 31, 2019 had been effective in both design and execution concerning understanding of the efficacy and efficiency of management, reliability, timeliness, and transparency of reports, and compliance with related norms, regulations, and laws.
6. The statement will be publicized, as a major part of the company's annual report and prospectus. Falsehood, concealment, and other illegalities in the aforementioned publicized contents would entail legal responsibilities, according to article 20, article 32, article 171, and article 174 of the Securities and Exchange Act.
7. The statement was approved by the company's board of directors on March 13, 2020, endorsed by all of the 11 directors in attendance, without any contrary opinion.

Wong Wen-yuan  
Chairman  
Signature

Lee Ming-chang  
President  
Signature

Formosa Taffeta Co., Ltd.

2. In case review of internal control system is outsourced to certified public accountant, disclose the CPA review report: nil.

- (J) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law on the Company or its internal personnel, any sanctions imposed by the Company on its internal personnel for violations of internal control system provisions, major deficiencies, and the

state of any efforts to make improvements:

The Company (including the gas stations) violated the laws and regulations in the preceding period and was imposed a total of 6 penalties by the competent authority, with a total of NT\$ 422,000. No subsequent increase may occur. All deficiencies have been improved according to the requirements of the competent authority.

(K) Major resolutions of shareholders' meeting and the board of directors in the recent year and as of the date for the publication of the yearbook

### **1. Shareholders' meeting on June 20, 2019**

Directors in attendance: Lee, Ming-chang, Hong Fu-yuan, Huang, Dong-terng, Tsai, Tien-shuan, Lee, Man-chun, Hsieh, Ming-der (attendees above are directors), Wang, Kung, Kuo, Chia-chi (attendees above are independent directors), totaling 8 persons

#### **(1) Ratification Items**

##### Case 1

Contents: The Company's 2018 final statements proposed in accordance with the law.

Please proceed to ratify. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,433,277,903; the result: 1,355,542,698 votes of recognition (with 1,206,690,323 electronic votes), accounting for 94.6% of the total voting rights; 47,649 votes of opposition (with 47,649 electronic votes); 0 invalid vote; 77,687,556 votes of abstention and unvote (with 77,687,556 electronic votes). The number of recognition exceeded the required amount and the proposal was ratified.

##### Case 2

Contents: The Company's 2018 earning distribution proposed in accordance with the law. Please proceed to ratify. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,433,277,903; the result: 1,357,653,698 votes of recognition (with 1,208,801,323 electronic votes), accounting for 94.7% of the total voting rights; 47,649 votes of opposition (with 47,649 electronic votes); 0 invalid vote; 75,576,556 votes of abstention and unvote (with 75,576,556 electronic votes). The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: The 2019 general meeting of shareholders approved a cash dividend of NT\$ 2.1 per share, which was passed by the third meeting of the Board of Directors on June 20, 2019. July 23, 2019 is set as the base date for cash dividend distribution, and the dividend will be issued from August 20.

#### **(2) Discussion Items**

##### Case 1

Contents: Amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company. Please proceed with the discussion.

(Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,433,277,903; the result: 1,357,240,751 votes of recognition (with 1,208,388,376 electronic votes), accounting for

94.7% of the total voting rights; 50,649 votes of opposition (with 50,649 electronic votes); 0 invalid vote; 75,986,503 votes of abstention and unvote (with 75,986,503 electronic votes) The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: According to the resolution of the shareholders' meeting, the amended procedure shall be reported to the MOPS and announced on the Company's website. The amended procedure shall be implemented accordingly.

#### Case 2

Contents:Amendment to the "Procedures For Derivatives Transactions". Please proceed with the discussion. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,433,277,903; the result: 1,357,243,023 votes of recognition (with 1,208,390,648 electronic votes), accounting for 94.7% of the total voting rights; 48,277 votes of opposition (with 48,277 electronic votes); 0 invalid vote; 75,986,603 votes of abstention and unvote (with 75,986,603 electronic votes) The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: According to the resolution of the shareholders' meeting, the amended procedure shall be reported to the MOPS and announced on the Company's website. The amended procedure shall be implemented accordingly.

#### Case 3

Contents:Amendment to the "Procedures For Loaning Funds to Others". Please proceed with the discussion. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,433,277,903; the result: 1,357,238,023 votes of recognition (with 1,208,385,648 electronic votes), accounting for 94.7% of the total voting rights; 51,277 votes of opposition (with 51,277 electronic votes); 0 invalid vote; 75,988,603 votes of abstention and unvote (with 75,988,603 electronic votes). The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: According to the resolution of the shareholders' meeting, the amended procedure shall be reported to the MOPS and announced on the Company's website. The amended procedure shall be implemented accordingly.

#### Case 4

Contents:Amendment to the "Procedures of Endorsements and Guarantees". Please proceed with the discussion. (Proposed by the Board of Directors)

Resolution: The total number of voting rights of shareholders present at the time of voting for this case was 1,433,277,903; the result: 1,357,240,093 votes of recognition (with 1,208,387,718 electronic votes), accounting for 94.7% of the total voting rights; 51,277 votes of opposition (with 51,277 electronic votes); 0 invalid vote; 75,986,533 votes of abstention and unvote(with 75,986,533 electronic votes). The number of recognition vote exceeded the required amount and the proposal was ratified.

Status of execution: According to the resolution of the shareholders' meeting, the



amended procedure shall be reported to the MOPS and announced on the Company's website. The amended procedure shall be implemented accordingly.

**(3) Extempore motion: nil**

**2. First 2019 meeting of the board of directors on March 15**

Case 1

Contents: The proposal of the remuneration to employees and directors in 2018. Please proceed to ratify.

(Supplementary report by the Secretariat, part of the director's remuneration in this case has been submitted to the Remuneration Committee for approval.)

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present agreed to pass the case and report it to the 2019 Annual General Meeting of Shareholders.

Case 2

Contents: 2018 financial statements and 2019 operation plan. Please proceed to ratify.

(The managers of each business division report the operating status in 2018 and the operating plan in 2019, respectively. )

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 3

Contents: 2018 earnings distribution table. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 4

Contents: The proposal of convening 2019 Annual General Meeting of Shareholders on June 20, 2019. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 5

Contents: The "Statement of Internal Control System". Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 6

Contents: Amendments to the "Procedures of the Acquisition and Disposal of Assets", "Procedures For Derivatives Transactions," "Procedures For Loaning Funds to Others" and "Procedures of Endorsements and Guarantees". Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 7

Contents: The investment in "FG INC" for US\$ 4.5 million according to the investment structure. Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

**3. Second 2019 meeting of the board of directors on May 03**

Case 1

Contents:Amendment to the Company's internal control system for share operations.

Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

Case 2

Contents:Amendment to the Company's "Corporate Governance Code". Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

Case 3

Contents:Proposal to set up the first supervisor of the Company's Corporate Governance.

Please proceed to ratify.

(Supervisor Cheng Hung ning was interested party and should be recused.)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

Case 4

Contents:Proposal for the promulgation of the Company's "Standard Operating Procedures for Handling Directors' Requests". Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

**4. Third 2019 meeting of the board of directors on June 20**

Contents:Proposal of the cash dividend base date and payment date for the Company's 2018 earnings distribution. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

**5. Fourth 2019 meeting of the board of directors on August 08**

Case 1

Contents:Proposal for 2019 salary adjustment for managers following the range of all the employees of the Company. Please proceed to ratify.

(Proposed by the Compensation Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

**6. Fifth 2019 interim meeting of the board of directors on October 17**

Contents: Proposal to subscribe to the shares of the capital increase in cash of Swiss "Schoeller Textil AG" and sell the shares held by Fu Mao Ruiye (Hong Kong) Co., Ltd. for no more than 40 million Swiss francs. Please proceed to ratify. (Proposed by the Audit Committee)

(The chair inquired about the reasons for this case, and the general manager Lee, Ming chang and director Hong, Fu yuan explained. )

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

**7. Sixth 2019 meeting of the board of directors on November 01**

Case 1

Contents: Proposal to promote the functions of the Company's management supervisors.

Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

**8. Seventh 2019 meeting of the board of directors on December 13**

Case 1

Contents: Proposal to formulate the Company's 2020 annual audit plan. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

Case 2

Contents: Amendment to the Company's "Year-end Bonus and Remuneration Distribution Measures". Please proceed to ratify.

(Proposed by the Compensation Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case

Case 3

Contents: Proposal for the disposal of no more than 70,756,000 shares of the reinvestment business Formosa Technology Co., Ltd. through block transaction in the centralized securities market. Please proceed to ratify.

(Proposed by the Audit Committee)

(The Chairman and Vice Chairman concurrently serve as the directors of the main transaction counterparties, Nanya Technology Corporation or Nanya Printed Circuit Board Corporation, as stated in writing. Hence, recusal shall be carried out. Cheng Yu, managing director, was assigned as chair by the Chairman. )

Independent Directors' opinions and the treatment status: None.

Resolution: Except for the aforesaid directors' recusal due to conflict of interest, the remaining directors present agreed to pass the case.

**9. First 2020 meeting of the board of directors on March 13**

Case 1

Contents: Proposal of the 2019 Remuneration of Directors and Employees. Please proceed to ratify.

(Supplementary report by the Secretariat, part of the director's remuneration in this case has been submitted to the Remuneration Committee for approval.)

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present at the meeting agreed to pass the case and report it to 2020 Annual Meeting of Shareholders.

Case 2

Contents: Proposal for the 2019 financial statements and 2020 annual operation plan. Please proceed to ratify.

(The business segment supervisors of each business group report the 2019 operating status and the 2020 operating plan, respectively.)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 3

Contents: Proposal of the 2019 annual earnings distribution Table. Please proceed to ratify.

(The Chairman and Vice Chairman concurrently serve as the directors of the main transaction counterparties, Nanya Technology Corporation or Nanya Printed Circuit Board Corporation, as stated in writing. Hence, recusal shall be carried out. Zheng You, managing director, was assigned as chair by the Chairman.)

Independent Directors' opinions and the treatment status: None.

Resolution: Except for the aforesaid directors' recusal due to conflict of interest, the remaining directors present agreed to pass the case. °

Case 4

Contents: Proposal for convening 2020 Annual Meeting of Shareholders on June 19, 2020. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 5

Contents: Proposal for re-election of all Directors at the 2020 Annual Meeting of Shareholders. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 6

Contents: Proposal for the lifting of the prohibition on Directors' non-compete clause. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 7

Contents: The "Statement of Internal Control System". Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 8

Contents: Proposal to authorize Directors Lee, Ming-chang to manage the internal audit unit,. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: Except for Directors Lee, Ming-Chang Lee, who was recused due to the conflicts of interest, the remaining directors present agreed to pass the case.

Case 9

Contents: Proposal for replacing the CPA of the Company's financial statements. Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 10

Contents: Amendment to the Company's "Organizational Rules of the Audit

Committee". Please proceed to ratify. (Proposed by the Audit Committee)  
Independent Directors' opinions and the treatment status: None.  
Resolution: All Directors present agreed to pass the case.

Case 11

Contents: Amendments to the Internal Control System and the Enforcement Rules of the Internal Control System for the preparation of its financial statements.  
Please proceed to ratify. (Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 12

Contents: The investment in "FG INC" for US\$ 1.29 million according to the investment structure. Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

Case 13

Contents: Amendment to the Company's "Rules of Procedure for Annual Meeting of Shareholders". Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present agreed to pass the case and reported it to 2020 Annual Meeting of Shareholders for resolution.

Case 14

Contents: Amendments to the "Rules of Procedure for the Board of Directors' Meetings" and "Scope of Duties of Independent Directors". Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

**10. Second 2020 meeting of the board of directors on May 07**

Case 1

Contents: Proposal for the list of director candidates (including independent directors) from shareholders who hold more than 1% of the total issued shares of the Company. Please proceed to ratify.

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present agreed to pass the case and were included in the list of candidates for directors (including independent directors) at the 2020 general meeting of shareholders.

Case 2

Contents: Proposal to adjust the investment structure of "Plastic Hejing Iron and Steel Industrial Co., Ltd." Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All the Directors present agreed to pass the case and reported it to 2020 Annual Meeting of Shareholders for resolution.

Case 3

Contents: Amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules". Please proceed to ratify.

(Proposed by the Audit Committee)

Independent Directors' opinions and the treatment status: None.

Resolution: All Directors present agreed to pass the case.

- (L) The main content of Opinions of director or supervisor on record or in written statement different from important resolutions of the board of directors in the recent year and the current year as of the date of the publication of the annual report: None
- (M) In the most recent year and as of the date of publication of the annual report, Company related person Summary of the resignation and dismissal of the Company's Chairman, President, Accounting Manager, Finance Manager, Head of Internal Audit and Head of Research and Development: None.

## E. Information on professional fee for certified public accountants

Information on professional fees for certified public accountants

Name of accounting firm	Names of certified public accountants		Auditing period	Note
PwC Taiwan	Wu Han-chi	Chou Chien-hung	2019.01.01-2019.12.31	

Note: Should there be replacement of CPA or accounting firm, list the auditing period of the original ones and explain reason for the replacement in note column.

Unit: NT\$1,000

Fee brackets		Fee items	Auditing fee	Non-auditing fee	Total
1	Less than NT\$2,000,000				
2	NT\$2,000,000 (inclusive)~NT\$4,000,000				
3	NT\$4,000,000 (inclusive)~NT\$6,000,000		3,905	150	4,055
4	NT\$6,000,000 (inclusive)~NT\$8,000,000				
5	NT\$8,000,000 (inclusive)~NT\$10,000,000				
6	NT\$10,000,000 and more				

(A) In case non-auditing fee paid to certified public accountants and their accounting firm and affiliates exceeds one quarter of auditing fee, disclose auditing fee and non-auditing fee and the contents of non-auditing service.

Information on professional fees for CPAs

Unit: NT\$1,000

Name of accounting firm	Names of certified public accountants	Auditing fee	Non-auditing fee					Auditing period of certified public accountants	Note
			System design	Company registration	Human resources	Others (note 2)	Subtotal		
PwC Taiwan	Wu Han-chi Chou Chien-hung	3,905	0	0	0	150	150	2019.01.01   2019.12.31	TP Report

Explanation: Non-auditing fee is the fee for transfer pricing report by certified public accountants in 2019.

Note 1: Should there be replacement of CPA or accounting firm in the year, list the auditing period of the original ones and explain reason for the replacement in note column, in addition to disclosure of information on the payment of auditing fee and non-auditing fee.

Note 2: Non-auditing fees should be listed for different service items separately; should non-auditing fee under the item of "others" reach 25% of total non-auditing fee, specify contents of the service in note column.

- (B) If accounting firm is replaced and auditing fee for the replacement year is less than that of the previous year, disclose auditing fees before and after the replacement and explain the reason: not applicable.
- (C) In case auditing fee is 15% or more less than that of the previous year, disclose the decreased value, percentage, and reason (auditing fee refers to professional fee paid by the company to certified public accountants for the auditing, perusal, and review of financial reports, as well as review of financial forecast and tax certification): not applicable.

**F. Information on replacement of certified public accounts: If company replaces certified public accountants in recent two years and before the publication of the financial statement, disclose information on the following items:**

1. About original certified public accountants

Replacement dates	March 16, 2018 and March 13, 2019		
Replacement reason and explanation	Job reshuffle of accounting firm		
Explain whether the replacement is due to the termination of appointment by client or refusal to accept appointment by CPA	client	CPA	Client
	status		
	Termination of appointment	~	-
Refusal to accept appointment (continue)			-
	Refusal to accept appointment		-
Any reservation in auditing reports in recent two years and reason	Nil		
Any different opinion with issuer	Yes		Accounting principle or practice
			Disclosure of financial report
			Auditing scope and procedure
			Other
	No	~	
Explanation: Nil			
Other disclosure items (stipulated in item 1-4 through item 1-1 of section 6 of article 10 of the guideline)	<p>1. Financial report is unreliable, due to lack of sound internal control system, as shown by notice by previous CPA: nil</p> <p>2. Previous CPA notifies the company expressing distrust of the company or unwillingness to have any association with the company's financial report: nil.</p> <p>3. Previous CPA notifies the company demanding expansion of auditing scope and data show expansion of auditing scope may impair the credibility of financial report certified or going to be certified but the suggestion of scope expansion fails to be materialized, due to replacement of CPA or other reasons: nil.</p> <p>4. Previous CPA notifies the company that data show possible impairment of the credibility of financial report certified or going to be certified but fails to rectify the problem, due to</p>		



2. About succeeding original certified public accountants

Name of accounting firm	PwC Taiwan	
Names of certified public accountants	Wu Han-chao, Chou Chien-hung,	Wu Han-chao, Liang Hua-ling
Appointment date	March 16, 2018	March 13, 2020
Consultation before appointment on the accounting method and principle for specific transaction and opinions on financial reports going to be certified and result	Nil	
Written opinions of succeeding CPA differing from opinions of previous CPA	Nil	

3. Reply from previous CPA on items related to item 1 and item 2-2 of section 6 of article 10 of the guideline: nil.

**G. In case the company's chairman, president, or financial or accounting manager serves at the accounting firm of certified public account or its affiliate in recent one year, disclose his/her name, title, and period of service at the accounting firm or its affiliate: nil.**

**H. The situation of share transfer and change in shareholding mortgage by directors, managerial staffers, and shareholders with over 10% shareholding in the recent year and as of the date of the publication of the yearbook**

(A) Change in shareholding by directors, managerial staffers, and major shareholders:

Title (note 1)	Name	2019		2020, as of April 21	
		Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)	Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)
Chairman	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Wong, Wen-yuan	-	-	-	-
Vice Chairman	Keyford development Co., Ltd.	-	-	-	-
	Representative: Hsie, Shih-ming	-	-	-	-
Standing director (independent director)	Cheng, Yu	-	-	-	-
Independent director	Wang, Kung	-	-	-	-
Independent director	Kuo, Chia-chi	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Hong, Fu-yuan	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Lu, Wen-Chin	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Lee, Ming-chang	-	-	-	-
director	Formosa Chemicals & Fibre Corp.	-	-	-	-
	Representative: Tsai, Tien-shuan	-	-	-	-

Title (note 1)	Name	2019		2020, as of April 21	
		Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)	Amount of shareholding increase (decrease)	amount of mortgaged shares Increased (decreased)
director	Lai Shu-wang Foundation	-	-	-	-
	Representative: Lee,Man-chun	-	-	-	-
director	Hsieh,Ming-der	-	(3,232,000)	-	-
President	Lee,Ming-chang	-	-	-	-
Senior vice president	Tsai,Tien-shuan	-	-	-	-
Vice president	Lin Chun-nan				
Chief of financial division	Cheng,Hung-ning	-	-	-	-
Chief of accounting division	Lee,Shu-ming	-	-	-	-
Shareholder with over 10% shareholding	Formosa Chemical & Fibre Corp.	-	-	-	-

Note 1: Shareholders with over 10% shareholding should be specified as major shareholder and listed separately.

Note 2: Filling in the following table, in case the recipient of share transfer or mortgaged shares is a related party.

(B) Information on share transfer: nil

Name (note 1)	Reason for share transfer (note 2)	Transaction date	Transaction partner	Relationship of transaction partner with the company,directors, managers and shareholders with over 10% shareholding	Amount of shares	Transaction price
-	-	-	-	-	-	-

Note 1: Fill in the names of directors, managerial staffers, and shareholders with over 10% shareholding

Note 2: Fill in acquisition or disposal

(C) Information on mortgaged shares: nil

Name (note1)	Reason for change in mortgaged shares (note 2)	Date of change	Transac tion partner	Relationship of transaction partner with the company,directors , andshareholders with over 10% shareholding	Amount of shares	Percen tageof shareh olding	Mortgage rate	Mortgaged (redeemed) value
-	-	-	-	-	-	-	-	-

Note 1: Fill in the names of directors, managerial staffers, and shareholders with over 10% shareholding

Note 2: Fill in mortgaged or redeemed shares

## I. Top 10 Shareholders Who are Related Parties, Spouses, or within Second Degree of Kinship to Each Other

April 21, 2020

Name (note 1)	Shareholding of shareholder		Shareholding of spouse and minor children		Shareholding in others' names		Name of spouse or relative within 2nd kinship who is also among the top 10 shareholders and their relationship (note 3)		Note
	shares	%	shares	%	shares	%	Title (or Name)	Relationship	
Formosa Chemicals & Fibre Corp. Representative: Wong Wen-yuan	630,022,431	37.40%	-	-	-	-	1. Chang Gung University, Chang Gung University of Science and Technology, Ming Chi University of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. A relative within 2nd kinship of chairman of Asia Pacific Investment Co., Ltd.	-
Chang Gung Medical Foundation Representative: Welfred Wang Jui-hui	97,599,254	5.79%	-	-	-	-	-	-	-
Yu Yuang Textile Co., Ltd. Representative: Hsieh Ming-der,	43,005,328	2.55%	-	-	-	-	-	-	-
Lai Ming-hsiung	40,924,277	2.43%	6,739,828	0.40%	-	-	-	-	-
Chang Gung University Representative: Wong Wen-yuan	37,130,116	2.20%	-	-	-	-	1. Formosa Chemicals & Fibre Corp., Chang Gung University, of Science and Technology, Ming Chi University of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. Chairman of Asia Pacific Co., Ltd. is a relative within 2nd kinship	-
Chang Gung University of Science and Technology Representative: Wong Wen-yuan	35,812,944	2.13%	-	-	-	-	1. Formosa Chemicals & Fibre Corp., Chang Gung University, Ming Chi University of Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman 2. Chairman of Asia Pacific Co., Ltd. is a relative within 2nd kinship	-

Name (note 1)	Shareholding of shareholder		Shareholding of spouse and minor children		Shareholding in others' names		Name of spouse or relative within 2nd kinship who is also among the top 10 shareholders and their relationship (note 3)		Note
	shares	%	shares	%	shares	%	Title (or Name)	Relationship	
Ming Chi Institute of Technology Representative: Wong Wen-yuan	31,427,255	1.87%	-	-	-	-	1. Formosa Chemicals & Fibre Corp., Chang Gung University, Chang Gung University of Science and Technology 2. Asia Pacific Investment Co., Ltd.	1. The same chairman of Asia Pacific Co., Ltd. is a relative within 2nd kinship	-
Taiwan Life Insurance Representative: Huang Shih-kuo	26,722,000	1.59%	-	-	-	-	-	-	-
Cathay Life Insurance Representative: Tu Ying-tsung	25,796,000	1.53%	-	-	-	-	-	-	-
Asia Pacific Investment Co., Ltd. Representative: Wong	24,134,415	1.43%	-	-	-	-	Formosa Chemicals & Fibre Corp., Chang Gung University, Chang Gung University of Science and Technology, Ming Chi University of Technology	Relative within 2nd kinship with the chairman of the aforementioned four juridical-person shareholders	-

Note 1: List all the top 10 shareholders; for juridical-person shareholders, list the names of the juridical persons and their representatives.

Note 2: In calculating percentage of shareholding, take into account not only shares owned by shareholders themselves but also those owned under other others' names and those owned by their spouses and minor children.

Note 3: Aforementioned shareholders include juridical persons and natural persons and their relationship should be disclosed according to the guidelines for compiling the financial reports of issuers.

Note 4: Chairman of Formosa Chemicals & Fibre Com. Ltd.. is a director as a representative of Chang Gung Medical Foundation.

**J. The amount of total shareholding of the company and the company's directors, managerial staffers, and directly or indirectly controlled enterprises in an invested enterprise and percentage of the shareholding.**

Unit: share; % 2019.12.31

Invested enterprises (note 1)	Investment by the company		Investment by the company's directors, managerial staffers, and directly or indirectly controlled enterprises		Total investment	
	Number of shares	Percent age of shareholding	Number of shares	Percent age of shareholding	Number of shares	Percent age of shareholding
Formosa Advanced Technologies Co., Ltd.	135,686,472	30.68	5,609,192	1.27	141,295,664	31.95
Formosa Development Co., Ltd.	16,100,000	100.00	-	-	16,100,000	100.00
Quang Viet Enterprise Co., Ltd.	18,595,352	17.99	240,014	0.23	18,835,366	18.22
Formosa Taffeta ( Hong Kong) Co., Ltd.	-	100.00	-	-	-	100.00
Schoeller FTC (Hong Kong) Co., Ltd.	-	50.00	-	-	-	50.00
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta (Zhongshan) Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta Vietnam Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Industries Co., Ltd.	-	10.00	-	42.50	-	52.50
Formosa Taffeta Dong Nai Co., Ltd.	-	100.00	-	-	-	100.00
Formosa Taffeta (Changshu) Co., Ltd. (note 2)	-	100.00	-	-	-	100.00
Formosa Taffeta (Cayman) Co., Ltd. (note 2)	-	100.00	-	-	-	100.00
Public More International Company Ltd. (note 2)	-	100.00	-	-	-	100.00

Note 1: Long-term investment based on equity method

Note 2: Company invested by subsidiary

## IV. Fund raising

### A. Capital and shares

#### (A) Source of share capital

Month/ year	Per Value (NT\$)	Approved share capital		Paid-in capital		Note		
		share	Amount (dollars)	share	Amount (dollars)	Sources of capital	Capital Increased by Assets Other than Cash	Other
July 2006	10	1,684,664,637	16,846,646,370	Same as left column	Same as left column	Capital increment with earnings	None	Note

Note: NT\$330,326,400 of capital increment with earnings in 2005, following approval by the Cabinet-level Financial Supervisory Commission (FSC No. 0950130979, July 17, 2006).

April 21, 2020

Unit: share

Kind of share	Approved share capital			Note
	Issued shares in circulation (note)	Un-issued shares	Total share	
Common share (registered)	1,684,664,637	—	1,684,664,637	—

Note: all listed shares on the stock market

Information on self registration: not applicable

#### (B) Shareholder structure

April 21, 2020

Shareholder structure Amount	Government agencies	Financial institution	Other juridical person	Individual	Foreign institution and foreigners	Total
Number of shareholders	2	17	209	49,096	477	49,801
Shareholding (shares)	4,988,038	127,735,000	977,955,684	311,570,620	262,415,295	1,684,664,637
Shareholding ratio	0.296%	7.582%	58.050%	18.495%	15.577%	100.00%

Notes: Disclose of Chinese shareholding by companies with primary share listing on the stock market (over-the-counter market) and emerging enterprise market: Chinese shareholding refers to shares owned by people, juridical persons, groups, other institutions, or their invested companies in a third place, as stipulated in article 3 of the "Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan."



## (C) Shareholding distribution status

April 21, 2020

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Share)	Shareholding ratio
1~999	22,027	5,142,550	0.30%
1,000~5,000	19,298	43,086,137	2.56%
5,001~10,000	4,003	30,808,974	1.83%
10,001~15,000	1,323	16,719,841	0.99%
15,001~20,000	844	15,393,976	0.91%
20,001~30,000	709	17,805,711	1.06%
30,001~50,000	570	22,681,917	1.35%
50,001~100,000	443	31,524,530	1.87%
100,001~200,000	244	34,865,007	2.07%
200,001~400,000	132	36,976,316	2.19%
400,001~600,000	56	27,553,347	1.64%
600,001~800,000	33	23,023,806	1.37%
800,001~1,000,000	16	14,516,269	0.86%
1,000,001 or over	103	1,364,566,256	81.00%
Total	49,801	1,684,664,637	100.00%

## (D) List of Major Shareholders

April 21, 2020

Major Shareholders	Share	Shareholding (Share)	Shareholding ratio
Formosa Chemicals & Fibre Corp.		630,022,431	37.40%
Chang Gung Medical Foundation		97,599,254	5.79%
Yu Yuang Textile Co., Ltd.		43,005,328	2.55%
Lai Ming-hsiung		40,924,277	2.43%
Chang Gung University		37,130,116	2.20%
Chang Gung University of Science and Technology		35,812,944	2.13%
Ming Chi Institute of Technology		31,427,255	1.87%
Taiwan Life Insurance Co., Ltd.		26,722,000	1.59%
CathaY Life Insurance Co., Ltd		25,796,000	1.53%
Asia Pacific Investment Co., Ltd.		24,134,415	1.43%

Note: Shareholders ratio for the top ten shareholders

## (E) Market share price, net worth, earnings, stock dividends, and related data in recent two years

Unit: NT\$, share

Item		Year	2018	2019	Current year as of March 31, 2020 (note 8)
		Market share price (note 1)	Highest		37.95
Lowest			30.05	33.00	26.50
Average			33.35	35.70	31.97
Net worth per share (note 2)	Before distribution		44.50	38.12	33.98
	After distribution		42.40	35.62	-
Earnings per share	Weighted average number of shares		1,684,664,637	1,684,664,637	1,684,664,637
	Earnings per share (note 3)	Before adjustment	2.82	3.08	0.21
		After adjustment	-	-	-
Dividend per share	Cash dividend (note 9)		2.1	2.5	-
	Grant Stock	Stock grant with earnings	0	0	-
		Stock grant with capital reserve	0	0	-
	Accrued dividend (note 4)		-	-	-
Return on investment	Price earnings ratio (note 5)		11.83	11.59	-
	Price dividend ratio (note 6)		15.88	14.28	-
	Yield rate of cash dividend (note 7)		6.30	7.00	-

Note 1: List highest and lowest market prices of common shares in various years and calculate the average market prices of various years according transaction values and volumes in those years.

Note 2: Based on the number of shares issued at the end of year and fill in the status of distribution as resolved by shareholders' meeting next year.

Note 3: In case there needs retroactive adjustment for stock grant, list earnings per share before and after the adjustment.

Note 4: If there is requirement in the issuance conditions for equity securities for accumulation of unissued share dividends until a year with earnings for payout, disclose accrued dividend as of current year.

Note 5: Price earnings ratio = average closing share price of current year/earnings per share

Note 6: Price dividend ratio = average closing share price of current year/cash dividend per share.

Note 7: Yield rate of cash dividend = cash dividend per share/ average closing price of current year

Note 8: Provide data on net work per share and earnings per share certified (reviewed) by certified public accountants up to the latest quarter as of the date for the publication of the annual report; provide data of current year as of the date for the publication of the annual report for other columns.

Note 9: NT\$2.5 cash dividend and no stock dividend for distribution of 2019 earnings is a proposal, which needs passage at the 2020 shareholders' meeting.

(F) The company's dividend policy and execution status

1. Dividend policy

With business belonging to mature industry, the company retains stable profits, with dividend policy focusing on cash-dividend payout, capital increment with earnings, and capital increment with capital reserves. After deducting appropriations for legal reserve and special reserve, at least 50% of the distributable earnings of the current year is used in dividend payout, especially cash dividend. The combined amount of capital increment with earnings and capital increment with capital reserves should not exceed 50% of the dividend payout of the year.

2. Proposal for dividend payout at the shareholders' meeting

The proposed dividend distribution for this shareholder meeting is NT\$2.5 per share, all in cash.

3. Expected major change in dividend policy: nil.

(G) Effect of proposal of stock grants at the shareholders' meeting on the company's business performance and earnings per share: not applicable (the company doesn't compile financial forecast).

(H) Compensations for employees and directors:

1. Percentage and scope of compensations for employees and directors specified in corporate charter: After settlement of final account, the resulting net profit, after deduction of business income tax, should be used in priority to cover accumulated loss of previous years, before appropriation of 10% of the balance as legal reserve and, if necessary, additional appropriation as special reserve, followed by appropriation for dividend. The remaining earnings, should it exist, would be combined with accumulated retained earnings of previous years for formulation of shareholder bonus payout by the directors for submission to shareholders' meeting for approval.

According to revised corporate charter approved by shareholders' meeting on June 24, 2016, if the company turns in a profit, after deduction of compensations for employees and directors, 0.05% to 0.5% of pretax profit would be appropriated for employee compensations and up to 0.5% for compensations for directors. However, if the company still has accumulated loss, appropriation should be made first on the profit to cover the loss.

2. Accounting for difference between the estimate as the basis for compensations for employees and directors and number of shares as the basis for stock payout as employee compensations and the actual payout value:

Estimate as the basis for compensations for employees and directors is made according to related law/regulation, the company's charter, and past experience. Difference between the estimate and actual payout value, if any, would be handled as variable in accounting and listed as profit/loss of next year.

3. Payout of compensations approved by the board of directors:

The company's board of directors passed the following resolution on March 13, 2020:

(1) Cash payout of NT\$11,220, 436 for employee compensation and NT\$5,610,128 for compensations for directors.

(2) No payout for employee compensation in the form of stock, with share of such payout in after-tax net profit and total employee compensation being zero.

4. Explain the difference, if any, between actual payout for compensations for employees, directors, and supervisors in previous year (including the number of shares and value of money paid out and stock price) and the recognized amount of compensations for employees, directors, and supervisors, the scale of difference, reason, and handling status: Status of execution of payout approved by shareholders' meeting of the company on June 20, 2019:

(1) Actual bonus payout in cash for employees reaches NT\$10,543,152 and NT\$5,271,576 for compensations for directors, with no stock payout;

(2) actual bonus payout for employees in the form of stock is zero, with share in capital increment with earnings being zero;

(3) after deduction of aforementioned payouts, earnings per share is imputed at NT\$2.82.

(4) there is no difference between the aforementioned actual payout and the payout plan approved by the board of directors.

(I) Share buyback by the company: nil.

**B. Issuance of corporate bonds: nil**

**C. Issuance of special shares: nil**

**D. Issuance of overseas depository receipts: nil**

**E. Issuance of employee stock option certificates: nil**

**F. Managerial staffers with acquisition of employee stock option certificates and names of top 10 employees with largest number of employee stock option certificates and status of acquisition and subscription: nil**

**G. Issuance of restricted stock awards: nil**

**H. Managerial staffers with acquisition of restricted stock awards and names of top 10 employees with largest number of restricted stock awards and status of acquisition: nil**

**I. Issuance of new shares for acquisition of other company or transfer of other company's shares: nil**

**J. Status for the execution of fund utilization plan**

(A) Contents of plan

1. Previous securities issuances or private share placements which have not been completed as of the date of the publication of annual report: nil

2. Plans in recent three years which have been completed but have yet to manifest significant benefits: nil

(B) Execution status

Analyze item by item the purposes of aforementioned various plan as of the quarter prior to the publication of the annual report, execution status, and comparison with anticipated benefits: nil

## **V. Business Status**

### **A. Business contents**

(A) Business scope (according to business items registered with the Department of Commerce, the Ministry of Economic Affairs)

1. The company's major business items are:

- ( 1)production and sale of nylon fabric and polyester fabric;
- ( 2)production and sale of the alveolar bone of umbrella rib and tyre cord;
- ( 3)manufacturing, processing, and sale of polymers and related products;
- ( 4)traditional combed cotton yarn, blended yarn, new functional yarn, special protective yarn, and woven fabric;
- ( 5)production and sale of protective textile devices, including: [1] bulletproof vest, jacket, helmet, shield, mask; abrasion-resistance fabric, and products with composite materials (sports devices, fishing gear); [2] industrial work clothes, including clothes with acid-, alkaline-, fire-, and high temperature endurance and reprocessed products using such textiles, including fire-fighting coat, anti-heat clothes for working in boiler room, and chemical-industry work clothes; [3] clean-room wares (sterilized clothes, surgical gown, medical wrapping cloth, anti-static electricity clothes), and sterilized clothes;
- ( 6)Information software and service and design, manufacturing, and sale of communications software/hardware and components;
- ( 7)management of recreational area, children's amusement park, park, camping ground, swimming pool, skating rink, zoo, and general sports ground and lease of gear for water recreational activities and yacht;
- ( 8)management of hotel and affiliated restaurant;
- ( 9)transactions in staples, artifacts, groceries, general merchandise, and apparels;
- ( 10)agency and production of domestic and foreign artistic and performing-art events;
- ( 11)running of gas stations for sale of gasoline, diesel oil, kerosene, and petroleum products in small package, plus lubricant oil for autos and motorcycle, as well as simple maintenance, car washing, auto and motorcycle products, convenience store, parking lot, operation of automatic vending machine, and entrusted operation of regular auto inspection;
- ( 12)other businesses except those forbidden or restricted by law/regulation.

The above are the major business contents of Formosa Taffeta Co., Ltd.

## 2.2019 Revenue distribution

Unit: NT\$1,000

Major products	Unit	Quantity	Amount	%
Oil products	Kiloliter	466,101	11,744,169	31.95
Polyamide/Polyester fabric	1,000 yards	286,530	15,552,850	42.31
Polyamide/Polyester Tire Cord	Metric ton	52,453	7,644,738	20.80
Special textile	1,000 yards	4,806	1,059,404	2.88
PE bags	Metric tons	5,657	374,835	1.02
Number of yarn	Pieces	17,481	341,259	0.93
Land development		-	2,771	0.01
Business recruitment		-	35,060	0.10
Commission income		-	7,103	0.02
Total		-	36,762,189	100.00

The board of directors of the Company has approved the resolution on December 13, 2019 for the disposal of 16% of equity from Formosa Advanced Technology, a subsidiary of Formosa Plastics Corporation, and completed the procedure of share transfer on December 16, 2019. After the disposal, the Group's shareholding ratio is 30.68% and there is no substantial control. Therefore, the consolidated turnover and profit amount are expressed according to the regulations.

### 3. The company's existing products:

Long-fiber polyamide/polyester woven fabric, short-fiber woven fabric, long- and short-fiber interwoven fabric, dyed check, Environmental protection copper amine rayon plain weave, polyamide /polyester tire cord, PE bag, combed cotton yarn, blended yarn, new functional yarn, special protective yarn and textile, Military uniform / police uniform / firefighting fabric, medical fabric, bullet-proof fabric, composite-material textile, Clean clothes/clean room work clothes fabric, gas-station service, daily-life products, and car-washing service.

### 4. New products planned to be developed:

Environment-protection materials, biomedicine products, textiles for senior citizens, development and application of nano-level materials, fluorine-free water-repellant fabric, multifunctional smart clothing fabric for temperature control and photovoltaic positioning , waterless dyeing technology, bluesign® polyamide textile featuring chemical-free processing, fireproof and anti-near infrared camouflage fabric, high visibility fireproof fabric, flame retardant fabric against molten iron splash, the development of the tablet for automated robotic arm and thermoplastic board for 3C.

## (B) Industry status

### 1. Polyamide/polyester long-fiber dyed fabric

The overall economy in 2019 was mild, and the apparel consumer market still maintained a steady growth. Affected by the popularity of sports, leisure trends, and the rising awareness of environmental protection, the demand for functional sportswear in the garment market is vigorous. It stimulated the growth of apparel sales, caused effective destocking, and drove the growth of apparel performance for major brand customers. Besides, with the brand's plan to integrate fabrics and concentrate on the production supply chain of ready-made garments, it is expected to increase local supply and shorten the delivery time. In 2020, the revenue from the brands under Formosa Vietnam factory is expected to grow continuously, while the Taiwan factory is actively developing differentiated product development and sales. As a brand project integration operation platform, Taiwan factory excels in product development innovation to maintain competitiveness and new growth momentum.

The Company's end market of long-fiber fabric is mainly divided into four major categories: outdoor performance, sportswear, casual and umbrella etc. to respond accordingly to the trends of the cross-border development for the fashion and sport of international brand. In response to the current trend, the Company's various types of textiles have expanded the proportion of differentiated products with high niche, and environmentally friendly fabrics have also become the mainstream trend. The sales of recyclable and environmentally friendly materials are expected to grow by multiples. In addition, the Company has also developed potential customers according to different customized needs. In terms of operation, taking into account the local supply and the niche of regional preferential tariffs, we have integrated the respective advantages and product portfolios of the five factories in Taiwan, China, and Vietnam to effectively allocate production capacity and expand comprehensive efficiency.

### 2. Cotton spun yarn

(1) Industry status and development: The industry of cotton spun yarn in Taiwan has faced a rapidly shrinking domestic market in the mid- and lower-stream weaving factories and dyeing factories in 2019, and a shrunken international market due to the reduction of end consumption. Some yarn mills continue to increase the proportion of niche products in small yet diverse markets, while some yarn mills moved out or reduced production in response.

(2) Association among the upstream, midstream, and downstream sectors of the industry: Combining the special and natural / chemical fiber of upstream suppliers and downstream weaving / dyeing / special processing plants / brand customers, meet the needs of end consumers collectively, develop customized and refined end products to enhance the competitive capability of yarn mills.

- (3) Product development trend: In 2019, the Company continued to transform long and short fiber composite yarn machines, and cooperated with the patent authorization and brand of cloth merchants for vertical integration. In 2020, the high-end sportswear market and antibacterial and epidemic prevention cloths have been promoted, and machines have been continuously rebuilt to increase supply.

### 3.Special fabric

- (1) Industry status and development: Demand for the overall market has grown, and the Chinese mainland military / police / fire / protection / medical markets have increased year by year due to climate disasters; Demand for oil work uniform is flat.
- (2) Association among upstream, midstream, and downstream sectors of the industry: The upstream is dominated by protective yarns in Europe, the United States, Japan, and mainland China. The Company's special fabric factory belongs to the midstream weaving / dyeing and finishing industry, and the downstream customers are mainly garment factories / distributors.
- (3) Development trend and competitive status of various products: In response to the development of the product toward light weight, comfortable elasticity, multi-function and low price, the factory is developing fireproof camouflage / fireproof high visibility / anti-iron liquid splash / low and medium price fireproof cloth / elastic fireproof cloth and super soft food industry uniform cloth etc. The rise of India / Pakistan / Mainland China / Turkey has made the competition more fierce. New products and new applications are the only solutions.

### 4. Carbon-fiber fabric

- (1) Industry status and development: The domestic market demand in Taiwan is nearly saturated, and the price competition in the same industry is fierce. Import tariffs for export to mainland China are relatively high, and the Company is actively expanding the carbon fiber composite market outside the mainland China.
- (2) Association among upstream, midstream, and downstream sectors of the industry: Carbon fiber fabrics and prepregs belong to midstream semi-finished products processing industry. The upstream raw material is from Formosa Plastics Taililang Carbon Fiber Factory and Japan's famous carbon fiber factory. For downstream, there are bicycle components factory, sports equipment factory, ship material manufacturing factory, composite material molding factory, pipeline and pipeline reinforcement factory, construction reinforcement industry and drone production factory. Formosa Plastics and the Company are affiliated companies of Formosa Plastics and have good mutual trust.
- (3) Development trend and competitive status: The carbon fiber fabric product



line covers 1.5K, 3K, 12K plain / twill fabrics, resin prepregs, carbon fiber flat sheets and multi-axial layer fabrics, etc. It is suitable for thermosetting and thermoplastic molding. The Company's carbon fiber composite material factory combines the upstream and downstream industries to jointly develop thermoplastic / thermoset housings of 3C product, automotive components, and robotic arms. We cooperate with customers to claim public engineering cases and other general building reinforcement cases, provide construction and inspection data to manufacturers for reference, expand the application of construction manufacturers to extend the depth and breadth of products, and create sales opportunities.

#### 5. Tire cord

- (1) Industry status and development: The factories in Taiwan have a production capacity of 3,600 tons / month, with domestic sales accounting for 24%, and exports to Southeast Asia, India, Sri Lanka, the United States, China, Japan, South Korea, Europe, etc. accounting for 76%. The Vietnamese factories have a production capacity of 2,000 tons / month, with domestic and foreign sales about 44% and 56% respectively. Since international supply is greater than demand, price competition is the norm. Furthermore, the product export from Taiwanese factories faces unfavorable tariffs imposed by importing countries. Affected by the COVID-19 in 2020, foreign automobile factories and tire factories at the downstream have been shut down one after another, and the demand has been greatly reduced. It is estimated that the condition will gradually recover in the third quarter. Before then, we still strive to gain the market share of our factory, adjust the purchase and production status of raw silk and related raw materials, reduce inventory, and avoid accumulating high-priced finished product inventory. We will strengthen our equipment maintenance during the epidemic to quickly produce products and make delivery when customer demand is restored.
- (2) Association among upstream, midstream, and downstream sectors of the industry: The main raw materials for the tire cords are high-strength yarns such as Polyamine 6, Polyamine 66, and Polyester, which are produced by Formosa Plastics and cord yarn plants in mainland China, which have sufficient capacity to supply downstream tire manufacturers.
- (3) Development trend and competitive status: Due to the low technical threshold of bulk tire specifications, coupled with competition from international peers for price competition, and the unfavorable tariffs of Taiwan's exports to major markets, bulk specifications have been gradually moved to Vietnam factories for production. The Company reinvests the factories in Taiwan and Vietnam in high-end product equipment to strive for the sale of differentiated and high value-added products.

## 6. PE bags

- (1) Industry status and development: Under chronic price competition, the plastics processing plant of company has focused on the Japanese market, due to its demands for quality products with higher prices, which now accounts for 77% of the company's sales of PE bags, leaving 22% for shipment to America and 1% for domestic sales in Taiwan.
- (2) Association among upstream, midstream, and downstream sectors of the industry: The upstream raw materials are high-density polyethylene granules and color masterbatch, and the source is Formosa Plastics Co., Ltd., which is also a Formosa Plastics-related enterprise with good mutual trust and close relations with the Company. The factory mainly engages in film blowing, printing and bag making. It mainly supplies downstream retailers such as supermarkets, hypermarkets, convenience stores, etc., providing T-shirt bags, roll bags and garbage bags for consumers.
- (3) Development trend and competitive status: Restricting or disabling T-shirt bags is an international trend in recent years. The Japanese Ministry of Environment required that T-shirt bags should not be provided free of charge from July 2020, but bioplastic bags containing more than 25% biodegradable materials are not subject to this restriction. Chile will ban T-shirt bags since August 2020, but biodegradable T-shirt bags are not limited to this restriction. In the future, the market will be more severe as the price competition among international manufacturers become more fierce and the legal regulations on restrictions and bans in various countries become more stringent. The advantage of our products is quality. In the future, the market will be divided into countries with no plastic restrictions that provide traditional plastic T-shirt bags, and countries with plastic restriction, such as Japan, which requires the use of bioplastics containing more than 25%, that provide certified T-shirt bags with biometric verification for customers to use. In order to maintain stable growth and respond to stricter environmental protection, the Company's plastic processing plants have been devoted to the research and development of various new environmentally friendly materials in recent years, leaving its peers all behind.

## 7. Formosa Taffeta gas station (106 stations)

- (1) Industry status and development: There were 2,497 gas stations in Taiwan as of the end of 2019 (source: the Bureau of Energy, the Ministry of Economic Affairs), including 615 owned by CPC Corp., Taiwan directly, with the remainder being gas stations run by private enterprises, franchised stations, and independent stations.
- (2) Association among upstream, midstream, and downstream sectors of the industry: Gas stations are situated at the end of the channel of oil-product market, with oil products supplied by CPC Corp., Taiwan and Formosa Petrochemical Corp. mostly, as import volume is very low. The Company and Formosa Petrochemical Company are the affiliated companies of

Formosa Plastics, with good mutual trust and close relationship.

- (3) Development trend and competitive status: The competition among gas stations in Taiwan is fierce, and it is a highly mature market. The requirements for multiple services and SOP operations for station services must be higher than the peers in the industry. Upstream oil plants are also developing differentiated oil products. Formosa Petrochemical launched 95 Plus gasoline to make driving smoother, more fuel-efficient, strong horsepower, and faster acceleration. It has effectively reduced engine carbon deposits and pollution emissions. The increase of selection volume can be expected. The sales ratio of gasoline and diesel in Taiwan: gasoline accounts for about 70%, and diesel accounts for about 30%.
- (4) Engaged in the running of gas stations, retail of oil products, plus some auto and daily-life goods, and car-washing business, Therefore, the company has focused on the management of gas stations, including quality of services, personnel deployment, promotion of by-products, and car washing. The Company consistently strengthens SOP standard operations and training. In recent years, we have paid attention to environmental protection, community safety and corporate social responsibility (CSR). We have participated in community public welfare activities. Since 2020, we have publicly disclosed the organization's greenhouse gas emissions, which have been verified by a third party. We follow the operations of water and power conservation to reduce air pollution and enhance environmental protection and security.

Looking forward to the long fabric market in 2020, in response to the rapid changes in sports and leisure trends and higher demand for differentiated and functional products, the Company will actively develop differentiated product development to help revenue growth. The differentiated and functional products, as well as environmentally friendly fabric are expected to grow in 2020. Although affected by the external financial and trading environment and the uncertain factors of the COVID-19 epidemic outbreak in 2020, reaching the 2020 target is still quite challenging. We must put more efforts in developing new customers, creating new products with materials, weaving and dyeing technology, and strengthening the research and development of kinetic energy. It is expected that the Company can improve the functionality and differentiation of sports, outdoor and affordable fashion brands, work closely with major strategic partners, garment factories, to deepen the management of the garment supply chain, ensuring the growth of 2020 and the achievement of goals.

(C) The State of Technology and Research & Development

Year	Expense in R & D(NT\$)	Result
2019	282,638,356	<ol style="list-style-type: none"> <li>1. Development of smart thermal insulation cloths.</li> <li>2. Implement of A+ Industrial Innovation R&amp;D Program.</li> <li>3. Recycled Polyester/Nylon Fabric development and improvement of dyeing and finishing technology.</li> <li>4. Development of thermoplastic carbon fiber used in 3C product.</li> <li>5. Development of a new type of heat-storage processing fabric.</li> <li>6. Fluorine water repellent recovery / zero emission technology development.</li> <li>7. Eco-friendly Dope Dyed HCR fabric development.</li> <li>8. Development of differentiated functional fabrics with special cross-sections for wind and wool.</li> <li>9. Development of ultra-lightweight and high-strength Outdoor / Sports fabrics.</li> <li>10. Development of Nomex Camouflage fabric</li> <li>11. Cooperation with Taiwan Textile Federation</li> <li>12. Development of impact-resistant carbon fiber prepreg for bicycle front fork</li> <li>13. Additional production equipment for small spinning machines</li> <li>14. Development of advanced bicycle tire fabrics</li> </ol>
2020 Q1	64,834,954	<ol style="list-style-type: none"> <li>1. Module optimization of smart thermal insulation cloths.</li> <li>2. Nomex anti-NIR camouflage fabric development (continued).</li> <li>3. ZDHC / Chemical Project Management and Promotion.</li> <li>4. Material fabric from ocean recycling and fishing net recycling (continued).</li> <li>5. Hybrid cord development.</li> </ol>

(D) Long- and short-term business development plan

1. Polyamide/polyester long-fiber woven & dyed fabric

1.1 Short term

- (1) Expand supply of product mix featuring highly differentiated niche products and environment-friendly materials.
- (2) Tap business of emerging brands, flexibly adjust the interaction between orders and capacity, and assure stability of order sources.
- (3) In line with the trend of orders with short-delivery time among market customers, offer customized service covering product recommendation throughout product development to customers, to solicit their orders.
- (4) The company must dedicate to enhancement competitiveness of supply chain, via R&D/ equipment/quality/delivery time/service.
- (5) In response to CSR current, actively seek treatment of discharged water, including separate sewer, regeneration, and recycling, to attain the goal of volume reduction, supply reduction, and consumption reduction.

1.2 Long term

- (1) Intensify market information collection, strengthen strategic partnership with branded customers, consolidate supply chain, and

raise full-purchase rates of branded customers.

- (2) Tap multiple terminal markets, in the four categories of outdoor apparel, functional sportswear, fashion and leisure, and umbrellas for both sunny and rainy days.
- (3) Materialize the benefit of KPI (key performance indicators) and assure rapid and punctual delivery of goods, so as to meet customer demands.
- (4) Form strategic alliance with apparel suppliers designated by branded firms, develop and promote products with material suppliers, apparel firms, and design houses jointly.
- (5) In response to the request of branded firms to cut energy and water consumption in process, Formosa Taffeta's various plant premises plan to complete various environment-protection projects according to schedule, so as to enhance CSR competitiveness.

## 2. Cotton spun yarn

### 2.1 Short term

- (1) Collect various new fibers, alongside development of new products and new channels (Protection, medical, ...etc) by the company's special textile factory.
- (2) Continue forming strategic alliance with upstream material suppliers in the development of new type and new usage, so as to lengthen product line.
- (3) With the continuous transformation and addition of long and short fiber composite yarn machines, we develop a series of innovative products to provide brand customers with use and create new applications with high added value.
- (4) In response to the increasing market demand for medical fabrics, the Company's cotton yarn mills target silver fiber, zinc oxide fiber and other antibacterial yarns and cooperate with customers to grasp the market of antibacterial underwear, mask covers, diabetic socks, medical protective gear and various antibacterial clothing.

### 2.2 Long term

Continue introduce ever-progressing hi-tech textile materials, from both domestic and overseas sources and in line with demands of end customers for products with diversified and compound functions, carry out vertical integration of upstream, midstream, and downstream sectors, for the development of customized, differentiated, and environment-friendly products, in the hope of becoming a hub in the supply chain for short-fiber functional textiles in Asia-Pacific.

### 3.Special textile

#### 3.1Short term

Flame retardant fabrics is developed for multiple products such as anti-infrared camouflage printing, high visibility, anti-iron liquid splash and multi-functional applications at low and medium prices, and actively enters the European, American, Japanese and Australian military police market; antistatic fabrics develops food industry, aseptic room cloth and paint spraying clothes, etc., high-strength fibers are applied in composite fabrics and used in military fabrics.

In 2020, due to COVID-19 New Coronary Pneumonia, the demand for domestically-used medical and hospital fabrics increased greatly, including isolation clothing, medical clothing, protective curtains, surgical anti-fouling clothing, wrapping cloth, etc., but the upstream supply of raw silk is tight, and it is necessary to strengthen the preparation of materials and cooperate with the emergency period of delivery.

#### 3.2Long term

Develop emerging customers for flame retardant fabric, and combined with international manufacturers to promote protective clothing, protective textiles, etc. in European, American, Japanese, and Asian Pacific markets;, and cut into the antibacterial clothing of long-term care market and develop bedding appliances.

### 4. Carbon-fiber fabric

#### 4.1Short term

Cooperate with industry / academic / research institutions to develop 3K carbon fiber fabrics and epoxy resin prepregs used in drones; cooperate with construction companies in Taiwan to develop carbon fiber fabrics for new structural reinforcement.

#### 4.2Long term

Continued to promote the existing products and deepen the market; invest in the development of special epoxy resin prepregs, and adopt precision lamination and high-temperature molding technologies to improve process differentiation; in addition, develop high-precision carbon fiber mechanical arms for fabs and LCD panel factories.

### 5. Tire cord

#### 5.1Short term

(1)Polyamide tire cord of Taiwan plant: Due to the unfavorable factors of export tariffs and the poor automobile market, Indian customers reduced purchases. In 2020, in line with the market growth of existing customers and the development of domestic market, the Company plans to expand the market in Taiwan, the United States, Brazil, South Korea, India, Sri Lanka, Southeast Asia, Europe and other regions, and to win orders for fine bicycle tires for fine bicycles. In addition, the factories in Taiwan transferred the lost orders arising from the difficulty in competing for regular bulk products to the Company's Vietnam factory to accept the lost orders.

(2)Polyester tire cord and fabric: Continue to strive to maintain or expand accepting orders from existing customers, and then accelerate the development of customers undergoing quality certification, especially

in Taiwan, Serbia, Sri Lanka, Indonesia, South Korea, and Malaysia, cooperate with Japanese THC to develop Japanese polyester cord market, and develop environmentally friendly polyester filament tire cord with Czech customers.

- (3) Other products with high added value: Increase orders for anti-rubbing fabric and promote fine danny and anti-stabbing fabric for bike tires, and other products with high added value. Carry out a lean plan on site and make every effort to reduce production costs.
- (4) Vietnam plant: Maintain the production capacity of twisting weaving for 61,700 tons / month and impregnation for 2,000 tons / month. The single yarn impregnation machine was put into operation in June 2020 and accelerated the opening and sending of polyester cord fabric, single-strand specifications, anti-wipe products and impregnated single yarn, and winning trial orders. By expanding a more complete product portfolio to actively respond to the changes and competition of the market. Furthermore, taking advantage of the comparative advantages of production costs of the Vietnamese factory and the zero-tariff reciprocity of exports to ASEAN countries, the Company will adjust equipment production capacity, coordinate product mix, and deploy production and supply with the factory in Taiwan.

## 5.2 Long term

Reduce the impact on the environment with the cooperation strategy of production and sales in Taiwan and Vietnam which complement each other. Over the years, the Company's tire cord factory has suffered from regular product order loss due to the adverse export tariffs of Taiwan products, continuous factory expansion of the peers, price competition and oversupply in Asia. In addition, as the weaker demand from downstream tire manufacturers, the situation is even more difficult. The tire cord factory of the Company must endeavor to reverse the status quo, create opportunities under adversity, and turn the crisis into a turning point.

The average annual sales volume of the Vietnamese factory in 2019 was 1,543 tons / month. In 2020, with the tariff advantage from the ASEAN members, the Vietnamese factory has accepted the parity orders for bulk products released by the Taiwan factory. The Company accelerates the development and delivery of high value-added products, strives for customer orders in Vietnam, ASEAN countries, China, South Korea, Japan, India, Europe and the United States and other regions. The Company's cord factory has made great efforts to reduce raw materials, labor costs and other expenses.

The factory in Taiwan continues to expand the new customer base of the world's 30 largest tire factories and strives to obtain orders for differentiated and high value-added products to increase the sales and profitability of the Taiwanese factory.

## 6. PE bag

### 6.1 Short term

In accordance with the laws and regulations of some countries, the Company produces bioplastic new bags, focusing on securing existing customer and developing new customer and reducing production costs. According to the declined trend of raw material prices in 2020, the Company will adjust the inventory of raw material and finished products to reduce the cost of raw material and the inventory of finished products.

### 6.2 Long term

The Company pays attention to the logistic industry and industrial packaging materials products, in response to the development of demand for environmentally friendly plastic products, develop related new products, and seek transformation and sustainable operation.

## 7. Formosa Taffeta gas stations (106 stations)

### 7.1 Short term

- (1) Recruit customers by contract: Solicit bulk oil-consumption customers in the fields of agricultural machines and industries, so as to boost oil sales.
- (2) development plural payment instruments and intensify sales promotion, so as to stabilize existing customers and strive for new ones and enhance oil sales.
- (3) Offer sophisticated car-washing service and improve service quality, to increase revenue.
- (4) Adjust stocks, in line with price fluctuation.
- (5) Enhance corporate image, via engagement in community charity activities.
- (6) In line with increasingly strict supervision of gas stations by municipal governments, in terms of inspection of safety, equipment, and environmental protection, the company carried out online management of all the 106 stations, improving report of defects, reducing penalties, strengthening environmental protection, and assuring communal safety.

### 7.2 Long term

- (1) Phase out stations with lackluster performance, taking into account lease length and locations, so as to boost overall profits of gas station operation, expanding market share by increasing new stations.
- (2) To save manpower and meet customer demands, increase installation of self-service filling equipment, as part of the effort to fully automate the operation of gas stations, so that every station has self-service option to provide customer discounts.
- (3) Push co-brand card and membership card, to increase non-oil revenue and raise customer loyalty.
- (4) Diversify revenue sources, offer sales of urea, sales of the Company's



own products, manual car washing and installation of charging and replacement power stations, etc.

(5) With electric motorcycles have caused an increasing impact on the operation of gas stations, cautiously consider long-term countermeasures for the trend of electric vehicles and driverless cars. but environmental protection and carbon reduction that are conducive to Taiwan 's environment, are generally in response to technological changes.

## **B. Market and production/sale status**

### **(A) Market analysis**

#### **1. Major outlets and market shares**

The textile products produced and sold by the Company are widely used in the people's livelihood and are not in the oligopolistic market such as electronics or rare products. There are hundreds of thousands of companies in the same industry in the world, and the requirements of products and materials vary. As there is a lack of transaction volume data collected by international agencies or customs of various importing countries, and one enterprise account for relatively low ratio in the global production and sales, Therefore, the market share data can hardly be found. However, we are pursuing full production capacity of equipment, focusing on the substantial growth of annual overall production quality and sales volume, focusing on the continuing order and full purchase rate of existing customers for similar processing fabrics of filament plain woven fabrics, and expanding customer territory in the market of emerging countries.

#### **(1) Polyamide/Polyester long-fiber dyed fabric**

Formosa Taffeta's textile products are shipped mainly to four end markets: outdoor functional wear with 37.5%, sportswear with 41.8%, casual wear with 11.1%, and umbrella with 9.6%. Major customers are international renowned brands, with which the company has entered into strategic alliance, forming a tight supply chain along with apparel manufacturer customs, which covers product design, joint development of materials, fabric design, dyeing and finishing, and apparel. The company's fabric is supplied mainly to apparel plants in China, Hong Kong, Northeast Asia (South Korea, Japan), Southeast Asia (Vietnam, Indonesia, Thailand, Laos, Burma). Customers' continuing purchase volume and full purchase rates fluctuate along with performance for sales to branded customers.

#### **(2) Cotton yarn:**

1) Sales outlets: ratio between domestic sales and export and areas are shown

in the following table:

Area	Year	Taiwan	Southeast Asia	South America	Others	Total
Sales share (%)	2018	82	12	4	2	100
	2019	79	14	4	3	100
Explanation	Calculation on yearly basis					

- 2) Traditional yarn accounted for 70.3% of the sales volume of the cotton weaving plant in 2019, with the remaining 29.7% for functional yarn, but in terms of sales amounts the share of Traditional yarn was 54.5%, functional yarn was 45.5%, which underscores the high added amounts of the latter.
- 3) Traditional yarn business is clouded by sluggish trading in yarn counts, as orders received by downstream textile firms drop under the strong competition from imported apparel and foreign brands.
- 4) Strengthen R&D on functional and high-price industrial yarn, develop in the direction of small volume/large variety products, and focus on the production functional yarn, in concerted effort with upstream and downstream firms, so as to boost market competitiveness.
- 5) In line with the needs of downstream fabric and apparel plants, accelerate development via strategic alliance of differentiated products and environment-friendly products, so as to avoid red-sea competition and augment product competitiveness.

(3) Special fabric

- 1) Sales outlets: Major outlets with shares are shown in the following table:

Area	Year	Taiwan	Europe & the U.S.	Asia Pacific	Total
Sales share (%)	2018	26	19	55	100
	2019	12	32	56	100
Explanation	Calculation on yearly basis				

- 2) Traditional yarn accounted for 70.3% of the sales volume of the cotton weaving plant in 2019, with the remaining 29.7% for functional yarn, but in terms of sales amounts the share of Traditional yarn was 54.5%, functional yarn was 45.5%, which underscores the high added amounts of the latter
  - 3) Anti-static electricity fabric is shipped mainly to the European market and is aimed at the markets of foodstuff industry in Asia-Pacific and paint-spraying work clothes in Europe.
- (4) Carbon-fiber fabric
- 1) The Company's carbon fiber composite material factory is the only manufacturing plant in Taiwan that is equipped with production facilities of carbon fiber fabrics, epoxy resin prepregs, multi-axial carbon fiber fabrics, and compression molds that can meet the diverse needs of customers.
  - 2) Domestic sales accounts for 70% and 30% for foreign sales. The export areas include Japan, South Korea, Thailand, mainland China, Australia, and Europe.

(5)Tire cord,

Sales outlets: Major outlets with shares (Taiwan plant & Dong Nai plant) are shown in the following table:

Area	Year	Taiwan	India	South east Asia	North east Asia	China	The U.S.	Others	Total
Sales share (%)	2018	20	21	32	11	6	4	6	100
	2019	21	18	35	11	5	4	6	100
Explanation	Calculation on yearly basis (Taiwan plant + Dong Nai plant)								

The company's plants in Taiwan and Vietnam have been endeavoring to cut energy consumption, carbon emission, and water usage, in order to lower cost, uphold quality and on-time delivery, on top of developing vigorously new products, raising the share of differentiated environment-friendly products with higher added value and augmenting revenue.

(6)PE bag:

In 2019, Japan was the largest outlet for the company's PE bags, boasting 77%, followed by America with 22% and Taiwan with 1%. On the basis of existing niche, the company has been actively developing new customer sources, in order to raise market share. The company has been substituting new equipment for old ones, in order to meet the growth of demands from increasing convenience store outlets in Japan, achieve energy conservation and cut carbon emission, lower production cost, develop differentiated and environment-friendly products, improve product mix, and enhance product competitiveness. Besides, in order to cooperate with the plastic restriction and carbon reduction policies implemented in Japan, the bio-environmentally friendly T-shirt bag has been certified by JBPA in Japan, and will be widely used in 7-11 convenient stores since May 2020.

(7)Formosa Taffeta gas stations:

- 1) Market share: There were 106 Formosa Taffeta gas stations in 2019, whose oil supply volume per station was slightly lower the industry average, with market share reaching 3.3%. Taiwan's gas stations are divided into three groups, stations directly owned by CPC Taiwan (615 stations for 24.7% share); sub-groups of stations run by Formosa Taffeta, Formosa Oil, NPC, Uni-President Smile, Taiwan Sugar, and Shan-loong (each with 70-120 stations); and small-chain or individual stations.
- 2) Outlook for supply and demand and growth potential on the market: Under the oligopoly of CPC Taiwan and Formosa Petrochemical Corp., supply on the domestic oil-product market is not a problem. Different from the situation in 2019 when international oil prices rose before drop. In 2020, due to the spread of COVID-19 in the world, consumers reduced their outings, and the demand for refueling also declined. In addition, the international oil price fell sharply to about US\$ 20 / barrel at the end of March, the oversupply and gas station competition became more intense.

Therefore, the volume of delivery is slightly reduced.

3) Development of competition and countermeasures: Major competitive practices on the gas-station market include price cut, preferential rate for credit-card customers, and preferential charge for car washing, adopted by stations run by large business groups or chain stations in pushing various sales campaigns. As a member of Formosa Plastics Group, Formosa Taffeta gas stations boast the advantages of established brand, quality, systemized operation, availability of self-produced promotional items, preferential treatment for credit-card consumption, and logistics support. Consequently, the company has carved out a solid market share, especially in central and southern Taiwan. Faced with acute competition on the mature market, Formosa Taffeta gas stations will continue providing preferential rates to customers with cash or co-brand card payment and VIP card holders and pushing personnel training, 5S operation, and TPM management, plus promotion of self-service gas filling, monthly bills for agricultural-machinery and corporate customers, professional car-washing service, use of by-products in sales campaign.

2. Market sharers, demand-supply market outlook, growth potential, competitive edge, favorable and unfavorable factors for business outlook and countermeasures: Refer to aforementioned reports on various products and explanations in V. business status and I. business reports for shareholders of the pamphlet.

3. Market competitive status and countermeasure

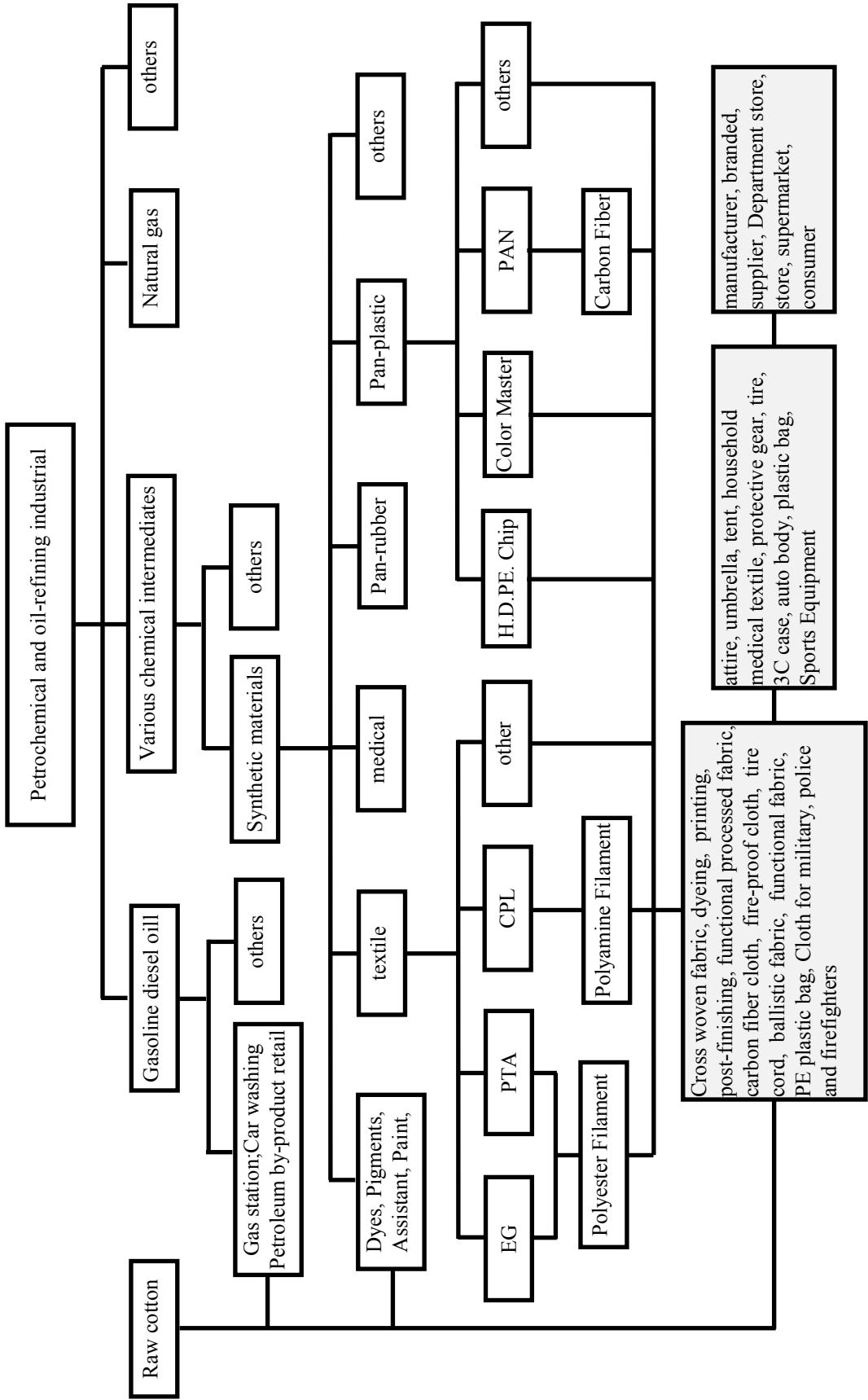
Except the B2C service of gas stations, all other products of the company are B2B Marketing model, for which the company has longstanding customers and enjoys the trust and acclaim of international branded final buyers. However, faced with the acute price competition from established firms and newcomers, the company has been endeavoring to develop new materials, new functions, differentiated features, and green and innovative products, plus insistence of quality and exploration of emerging markets, in order to shed reliance on blue-sea markets, products, and customers.

4. Linkage of supply chain

For years, the company has purchased 60% of raw materials from affiliates of Formosa Plastics Group, without any concern about credit standing and transaction problems, and supplied over 60% of products to reliable longstanding and branded customers, assuring stable business.

Chart of the connection of the company' supply chains for up-, medium- and downstream materials and products

**Textile Industrial Chain of Taiwan**



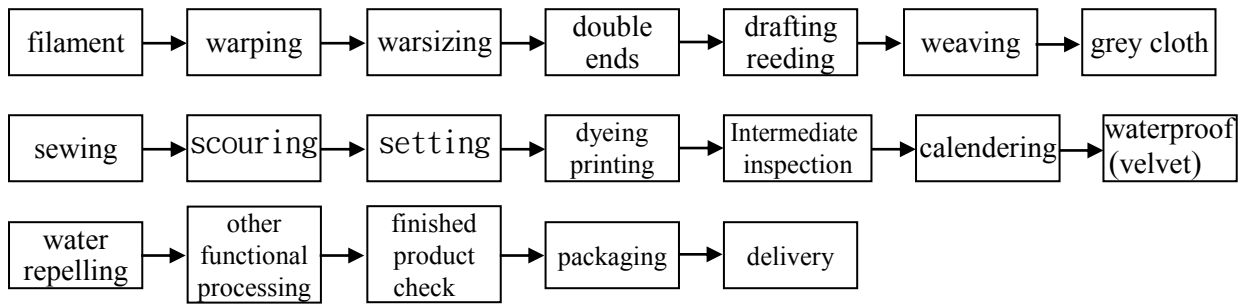
(B) Major purposes and production processes of various products

1. Major purposes of various products

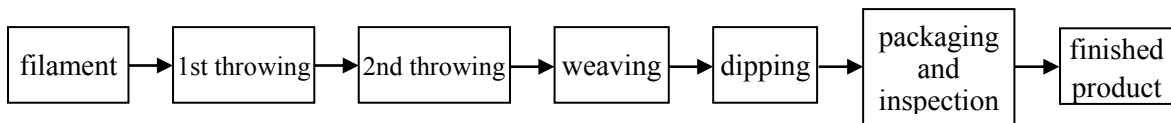
Product name	Major purposes
Polyamide fabric	Air-permeable raincoat, water-proof air-permeable snow coat, jackets, sleeping bag, down jackets, sportswear, hunting jacket, hat, tent, air mattress, golf umbrella, beach umbrella, wind sail, gloves, and anti-magnetic wave shields, Multifunctional smart clothing such as temperature control, light display, detection and positioning
Polyester fabric	Casual sportswear, ultra thin-fiber clothes, curtain
Cotton fabric, blended fabric, long- and short-fiber interwoven fabric, dyed check	Garment, jacket, shirt, knapsack, medical and sanitary fabric
Tire cord	Various kinds of tire cords, tire chafer, base cloth of conveyer belt, anti-stab fabric of bike tire, lining
PE bag	Shopping PE bag, point-broken roll garbage bag, sanitary bag
Combed cotton yarn, blended yarn	For production of various woven and knitted fabric, cotton and blended woven fabric, long- and short-fiber interwoven fabric, and dyed check
New functional yarn	For production of fabrics for various clothes, bedding, health-related products, casual sportswear, clothes and hats, overcoats, parasol (umbrella), as well as other kinds of woven and knitted fabric
Protective textile	Fire-proof fabric and fabrics for uniform of air-force pilot, tank-operator fatigues, clothes for task-force operatives, firefighter clothes, arc-welding work clothes
Special textile	Clean-room clothes for electronics, foodstuff, and pharmaceutical industries, surgeon clothes, wrapping fabric, anti-bullet and anti-stabbing fabric, helmet, shield, drum paper for speaker, magnetoelastic-wave fabric for stereo equipment
Carbon-fiber composite fabric	Materials for sports equipment, bicycles, motorcycles, autos, aeronautics, 3C products, industrial robotic arms and mechanical structures, construction reinforcements, and wind-turbine blades
Premium diesel oil, 98, 95 Plus, 92 unleaded gasoline, various kinds of engine oil, daily-life merchandises, car washing	Auto fuel oil, generator oil, lubricants, and maintenance and cleaning products

## 2. Production process of major products

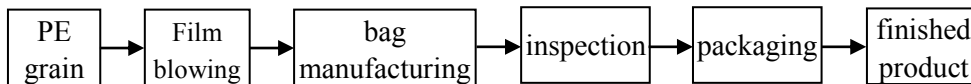
### (1) filament fabric :



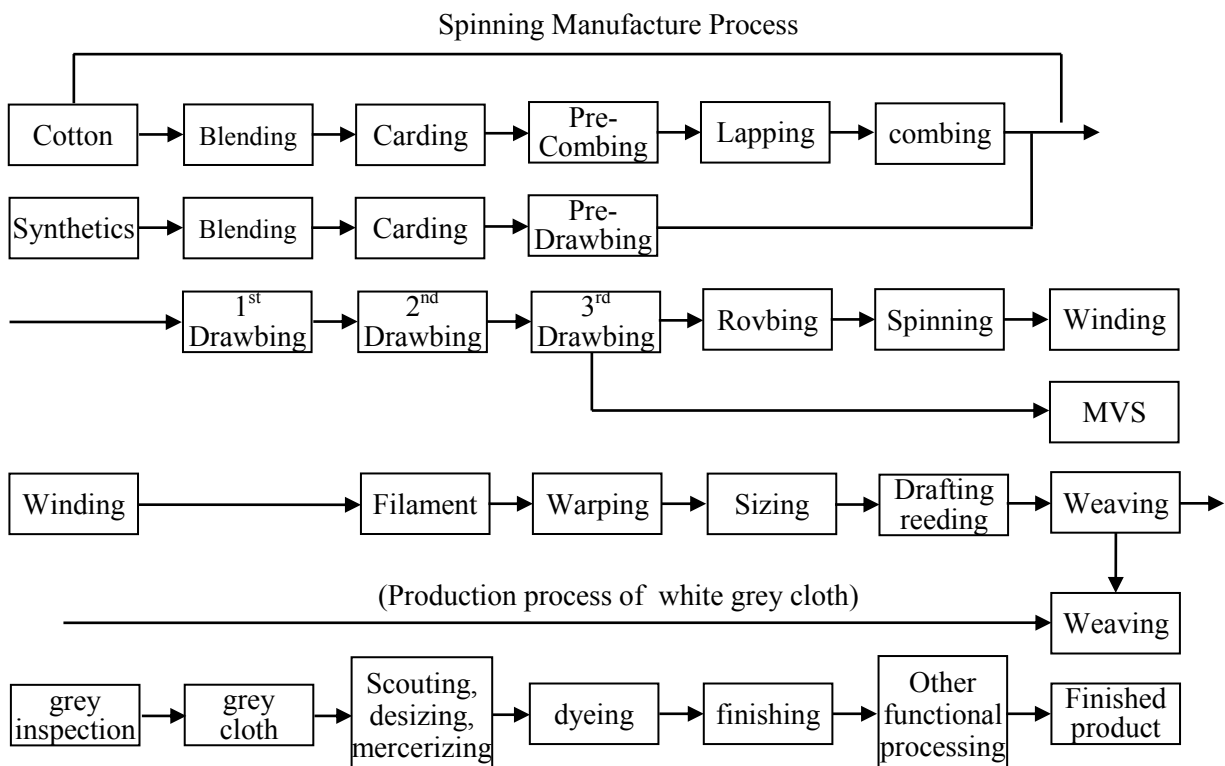
### (2) Tire cord:



### (3) PE bag:



### (4) spun fabric:



## (C) Supply status of major raw materials

Dec. 31, 2019

unit: NT\$1,000

Kinds of raw materials	Unit	Quantity	Amount	Major suppliers
Tire- cord filament	Metric ton	31,572	3,382,905	Formosa Chemicals & Fibre Corp., Sheepon Company
Polyamide filament	Metric ton	12,253	1,204,459	Formosa Chemicals & Fibre Corp., Formosa Industries Corp., Far Eastern New Century
Polyester filament	Metric ton	12,875	995,894	Nan Ya Plastics Corp., Lealea Enterprise, Toray Industries, Sinkong Textile
Assistant	Metric ton	28,822	1,866,627	Farsmart Co., Ltd., Huntsman, Global Shine Corp.
Polyester tire-core filament	Metric ton	6,293	346,699	Nan Ya Plastics Corp., New Site Industries
Cotton, polyester staple fiber	Metric ton	6,716	301,623	Formosa Chemicals & Fibre Corp., Nan Ya Plastics Corp., Tsaiyi
Dye	Metric ton	3,990	747,085	Jinhuang, Taifeng, Xiejing
Grey cloth	1,000 yards	22,194	333,504	Qinjiashang, Suzhou Xinjincheng
Alkene	Metric ton	5,432	184,985	Formosa Plastics Corp.
Dressing compound	Metric ton	6,117	144,464	Lisong, Jinneng, Wenhao, Jue



(D) Names of customers/suppliers accounting for over 10% of the procurement (sales) of the company in The two recent years, their values and shares

1. Names of major suppliers for procurements

The company's oil product division has been actively making deployment in oil-product channels and expanding the number of gas stations, in addition to responding to the demands of customers, resulting in the following changes:

Unit: NT\$1,000

Item	2018			2019			2020 as of 1st quarter (note 2)		
	Name	Amount	Relation-ship with issuer %	Name	Amount	Relation-ship with issuer %	Name	Amount	Relation-ship with issuer %
1	Formosa Petrochemical Corp.	10,916,187	29.15	Formosa Petrochemical Corp.	10,726,911	30.30	Formosa Petrochemical Corp.	2,147,494	33.30
2	Others	26,526,845	70.85	Others	24,677,311	69.70	Others	4,301,430	66.70
3	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-
Net procurement value		37,443,032	100		35,404,222	100		6,448,924	100

Note 1: Specify the names of suppliers accounting for over 10% of total procurement value, as well as the value and share of procurement. Code names can be used, in case names of suppliers cannot be disclosed, according to contracts, or trading partners are individuals who are not stakeholders.

Note 2: Disclose the latest financial data, as of the date of the publication of the annual report, audited and certified, or reviewed, by certified public accountants for public companies or companies with stocks being traded at offices of securities firms.

## 2. Names of major customers

Changes resulting from the need of market diversification, development of new customers, and changes of customer demands:

Unit: NT\$1,000

Item	2018			2019			2020 as of 1st quarter (note 2)					
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	Others	35,759,528	100	-	Others	36,762,189	100	-	Others	8,588,936	100	-
2	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
Net sales value		35,759,528	100	-	-	36,762,189	100	-	-	8,588,936	100	-

Note 1: Specify the names of suppliers accounting for over 10% of total procurement value, as well as the value and share of procurement. Code names can be used, in case names of suppliers cannot be disclosed, according to contracts, or trading partners are individuals who are not stakeholders.

Note 2: Disclose the latest financial data, as of the date of the publication of the annual report, audited and certified, or reviewed, by certified public accountants for public companies or companies with stocks being traded at offices of securities firms.

Note 3: The board of directors of the Company has approved the resolution on December 13, 2019 for the disposal of the 16% equity of Formosa Advanced Technology, a subsidiary of Formosa Plastics Corporation, and completed the procedure of share transfer on December 16, 2019. After the disposal, the Group's shareholding ratio is 30.68% and there is no substantial control. Therefore, the consolidated turnover and profit amount are expressed according to the regulations.

## (E) Output Quantity and amount in recent two years

Unit: NT\$1,000

Major products \ output	Year	Units	2019			2018		
			Capacity	Output Quantity	Output Amount	Capacity	Output Quantity	Output Amount
Polyamide/polyester fabric		yards	354,000,000	296,443,000	15,686,336	340,000,000	308,405,000	13,725,237
Polyamide/polyester tire cord		metric tons	64,400	51,743	7,518,288	64,400	57,111	8,148,909
PE bag		metric tons	8,040	5,540	367,101	8,040	6,259	444,469
Yarn count		pieces	26,400	20,999	416,277	26,400	24,713	471,927
Cotton fabric		yards	-	-	-	6,000,000	1,786,000	153,083
Special fabric		yards	5,040,000	5,081,000	1,305,714	3,481,000	4,559,000	977,955
Total			-	-	25,293,716	-	-	23,921,580

Note : 1. Capacity refers to production amount of the company's existing production equipment under normal operation, after excluding the factors of necessary suspension of operation and holidays.

2. The production capacity, and output value of cotton products in 2019 were incorporated into polyamine / polyester fabrics.

3. The board of directors of the Company has approved the resolution on December 13, 2019 for the disposal of 16% of equity of Formosa Advanced Technology, a subsidiary of Formosa Plastics Corporation, and completed the procedure of share transfer on December 16, 2019. After the disposal, the Group's shareholding ratio is 30.68% and there is no substantial control. Therefore, the consolidated turnover and profit amount are expressed according to the regulations.

## (F) Sales Quantity and amount in recent two years

Unit: NT\$1,000

Year Sales Major products	Units	2019				2018			
		Domestic sales		Exports		Domestic sales		Exports	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Polyamide/ Polyester fabric	yards	37,089,000	1,363,574	249,441,000	14,189,276	40,407,000	1,449,212	255,574,000	12,567,647
Polyamide/ Polyester tire cord	metric tons	9,339	1,680,217	43,114	5,964,521	8,516	1,498,881	44,808	6,165,482
PE bag	metric tons	1,604	82,781	4,053	292,054	1,327	73,458	5,012	376,684
Yarn count	pieces	16,488	319,969	993	21,290	21,168	407,882	2,038	22,878
Cotton fabric	yards	-	-	-	-	558,000	39,415	381,000	41,830
Special fabric	yards	3,422,000	636,252	1,384,000	423,152	3,137,000	557,580	1,414,000	327,483
Petroleum product	kiloliters	466,101	11,744,169	-	-	463,812	12,144,072	-	-
Land developme nt		-	2,771	-	-	-	34,155	-	-
Business Solicitation income		-	-	-	35,060	-	0	-	34,274
Commissio n income		-	7,103	-	-	-	8,107	-	10,488
Total		-	15,836,836		20,925,353		16,212,762		19,546,766

Note : 1.The volume and amount of sales of cotton products in 2019 were incorporated into polyamine / polyester fabrics.

2. The board of directors of the Company has approved the resolution on December 13, 2019 for the disposal of the 16% of equity of Formosa Advanced Technology, a subsidiary of Formosa Plastics Corporation, and completed the procedure of share transfer on December 16, 2019. After the disposal, the Group's shareholding ratio is 30.68% and there is no substantial control. Therefore, the consolidated turnover and profit amount are expressed according to the regulations.

## C. Human Resources

Year		2018	2019	Current year as of March 31, 2020
Number of employees	Male	1,877	1,821	1,797
	Female	846	833	824
	Total	2,723	2,654	2,621
Average age		44.6	45.0	45.2
Average length of service		20.3	19.1	19.1
Distribution of Education %	Ph.D.	0	0	0
	Master	1.50	1.51	1.56
	Bachelor	37.71	38.28	39.22
	Senior High School	54.32	53.81	52.77
	Below Senior High School	6.47	6.40	6.45
Note	1. Additional employment of 599 foreign laborers, 233 contract laborers, and 1,143 gas-station workers in 2018. 2. Additional employment of 627 foreign laborers, 241 contract laborers, and 1,131 gas-station workers in 2019 3. Additional employment of 603 foreign laborers, 242 contract laborers, and 1,130 gas-station workers in 2020, as of March 31.			

## D. Information on environmental-protection outlay

(A) In the recent year and as of the date for the publication of the annual report, total value of the loss and handling cost for employee injuries from polluted environment and working environment:

Item \ Year	2019	As of March 31, 2020
Compensation recipient or handling unit	Competent authority	
Compensation value or handling status	NT\$366,000	0
Other loss	0	0
Explanation	Fine of NT\$6000 for violating the regulation on waste disposal. There were three violations of the Air Pollution Control Act in the factory area. The total fine was NT\$ 300,000. Formosa Shiliu Gas Station violated the Water Pollution Control Act, fined NT\$ 60,000.	

(B) Future countermeasures and possible outlays

1. Plan for installation of pollution-abatement equipment within two years

Item \ Year	2019	As of April 30, 2020
Planned installation of pollution-abatement equipment or contents of outlays	<ol style="list-style-type: none"><li>1. Set one set of 3500 tons of reverse osmosis recovery equipment for printing and dyeing.</li><li>2. Updated one set of 11.4kv substation equipment in the processing plant.</li><li>3. Set one set of sludge dehydrator and two sets of softeners.</li></ol>	<ol style="list-style-type: none"><li>1. Updated two sets of 11.4kv transformer substation equipment in the weaving factory.</li><li>2. Updated two sets of shafts of sludge dryer.</li></ol>
Expected improvement	<ol style="list-style-type: none"><li>1. Wastewater recovery and reuse of reclaimed water.</li><li>2. Power engineering to ensure power supply safety.</li><li>3. Sludge disposal and ensure the supply of soft water.</li></ol>	<ol style="list-style-type: none"><li>1. Power engineering to ensure power supply safety.</li><li>2. Sludge disposal to reduce treatment costs.</li></ol>
Value	NT\$50,800,000	NT\$35,000,000

2. Water pollution abatement management measures

The company applies for discharge approval, formulates measures governing water pollution abatement, according to regulation, and enforces waste-water abatement to a level conforming to the standard for waste (polluted) water discharge.

In compliance with environmental-protection law/regulation, the company has installed around-the-clock detection equipment for discharge at waste-water treatment plant, analyzing water quality and recording water volume, which is connected to the website of environmental-protection agencies.

(1) Source management for waste water

Pertaining to facilities for waste-water collection, transmission, and advanced treatment, formulate regulations on operation, control, and monitoring of waste-water resources, so as to materialize source management for waste-water quality and quantity.

- a. facilities for collection, transmission, and advanced treatment of waste water from process And measurement;
- b. facilities for collection, transmission, and advanced treatment of waste water from daily-life activities And measurement;
- c. properly install separate sewer system;
- d. monitoring of waste-water quality and quantity from various sources;
- e. purchase low energy-consumption, low-pollution, and high-efficiency cutting-edge production equipment;
- f. R&D on branded green products;

g.improve process to cut fresh-water consumption and install extra water-recycling equipment, to raise recycled-water utilization rate.

(2)Management of waste-water treatment facilities:

a.Management of waste-water quality and quantity:

- a) setup of dedicated unit for managing waste-water treatment facilities;
- b) application of permission for waste-water discharge and periodic declaration;
- c) self management via in-house and outside auditing units;
- d) commissioning outside unit for help with various application documents and execution of periodic water-quality inspection;
- e) Measures for installation and maintenance of autonomous CWMS continuous water-quality monitoring system for discharged waste water;
- f) intensification of the management and control of separated discharge of rainwater and sewage and dismantling of aberrational pipelines by deadline.

b.Regulation on the operation and management of waste-water facilities;

- a) regulation on the operation of waste-water treatment;
- b) regulation on the discharge of waste water;
- c) recording of waste-water treatment and online declaration;
- d) declaration for water-pollution fee;
- e) sludge treatment; f).abnormality reporting;
- f) monitoring of waste-water discharge and online connection.
- g) Rainwater management: Inspection, maintenance, and operation of rainwater discharge pipe and rainwater channel and lock gate in public area and installation of separate sewer systems at head plant and second plant.

3.Measures for reducing greenhouse-gas emission

Dedicated unit conducts inventory and registration of greenhouse-gas emission and supports pushing of energy conservation and carbon abatement, decreasing CO<sub>2</sub> emission, in line with global environmental-protection trend. In 2019 62cases of energy conservation and carbon abatement were completed, reducing CO<sub>2</sub> emission by 5,558 tons/year.

4.Measures governing air-pollution abatement:

- (1)Reduce pollutants of boilers and process equipment, such as Sox, Nox, VOCs, and dust and install new and effective recycling equipment, to raise pollutant-removal efficiency and reduce emissions.
- (2)Install air-pollution abatement equipment for boiler and process, including static-electricity dust collector, wet-type flue gas desulfurization column, SCR smoke-exhaust denitrating equipment, active-carbon and condensation-nucleus recycling absorber, and heat-storage incinerator.
- (3)Conduct eriodic calibration and inspection of autonomous boiler smoke detection equipment and declaration of air-pollution fee.
- (4)The company invested NT\$19.5 million for installation of RTO heat-storage incinerators during 2016-2018, boosting treatment rate for VOCs (volatile organic compounds) to over 90%, plus spending of NT\$84 million for purchase of SCR denitrification

equipment, slashing Nox emission by 72%. The setting machine and cord impregnation dryer fuel were invested in the main factory and the second plant area respectively. The light fuel oil was changed to natural gas. The heating system was updated and natural gas pipelines were set up. The total investment reached NT\$ 95 million. The purpose is to improve energy efficiency and reduce air pollution emissions.

#### 5. Waste management measures:

For recycling and reuse of resources, it is necessary to control waste disposal and reduce and classify waste in process before outsourcing waste disposal legally, with major management measures listed below:

##### (1) Waste classification and storage:

Wastes are classified into common trash, process wastes, and engineering wastes for separate storage before calculation of amount for registration and declaration. Storage containers must be in good shape, without filth, corrosion, leakage, or deformation and kept at sites with water (rain)-proof facilities and treatment facilities and labeling for waste water and foul gas. Sludge must be dried to cut water content before outsourcing for disposal.

##### (2) Waste disposal and treatment:

To assure legal reuse of final disposal of all wastes, pertinent management systems include:

a. formulate (revise) and update waste disposal plan according to law/regulation;

b. set up data on waste-disposal contractors;

c. standard procedure to assure completion of online waste declaration;

d. management of waste disposal plan to assure conformance of factory wastes to declaration data, in terms of items and quantity. In addition, for tracking the destination of wastes, require contractors to formulate procedure for tracking the progress of waste disposal, in conjunction with online declaration, plus spot check of waste-transport vehicles and requirement for contractors to provide online declaration documents when applying for disposal fees, to prevent illegal disposal of wastes.

## **E. Labor-management relationship**

(A) The company's various employee benefits, study and training, retirement system, plus execution status, as well as labor-management agreements and measures upholding labor rights and interests:

#### 1. Employee benefit measures

##### (1) Leave benefit

Provision of various leaves for employees, including special leave, marriage leave, funeral leave, official leave, work-related injury leave, maternity leave, election leave, sick leave, menstrual leave, personal leave, family-care leave

##### (2) Insurance benefit

Arrangement of the coverage of labor insurance and national health insurance for



employees according to the law

(3) Retirement benefit

Monthly appropriations for labor retirement fund and labor retirement reserve fund, in preparation for retirement-fund payment for employees upon their retirement according to the law.

(4) Marriage and child-rearing benefits

- a. Gift of cash for marriage or death of employees or relatives and subsidies for managerial staffers for the provision of such gift of cash.
- b. Installation of nursery room, for breastfeeding by employees during work time
- c. Provision of leave of absence for baby care, available for application by employees

(5) Health-care benefit

- a. Regular physical examination for certain employees mandated by law every year.
- b. For factory workers exposed to noise and other hazards to health, arrange special physical examination and carry out graded health management. The participation rate for the examination has been 100% in past years.
- c. Subsidies for employees and relatives receiving treatment at Chang Gung Memorial Hospital, which also offers discounts for employees and relatives taking physical examination there, provision of health and hygiene information irregularly, and organization of lectures on health issues in factory premise.
- d. Establishment of medical room and full-time medical care staffers in the factory premises, and organization of health-care events irregularly, including health and weight management, promotion of quitting smoke, cancer screening, and disease prevention and health care.

(6) Daily-life benefits

- a. Provision of gift of cash for birthday, Labor Day, and Mid-Autumn Festival.
- b. Planning and subsidy for such activities as employee travel and year-end dinnery party.
- c. Installation of employee restaurant, dormitory for singles, and convenience stores in factory premises.
- d. Provision of scholarship for employees' children.
- e. Arrangement of designated stores where discounts are available.
- f. Setup of corporate kindergarten.

(7) Employee restaurant

- a. Subsidy for employees' meals daily
- b. Two times of extra dishes every month and employees on duty during Spring Festival

(8) Promotion of employee relationship

- a. Subsidy for activities of employee associations
- b. Organization of sports contents to encourage sports hobbies among employees.
- c. Awarding staffers with excellent performance with citation certificates or prizes.

(9) Personal and family care

- a. Provision of work clothing or money for work clothing every year.
- b. Setup of employee mutual assistance committee, with regular corporate contribution, providing grants to employees for marriage, death, disablement, child birth, and medical treatment, as well as death, medical treatment, marriage of family members, and education loans for children, according to measures of the committee.
- c. Compensation for death of employee according to death compensation measures.

2. Employee study and training

The company has regarded employee education and training highly, with its training system including pre-job training for newcomers, job-related basic training, job-related

professional training, and training for managerial candidates. Annual education and training plan has been formulated and executed, plus evaluation of the results. Moreover, to facilitate internationalization of operation, language training, mainly for English and Japanese, has been held.

### 3. Retirement system

#### (1) Application for retirement

- a. Age 55 or higher with over 15 years of service
- b. Over 25 years of service, regardless of age
- c. Age 60 or higher with over 10 years of service

#### (2) Mandatory retirement

- a. Age 65 or over
- b. Unsited to job, due to mental or physical disability

#### (3) Options for retirement payment

- a. Employees with the starting year of service before June 30 2005 has the option of choosing the retirement payment, calculated according to the "Labor Standards Act." For those who chose the retirement payment calculated according to the "Labor Pension Act" before June 30, 2010, the retirement payment for the portion of service years covered by the act will be calculated according to the stipulations of the act, with the retirement payment for the previous service years still being calculated according to the "Labor Standards Act." For service years covered by the "Labor Pension Act," the "Labor Standards Act" is not applicable.
- b. Employees joining the company after July 1, 2005 are all subject to the stipulations on retirement payment of the "Labor Pension Act."

#### (4) Calculation criteria for retirement payment

- a. Retirement payment is calculated by multiplying the average pay in the six months before retirement with base number, at maximum of 45, calculated according to article 55 of the "Labor Standards Act."
- b. Employees mandated to retire due to job-induced mental or physical disability are entitled to 20% markup on retirement payment calculated according to "Labor Standards Act."
- c. For employees covered by the Labor Pension Act," the company would appropriate 6% of their monthly pays for deposits into their personal
- d. labor-retirement accounts, to be withdrawn by them at age 60 via application with the Bureau of Labor Insurance, according to article 24 of the act.

#### (5) Application method for retirement

- a. Retirement applications must fill out two copies of "voluntary (mandatory) retirement application form," to be submitted, along with proof documents, to superiors for approval.
- b. For mandatory retirees, the retirement application form would be filled out by the human-resource department.

### 4. Status of the execution of employee benefit measures and retirement system: good

The aforementioned employee-related measures have been executed faithfully, with good results. In addition to regular provisions for new and old retirement funds every month, the company examines the balance in the account of labor retirement reserve fund at the end of every year, to assure the amount is sufficient to cover retirement payments in the coming year. The number of retirees in 2019 reaches 83.

### 5. Status of labor-management agreement: good

- (1) Labor-management meeting has been convened periodically, when labor and management representatives would discuss a wide range of issues, including labor-management relationship, promotion of labor-management cooperation, improvement of labor conditions, planning for labor benefits, and improvement of work efficiency.
- (2) Formulate work rule and personnel management rule, setting definite regulations on the rights and obligations of laborers and management, to help employees understand and uphold their rights and interests.
- (3) In line with legal requirements for labor safety, conduct physical examination for employees regularly, institute staffers in charge of labor safety and hygiene, and formulate various rules governing labor safety and hygiene, so as to prevent accidents and disasters and uphold employee safety.

6. Status for upholding various labor rights and interests: good

Based on the spirit of safeguarding employees' work rights and interests, set up integrated manpower mechanism, featuring job reassignment rather than layoff during business slowdown, which would be conducted after oral notice and according to set procedure. The company complies strictly with domestic and foreign norms on labor and human rights and institute a mechanism for regular communications with employees, notifying employees business changes with possible major consequences and treating all employees fairly, including:

- (1) Formulate labor conditions according related labor laws/regulations.
- (2) In line with the "Employment Service Act," provide job opportunities to all job seekers in an open, fair, and just manner.
- (3) Set up multiple channel for complaints by employees on infringement on or improper handling of their rights and interests.
- (4) Set up reward and punishment committee, consisting of various senior managers, for discussion and resolution on proposals of major rewards and punishments, for which related employees can appeal within seven days after publication.
- (5) Promote prevention of sexual harassment, formulate "measures against sexual harassment," and provide channels for complaints by employees on the issue.
- (6) Formulate "measures governing handling of complaints by internal and external stakeholders," offering smooth channels for complaints by internal and external stakeholders (including employees) on improper and unfair treatment or encroachment on rights or interests. Complaints expressed via such channels, including complaint box, dedicated complaint phones, and complaint e-mail address, are handled promptly. Employees can also put forth proposals at regular labor-management meetings and the meetings of employee benefit committee, an arrangement which can promote a harmonious labor-management relationship and contribute to the company's sustainable development. Complaint boxes are installed at spots frequented by employees, enabling employees to request assistance for job- or daily life-related problems, which are handled by designated staffers.

(B) Loss caused by labor-management disputes in the recent year and as of the date for the publication of the annual report

1. Status of labor-management disputes

Loss resulting from labor-management disputes in the recent year and as of the date for the publication of the annual report: nil

2. Value of loss: nil

3. Anticipated loss in the future

Given good labor-management relationship, as evidenced by rare labor-management disputes, it is predicted that chance for loss resulting from labor-management dispute in the future is slim.

4.Countermeasures:

Given increasing labor-right awareness, plus respect for labor dignity, confrontation can only be removed via intensified communication. As a result, the company has been striving to understand the opinions and needs of employees various methods and channels. To ward off possible disputes, in case of revision of law/regulation and government policy, the company has communicated and coordinated with labor union, to attain consensus, in addition to revising corporate regulations accordingly.

**F.Important contracts: nil**

## VI. Financial status

### A. Brief balance sheet, comprehensive income statement, names of certified public accountants, and auditing opinions in recent five years

(A) Brief balance sheet and comprehensive income statement of consolidated financial report

1. Brief balance sheet of consolidated financial report

Unit: NT\$1,000

Year		Financial data in recent five years					Financial data of current as of March 31, 2020
		2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)	2019 (note1)	
Current assets		22,927,207	23,210,986	23,982,143	23,771,559	17,512,757	15,792,483
Property, plant, and equipment		17,311,841	16,644,213	17,022,278	18,770,958	12,698,739	12,654,686
Intangible assets		-	-	-	-	-	-
Other assets		39,816,007	52,174,897	53,698,614	50,483,976	50,550,377	45,105,918
Total assets		80,055,055	92,030,096	94,703,035	93,026,493	80,761,873	73,553,087
Current liabilities	Before distribution	10,609,001	9,293,527	9,413,895	9,191,230	8,482,750	8,243,549
	After distribution	12,630,599	11,820,524	12,614,758	12,729,026	12,694,412	-
Non-current liabilities		13,377,324	12,456,669	12,106,570	8,886,573	8,055,223	8,064,513
Total liabilities	Before distribution	23,986,325	21,750,196	21,520,465	18,057,803	16,537,973	16,308,062
	After distribution (note 2)	26,007,923	24,277,193	24,721,328	21,595,599	20,749,635	-
Equity attributable to shareholders of the parent		52,699,135	66,748,150	69,379,395	68,913,204	64,219,249	-
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital reserve		20,791	266,458	274,343	1,268,860	1,289,642	1,289,640
Retained earnings	Before distribution	11,701,373	13,330,120	14,752,410	19,525,220	21,091,868	21,446,208
	After distribution (note 2)	9,688,755	10,803,123	11,551,547	15,987,424	16,880,206	-
Other components of equity		24,143,610	36,326,427	37,525,951	31,291,978	25,010,157	17,681,593
Treasury stock		(22,285)	(21,501)	(19,935)	(19,500)	(19,064)	(19,064)
Non-controlling interest		3,369,595	3,531,750	3,803,175	6,055,486	4,651	-
Total equity	Before distribution	56,068,730	70,279,900	73,182,570	74,968,690	64,223,900	57,245,025
	After distribution (note 2)	54,047,132	67,752,903	69,981,707	71,430,894	60,012,238	-

Note 1: The financial information for 2019 was verified by the accountant and the financial information for the first quarter of 2020 was verified by the accountant.

Note 2: The post-allocation data for 2019 is estimated based on the surplus distribution plan approved by the board of directors on March 13, 2020.

## 2. Comprehensive income statement of consolidated financial report

Unit: NT\$1,000

Item	Year	Financial data in recent five years					Current year as of March 31, 2020 (note 1)
		2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)	2019 (note1)	
Operating revenue		42,872,570	39,848,986	40,705,664	35,759,528	36,762,189	8,588,936
Operating gross Profit		6,139,631	5,494,107	5,138,771	3,546,752	3,759,840	1,015,910
Operating Income		3,332,500	2,772,232	2,461,490	884,133	1,067,310	371,935
Non-operating revenue and expenses		428,797	1,702,567	2,814,994	3,645,274	4,096,648	76,392
Income before tax		3,761,297	4,474,799	5,276,484	4,529,407	5,163,958	448,327
Current net profit of continuing operations		3,223,952	3,840,500	4,760,016	3,900,407	4,626,937	354,582
Loss of discontinued operations		-	-	-	1,420,293	1,202,530	(484)
Current net Income (loss)		3,223,952	3,840,500	4,760,016	5,320,700	5,829,467	354,098
Other Comprehensive income (Income after tax)		3,222,562	12,457,558	971,444	(3,151,652)	(6,364,452)	(7,328,564)
Total current comprehensive income		6,446,514	16,298,058	5,731,460	2,169,048	(534,985)	(6,974,466)
Net income attributed to shareholders of the parent company		2,828,679	3,481,285	4,279,871	4,737,406	5,188,729	354,340
Net income attributed to non-controlling interests		395,273	359,215	480,145	583,294	640,738	(242)
Comprehensive income attributed to shareholders of the parent company		6,057,275	15,824,162	5,148,811	1,730,196	(1,175,723)	(6,974,224)
Comprehensive income attributed to non-controlling interests		389,239	473,896	582,649	438,852	640,738	(242)
Earnings per share (NT\$)		1.68	2.07	2.54	2.82	3.08	0.21

Note 1: 1. The financial information for 2019 was verified by the accountant and the financial information for the first quarter of 2020 was verified by the accountant.

2. The company passed a resolution of the board of directors on December 13, 2019 to approve the 16% equity of Formosa Advanced Technologies Co., Ltd, and completed the equity transfer procedure on December 16, 2019. After the disposal, the group's shareholding ratio was 30.68% and There is no substantial control, so the consolidated turnover and profit amount are re-expressed according to the regulations.

## (B) Brief balance sheet and comprehensive income statement of individual financial report

## 1. Brief balance sheet of individual financial report

Unit: NT\$1,000

Year		Financial data in recent five years				
		2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)	2019 (note1)
Item						
Current assets		10,052,856	10,347,343	10,750,378	11,099,040	11,138,323
Property, plant, and equipment		7,874,806	7,614,649	7,432,389	6,785,900	6,478,848
Intangible assets		-	-	-	-	-
Other assets		52,995,345	65,055,570	67,321,393	62,614,563	57,763,020
Total assets		70,923,007	83,017,562	85,504,160	80,499,503	75,380,191
Current liabilities	Before distribution	5,292,875	4,240,651	4,408,906	2,953,605	3,245,897
	After distribution (note 2)	7,314,473	6,767,648	7,609,769	6,491,401	7,457,559
Non-current liabilities		12,930,997	12,028,761	11,715,859	8,632,694	7,915,045
Total liabilities	Before distribution	18,223,872	16,269,412	16,124,765	11,586,299	11,160,942
	After distribution (note 2)	20,245,470	18,796,409	19,325,628	15,124,095	15,372,604
Share capital		16,846,646	16,846,646	16,846,646	16,846,646	16,846,646
Capital reserve		20,791	266,458	274,323	1,268,860	1,289,642
Retained earnings	Before distribution	11,710,373	13,330,120	14,752,410	19,525,220	21,091,868
	After distribution (note 2)	9,688,775	10,803,123	11,551,547	15,987,424	16,880,206
Other components of equity		24,143,610	36,326,427	37,525,951	31,291,978	25,010,157
Treasury stock		(22,285)	(21,501)	(19,935)	(19,500)	(19,064)
Total equity	Before distribution	52,699,135	66,748,150	69,379,395	68,913,204	64,219,249
	After distribution (note 2)	50,677,537	64,221,153	66,178,532	65,375,408	60,007,587

Note 1: The financial information for 2019 was verified by the accountant.

Note 2: The post-allocation data for 2019 is estimated based on the surplus distribution plan approved by the board of directors on March 13, 2020.

## 2.Comprehensive income statement of individual financial report

Unit: NT\$1,000

Year Item	Financial data in recent five years				
	2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)	2019 (note1)
Operating revenue	27,761,888	24,595,183	25,713,839	27,593,484	27,468,794
Operating gross profit	3,282,044	2,773,594	2,498,379	2,150,618	2,212,089
Operating income	1,236,500	840,838	604,472	223,793	280,100
Non-operating revenue and expenses	1,802,467	2,927,147	3,878,948	5,031,969	5,313,287
Income before tax	3,038,967	3,767,985	4,483,420	5,255,762	5,593,387
Current net profit of continuing operations	2,828,679	3,481,285	4,279,871	4,737,406	5,188,729
Loss of discontinued operations	-	-	-	-	-
Current net profit (loss)	2,828,679	3,481,285	4,279,871	4,737,406	5,188,729
Other comprehensive income (Income after tax)	3,228,596	12,342,877	868,940	(3,007,210)	(6,364,452)
Total current comprehensive income	6,057,275	15,824,162	5,148,811	1,730,196	(1,175,723)
Earnings per share (NT\$)	1.68	2.07	2.54	2.82	3.08

Note 1: The financial information for 2019 was verified by the accountant.



(C) Names of certified public accountants and auditing opinions

Year	CPA for certification	Auditing opinion
2015	Chou Chien-hung, Juan Lu Man-yu	Modified unqualified opinion
2016	Chou Chien-hung, Juan Lu Man-yu	Unqualified opinion
2017	Chou Chien-hung, Juan Lu Man-yu	Unqualified opinion
2018	Wu Han-chi, Chou Chien-hung	Unqualified opinion
2019	Wu Han-chi, Chou Chien-hung	Unqualified opinion

Note: 1. In line with change in the organization and job positions of PwC, CPA Chou Chien-hung has been replaced by CPA Liang Hua-ling for the certification for the company's financial statements since Q1, 2020.

## B. Analysis of finance in recent five years

### (A) Analysis of consolidated financial report

Unit: NT\$1,000

Analysis items (note 2)		Financial data in recent five years					Current year as of March 31, 2020 (note 1)
		2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)	2019 (note1)	
Financial structure	Liabilities to assets ratio (%)	29.96	23.63	22.72	19.41	20.48	22.17
	Long-term fund to property, plant, and equipment ratio (%)	401.15	497.09	501.04	446.62	569.18	516.09
Debt repayment ability	Current ratio	216.11	249.75	254.75	258.63	206.45	191.57
	Quick ratio (%)	132.99	156.09	159.45	158.90	103.10	92.89
	Times interest earned	19.89	23.92	27.14	21.13	23.55	8.36
Operating performance	Average collection turnover (times)	8.02	7.91	8.25	6.89	8.33	8.96
	Average collection days	45.51	46.14	44.24	52.97	43.81	40.73
	Average turnover (times)	4.66	4.38	4.36	3.75	3.93	3.88
	Average payable turnover (times)	12.72	11.19	11.38	10.87	11.92	11.93
	Average days of sales	78.33	83.33	83.71	97.33	92.87	94.07
	Turnover of property, plant, and equipment	2.44	2.35	2.42	2.00	2.34	2.71
	Total assets turnover (times)	0.55	0.46	0.44	0.38	0.42	0.45
Earnings power	Return on assets (%)	4.36	4.63	5.26	4.34	5.53	2.08
	Return on equity (%)	5.95	6.08	6.64	5.27	6.65	2.34
	Pretax net profit to paid-in capital ratio (%)	22.33	26.56	31.32	26.89	30.65	10.64
	Net profit rate (%)	7.52	9.64	11.69	10.91	12.59	4.13
	Earnings per share (NT\$)	1.68	2.07	2.54	2.82	3.08	0.84
Cash flow	Cash flow ratio (%)	56.58	52.77	67.30	60.57	79.59	(4.07)
	Cash flow adequacy ratio (%)	147.51	152.21	123.49	102.23	97.25	90.78
	Cash flow reinvestment ratio (%)	3.10	2.19	2.84	1.78	3.22	(0.36)
Leverage	Operating leverage	3.32	3.74	3.89	9.22	8.45	4.36
	Financial leverage	1.06	1.07	1.08	1.31	1.26	1.19

Note 1: The financial information for 2019 was verified by the accountant and the financial information for the first quarter of 2020 was verified by the accountant.

Note 2: Reasons for changes in various financial ratios in recent two years (analysis not necessary for changes less than 20%).

- Reasons for the change in the ratio of long-term funds to fixed assets: Mainly due to the net fixed assets in 2019 decreased by NT\$ 6,072,219 thousand compared with 2018.
- Reasons for the change in current ratio: Mainly due to the net current assets in 2019 decreased by NT\$ 6,258,802 thousand compared with 2018.

3. Reasons for the change in quick ratio: Mainly due to the net current assets in 2019 decreased by NT\$ 6,258,802 thousand compared with 2018.
4. Reasons for the change in the accounts receivable turnover (times): Mainly due to the net sales in 2019 decreased by NT\$ 108,002,661 thousand compared with 2018 and the decrease of NT\$ 2,000,477 thousand in accounts receivable at the end of the period.
5. Reasons for the change in the return on assets: Mainly due to the after-tax profit in 2019 increased by NT\$ 726,530 thousand compared with 2018.
6. Reasons for the change in the return on equity: Mainly due to the after-tax profit in 2019 increased by NT\$ 726,530 thousand compared with 2018.
7. Reasons for the change in the pretax net profit to paid-in capital ratio: Mainly due to the operating profit in 2019 increased by NT\$ 183,177 thousand compared with 2018.
8. Reasons for the change in cash flow ratio: Mainly due to the net cash flow from operating activities in 2019 increased by NT\$ 1,184,466 thousand compared 2018.
9. Reason for the change in cash flow reinvestment ratio: Mainly due to the net cash flow from operating activities in 2019 increased by NT\$ 6,751,805 thousand compared with 2018.

## (B) Analysis of individual financial report

Year		Financial data in recent five years				
		2015 (note1)	2016 (note1)	2017 (note1)	2018 (note1)	2019 (note1)
Analysis item						
Financial structure	Liabilities to assets ratio (%)	25.70	19.60	18.86	14.39	14.81
	Long-term fund to property, plant, and equipment ratio (%)	833.42	1,034.54	1,091.11	1,142.75	1,113.38
Debt repayment ability	Current ratio (%)	189.93	244	243.83	375.78	343.15
	Quick ratio (%)	95.93	130.05	127.86	206.97	197.01
	Times interest earned	23.16	32.84	38.16	50.51	69.88
Operating performance	Average collection turnover (times)	10.90	10.69	11.34	11.66	12.24
	Average collection days	33.49	34.14	32.19	31.30	29.82
	Inventory turnover (times)	5.70	5.06	4.98	5.16	5.29
	Average payable turnover (times)	11.51	9.80	10.57	12.62	13.39
	Average days of sales	64.04	72.13	73.29	70.74	69.00
	Turnover of property, plant, and equipment	3.53	3.23	3.46	4.07	4.24
	Total assets turnover (times)	0.39	0.30	0.30	0.34	0.36
Earnings power	Return on assets (%)	4.27	4.65	5.19	5.81	6.74
	Return on equity (%)	5.56	5.83	6.29	6.85	7.79
	Pretax net profit to paid-in capital ratio (%)	18.04	22.37	26.61	31.20	33.20
	Net profit rate (%)純	10.19	14.15	16.64	17.17	18.89
	Earnings per share (NT\$)	1.68	2.07	2.54	2.82	3.08
Cash flow	Cash flow ratio (%)	54.39	48.69	85.22	135.38	126.39
	Cash flow adequacy ratio (%)	123.70	118.44	103.31	100.92	96.19
	Cash flow reinvestment ratio (%)	0.61	0.04	1.22	0.81	0.61
Leverage	Operating leverage	5.75	7.66	10.06	25.26	20.51
	Financial leverage	1.12	1.16	1.24	1.86	1.39

Notes 1: The financial information for 2019 was verified by the accountant and the financial information for the first quarter of 2020 was verified by the accountant.

Note 2: Reasons for changes in various financial ratios in recent two years (analysis not necessary for changes less than 20%).

1. Reasons for the change in times interest earned: Mainly due to the pre-tax net profit in 2019 increased by NT\$ 337,625 thousand compared with 2018.
2. Reasons for the change in operating profit: Mainly due to the operating profit and loss in 2019 increased by NT\$ 56,307 thousand compared with 2018.
3. Reasons for the change in cash flow reinvestment ratio: Mainly due to the other assets in 2019 increased by NT\$ 952,910 thousand compared with 2018.
4. Reasons for the change in the financial leverage ratio: Mainly due to the operating profit and loss increased by NT\$ 56,307 thousand in 2019 and the interest expenses decreased by NT\$ 24,572 thousand compared with 2018.

Note 3: Calculation formulas for various financial ratio follow:

1. Financial structure

- (1) liabilities to assets ratio = total liabilities/total assets
  - (2) Long-term fund to property, plant, and equipment ration = (shareholders' equity + non-current liabilities)/net value of plant, plant, and equipment.
2. Debt-repayment ability
- (1) Current ratio = Current assets/current liabilities
  - (2) Quick ratio = (Current assets - inventories - prepaid expenses)/current liabilities
  - (3) Times interest earned = Earnings before interest and taxes/interest expenses
3. Operating performance
- (1) Average Collection Turnover = Net Sales / Average TradeReceivables
  - (2) Days Sales Outstanding = 365 / Average Collection Turnover
  - (3) Average Inventory Turnover = Cost of Sales / Average Inventory
  - (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
  - (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
  - (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
  - (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Earnings power
- (1) Return on Total Assets = (Net Income + Interest Expenses (1 - Effective Tax Rate))/ Average Total Assets
  - (2) Return on Equity = After-tax income/average total equity
  - (3) Net Margin = Net Income / Net Sales
  - (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (note 4)
5. Cash Flow
- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
  - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend )
  - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/ (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (note 5)
6. Leverage
- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (note 6)
  - (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: When evaluating the aforementioned calculation formula for earnings per share, give special notices for the following items:

1. It should be based on weighted average number of common shares, rather than the number of shares in circulation at the end of the year.
2. If there is cash increment or trading in treasury stocks, calculate weighted average number of shares during the circulation period. ]
3. If there is capital increment with earnings or capital reserve, retroactive adjustments should be made according to the scale of capital increment in calculating the earnings per share of past year and half a year, without the need of taking into account the issuance period of the capital increment.
4. If special shares are accumulated inconvertible special shares, their share dividends for the

current year (no matter issuance or not) should be deducted from after-tax net profit or be increased to after-tax net loss. If special shares are not accumulated ones, dividends for special shares should be deducted from after-tax net profit, if any; in the case of loss, it doesn't need adjustment.

Note 5: When evaluating cash flow, give special notices to the following items:

1. Net cash flow of operating activities refer to net operating inflow in cash flow table.
2. Capital outlay refers to cash outflow for annual capital investments.
3. Inventory increase is taken into account, only when initial balance is larger than ending balance; if inventory decreases at the end of year, it is calculated as zero.
4. Cash dividend includes cash dividends for common shares and special shares.
5. Gross property, plant, and equipment refers total value of property, plant, and equipment before depreciation.

Note 6: Issuers should classify operation cost and operating expenses into fixed and variable ones and notices its reasonable and consistent nature, if estimate or subjective judgment is involved.

Note 7: If company stock has no face value or has a face value other than NT\$10, use the share of parent company's equity ownership in balance sheet in the calculation of the share in paid-in capital.

**C. The Audit Committee's Review Report of the financial report for the latest year**

**FORMOSA TAFFETA CO., LTD.  
The Audit Committee's Review Report**

The Company's 2019 Business Report, Financial Statements, including Consolidated and Parent Company Only ones, and Earnings Distribution Proposal have been prepared by the Board of Directors. An audit of the Financial Statements was conducted by the CPAs of PricewaterhouseCoopers Taiwan (PwC), and the audit reports were issued by PwC. The Audit Committee members of Formosa Taffeta Co., Ltd. reviewed the Business Report, Financial Statements, and Earnings Distribution Proposal and determined the information to be correct and accurate. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Taffeta Co., Ltd. Chairman  
of the Audit Committee:

Cheng, Yu

March 13, 2020

**D. Consolidated financial report of parent company and subsidiaries of the recent year audited and certified by certified account er (for details refer to page 179 - 295 )**

**E. Individual financial report of the recent year audited and certified by certified accountant(er)(for details refer to page 296 - 413 )**

**F. Effect of financial problem, if any, of the company and affiliates on the company's financial status in the recent year and the current year as of the date of the publication of the annual report: nil**



## VII Financial status, review and analysis of management performance, and risk items

### A. Review and analysis of financial status--consolidated financial report

Unit: NT\$1,000

Item \ Year	2019	2018	Difference		
			Amount	%	Explanation
Current assets	17,512,757	23,771,559	(6,258,802)	(26.33)	1
Non-Current assets	63,249,116	69,254,934	(6,005,818)	(8.67)	-
<b>Total assets</b>	<b>80,761,873</b>	<b>93,026,493</b>	<b>(12,264,620)</b>	<b>(13.18)</b>	-
Current liabilities	8,482,750	9,191,230	(708,480)	(7.71)	-
Non-Current liabilities	8,055,223	8,866,573	(811,350)	(9.15)	-
<b>Paid-in capital</b>	<b>16,537,973</b>	<b>18,057,803</b>	<b>(1,519,830)</b>	<b>(8.42)</b>	-
Capital stock	16,846,646	16,846,646	0	0.00	-
capital surplus	1,289,642	1,268,860	20,782	1.64	-
Retained earnings	21,091,868	19,525,220	1,566,648	8.02	-
Other equity	25,010,157	31,291,978	(6,281,821)	(20.07)	2
Treasury stock	(19,064)	(19,500)	436	(2.24)	-
Equity ownership of parent company	64,219,249	68,913,204	(4,693,955)	(6.81)	-
Non-controlling equity	4,651	6,055,486	(6,050,835)	(99.92)	3
<b>Total equity</b>	<b>64,223,900</b>	<b>74,968,690</b>	<b>(10,744,790)</b>	<b>(14.33)</b>	-
Explanation:					
<p>1. Current assets decreased by NT \$ 6,258.8 million in 2019 compared with 2018: mainly due to financial assets measured at fair value through other comprehensive profit and loss-current decreased by NT \$ 2,227.4 million, accounts receivable decreased by NT \$ 2,000.5 million and inventory Decrease NT \$ 626.4 million.</p> <p>2. Other equity decreased by NT \$ 6,281.8 million in 2019 compared with 2018: mainly due to a decrease of NT \$ 5,969.9 million in unrealized evaluation profit and loss.</p> <p>3. Non-controlling interests decreased by NT \$ 6,050.8 million in 2019 compared with 2018: mainly due to the disposal of 16% of Fumao Technology 's equity. After the disposal, the Group 's shareholding ratio was 30.68% and there was no substantial control, so the combined non-controlling interests decreased NT \$ 6,045.8 million.</p>					

## B. Review and analysis of management performance

(A)Comparative analysis of management performance--consolidated financial report

Unit: NT\$1,000

Item \ Year	2019	2018	Increase (decrease)	Change (%)
Operating revenue	36,762,189	35,759,528	1,002,661	2.80
Gross profit	3,759,840	3,546,752	213,088	6.01
Operating expenses	2,692,530	2,662,619	29,911	1.12
Operating Income	1,067,310	884,133	183,177	20.72
Non-operating revenue and expenses	4,096,648	3,645,274	451,374	12.38
Net profit before Tax	5,163,958	4,529,407	634,551	14.01
Net profit of continuing business units in the current period	4,626,937	3,900,407	726,530	18.63
Profits (losses) of closed	1,202,530	1,420,293	(217,763)	(15.33)
Other current comprehensive income	(6,364,452)	(3,151,652)	(3,212,800)	(101.94)
Total current comprehensive income	(534,985)	2,169,048	(2,704,033)	(124.66)

Explanation for analysis of change in share:

1. Operating profit and loss in 2019 increased by NT \$ 183.2 million compared to 2018: Mainly due to an increase in operating profit of NT \$ 213.1 million.
2. Other comprehensive profit and loss (net) decreased by NT \$ 3,212.8 million in 2019 compared with 2018: mainly due to unrealized evaluation of equity instrument investment measured by fair value through other comprehensive profit and loss Recognition of related companies 'and joint ventures' share of other comprehensive profit and loss by law-items not reclassified to profit or loss decreased by NT \$ 1,746.2 million, remeasured benefits were determined to increase by NT \$ 234.1 million, and foreign operating agency finance The exchange difference in the conversion of the statement increased by NT \$ 401.1 million.
3. The total consolidated profit and loss for the current period decreased by NT \$ 2,704.0 million in 2019 compared to 2018: mainly due to the unrealized evaluation of equity instrument investment measured by fair value through other comprehensive profits and losses. The share of other comprehensive profit and loss of related companies and joint ventures listed-items not reclassified to profit or loss decreased by NT \$ 1,746.2 million and the exchange difference in the conversion of the financial statements of foreign operating agencies increased by NT \$ 401.1 million.

(B)Analysis of change in operating gross profit: no need.

## C. Review and analysis of cash flow--consolidated financial report

Unit: NT\$1,000

Cash balance beginning of year	Net cash flow from Operating in the year	Cash outflow in the year	Cash balance (shortfall)	Remedy for cash shortfall	
				Investment plan	Financing plan
3,391,896	6,751,805	6,907,077	3,236,624	-	-

### 1. Analysis of cash flow in the year:

- (1) Business activities: Net cash inflow from operating activities in the current year reached NT\$ 6.752 billion, mainly due to NT\$ 9.282 billion from operating benefits(excluding depreciation and investment benefits recognized by the equity method) and interest expenses (inflows) NT \$ 224 million Yuan, amortized expense (inflow) NT \$ 123 million, equity method cash dividend (inflow) NT \$ 110 million, payable (inflow) NT \$ 305 million, receivable (inflow) NT \$ 180 million 2.Increase in inventory (inflow) NT \$ 180 million, dispose of profits of out-of-business units (outflow) NT \$ 2 billion, increase in contract assets (outflow) NT \$ 550 million, increase in prepayments (outflow) NT \$ 160 million and payment Income tax expense (outflow) is NT \$ 680 million..
- (2) Investment activities: Net cash outflows from investment activities in the current year amounted to NT \$ 1,071 million, mainly due to purchases of real estate, plant and equipment prices (outflow) of NT \$ 2.941 billion, and acquisition of financial assets (outflow) measured by fair value through profit or loss. NT \$ 300 million, NT \$ 1.556 billion from the company 's price (inflow), and NT \$ 780 million in financial assets (inflow) measured at fair value through profit or loss.
- (3)Fund-raising activities: Net cash outflow from fund-raising activities during the year was NT \$ 5.832 billion, mainly due to the repayment of long-term loans (outflow) of NT \$ 10.067 billion, cash dividend payments (outflow) of NT \$ 4.129 billion, and lease principal repayment (outflow ) NT \$ 150 million, short-term borrowing increased (inflow) NT \$ 115 million, and long-term borrowing (inflow) NT \$ 9.2 billion.

### 2. Remedy for cash shortfall and analysis of Currentity: not applicable.

### 3. Analysis of cash flow in the coming one year

Unit: NT\$1,000

Cash balance beginning of year (1)	Expected Net cash flow from Operating in the year (2)	Expected cash outflow in the year (3)	Expected cash balance (shortfall) (1)+(2)-(3)	Remedy for expected cash shortfall	
				Investment plan	Financing plan
3,236,624	5,401,444	6,048,773	2,589,295	-	-

## D. Influence of major capital outlays in the recent year on finance and business

(A) Status of major capital outlays and funding sources

Unit: NT\$1,000

Projects	Actual or planned source of capital	Actual or planned date of completion	Total capital in need	Actual or anticipated fund utilization							
				2019	2020	2021	2022	2023	2024	2025	2026
Replacement of old machines with new ones setup of new gas stations equipment from 2019	Cash and income generated from the company's operation, with the remainder from banking loans	2020.12.31	208,866	169,266	39,600	-	-	-	-	-	-
Replacement of old machines with new ones and setup of new gas stations equipment from 2020	Cash and income generated from the company's operation, with the remainder from banking loans	2021.12.31	141,379	-	121,557	19,822	-	-	-	-	-

(B) Anticipated benefits

Anticipated contribution to production and sales volume and value, as well as gross profit

NT\$1,000

Year	Item	Production volume	Sales volume	Amount of Sales	Gross profit
2020	Tire cord	1,169 tons	-	170,587	27,919
	1.5 K carbon-fiber textile	90 km <sup>2</sup>	-	36,000	1,800
	Environment-friendly shopping bags	1,260 tons	-	94,500	6,300
	Sales of gasoline	The gas station delivered 1,663 kiloliter	-	41,575	4,004
2021	3 K carbon-fiber textile	200 km <sup>2</sup>	-	66,000	8,800
	Environment-friendly shopping bags	1,680 tons	-	105,600	6,600
	Sales of gasoline	The gas station delivered 3,682 kiloliter	-	95,195	9,528

## E. Reinvestment policy, major reasons for profit or loss, improvement plan, and investment plan in the coming year:

For information on businesses invested by the company, refer to description of 2019/2019 section and the description of waste-water and air-pollution treatment in the company's history, as well as financial statements.

The company has been investing in equipment continuously at the company's five plan premises, including those in Taiwan, in China, and Vietnam, focusing on equipment updating, process improvement, removal of bottlenecks, automated transport, inspection and testing devices, innovative processing machines, new high-performance machines, small-volume high-

variety machines, and waste-discharge and air-pollution abatement equipment, thereby boosting labor productivity and product value. Meanwhile, in order to fill the increasing short-delivery orders from branded customers, The company has expanded the production capacity of dyed and finished fabrics of Vietnam's Longan subsidiary to 12 million yards/year, and continued to replace the equipment in 2018 and 2019. Due to the convenience of fund raising, no capital increase registration was carried out. In terms of water treatment, we strive to reduce water consumption per product produced. The Company, including the five factories in Taiwan and abroad, invests in hardware equipment to divert rain and sewage to implement water control comprehensively. Following the goal of reducing total water consumption by 20% in the end of 2018 compared with 2017, in 2019, the Company reinvested NT\$ 150 million in ultrafiltration reverse osmosis system, and recycled 2.4 million tons of printing and dyeing wastewater per year. It is expected that the total number of dyeing and printing wastewater consumption in Taiwan, Vietnam 's Long 'an and Vietnam 's Dong Nai plants would be reduced by half when the facility stated above is completed and in operation. New equipment such as ultrafiltration membrane waste-water recovery equipment has been set up to recycle wastewater for use in the process. The amount of water recovered in 2019 was 2,644,312 tons, an increase of 30.2% over 2018, and the benefits were significant. In terms of air pollution control, following the achievements made in 2018, including the VOCs volatile organic compounds (volatile organic compounds) treatment efficiency reached 90%, NOx nitrogen oxides (nitrogen oxides) reduced 72%, Taiwan plant # 6 dip-dryer reduced SOx sulfur oxides by 83% by converting pyrolysis low sulfur fuel oil to natural gas, in 2019, to transform the heating system of the machine, 2170 meters of underground gas pipelines were buried in October. The pipelines were extended to the gas flow meter station outside the plant. In February 2020, the facility was in operation as an environmental investment.

In the cultivation of IT manpower, the company has been actively pushing education and training for manpower related to Industry 4.0. Since May 107, it has cooperated with LEOSYS Co., Ltd to set up an AI artificial intelligence training project of "Industry 4.0" to collect and analyze big data on the success rate of dyeing once. After passing entrance exam, eight staffers attended the AI technology leadership cultivation course held by the Taichung branch of Taiwan AI Academy, completing 384 hours/person training, during Aug. through Dec. 2018. In 2019, the three factories and five factories implemented a total of 2,145 pieces of education and training. The average training time was 32.63 hours per person, and the training cost was NT\$4,219 per person.

In sum, in response to the needs of famous branded customers, both in Taiwan and abroad, and market demands, the company has been offering all-round service, via integration of supply chain spanning upstream, midstream, and downstream sectors, enhancing the magnitude of new product development, pushing new production mode featuring energy conservation and carbon abatement, water conservation, regeneration, and recycling, employment of non-toxic chemicals, environment friendliness, and creation of high-quality environment-friendly products, so as to meet customer need and environmental need at the same time.

## F. Risk items

(A)Influence of changes in interest rate and exchange rate and inflation on the company's profit and future countermeasures:

### 1. Interest rate:

In order to hedge the risk of interest-rate fluctuation on the company's long-term liabilities with floating interest rates, the company would cautiously evaluate the situation and financial market and sign interest-swap contracts when interest rate is at low level, so as to keep interest rate lower than the forecast funding cost in investment plan. In 2019 and 2020, interest rates will be lowered, and the company's long-term debt interest expenses will be reduced. There is no risk of interest rate changes in the short to medium term.

### 2. Change of exchange rate:

For the insufficient part of the Company's operating and exchange funds, the Company buys spot or forward foreign exchange in response. For foreign currency long-term liabilities, long-term forward foreign exchange or exchange swap contracts are signed when the exchange rate is relatively low, so as to minimize the impact of changes in the exchange rate on the Company's revenue. In the first quarter of 2020, as the COVID-19 spread the world, the U.S. dollar has become a hedging currency and appreciated strongly; over the years, the Company's sales revenue has been mostly in U.S. dollar, which is greater than the expenditures on imported materials or machinery and equipment in U.S. dollar. Therefore, there is no risk of exchange rate fluctuations in the short term, but close attention and response are required.

### 3. Inflation

According to the Cabinet-level Directorate General of Budget, Accounting, and Statistics, annual increase of Taiwan's consumer price index reached 0.56% in 2019, with core consumer prices rising by 0.5%. The low inflation risk poses no influence on the company's profit. In the first half of 2020, international oil prices fell sharply, international raw material prices continued to fall, and demand decreased. There is no inflation risk in the short to medium term. Instead, there are a risk of economic downturn and stagnation in demand. We must pay close attention and respond.

(B)Policy for engagement in high-risk, high-leverage investments, loan extension, endorsement and guarantee, and derivatives, major reasons for profit or loss, and countermeasures in the future:

### 1. High-risk, high-leveraged investments:

The company engages mainly in textile, oil products, gas stations, which are mature and stable industries, with low risk. With stable business management and sound finance, the company shuns high-leverage investments.

### 2. Loan extension

Proposal for loan extensions by the company must be passed by the board of directors and approved by shareholders' meeting, according to "measures for extension

of loans to others." Up to now, the company has not extended any loan to others. In the future, loans will be only extended to affiliates for fund maneuvering and in compliance with "measures for extension of loans to others."

### 3. Endorsement and guarantee:

The company's operating procedure for provision of endorsement and guarantee is based on "operating procedure for endorsement and guarantee," which has been approved by the board of directors and agreed by shareholders' meeting. In principle, endorsement and guarantee are extended only to parent company, subsidiaries, affiliates with business linkage, or joint ventures at an extent proportionate to the share of the company's contribution. The company has never incurred loss from endorsement and guarantee, mainly on loans, due to sound finance and stable business of affiliates.

### 4. Trading in derivatives:

The company's engagement in trading in derivatives is for hedging market risks caused by fluctuation of exchange rates and interest rates, instead of arbitrage and speculation. Such trading is carried out according to the company's "procedure for engagement in trading in derivatives," as well as related domestic laws and regulations and IFRS (International Financial Reporting Standards).

### (C) Future R&D plan and expected R&D expenses (2020)

R&D items and new R&D equipment	Expected input for R&D (NT\$1,000)
1. Optimization of wearable smart thermal clothing module	20,000
2. Development of Nomex camouflage stealth fabric (continued)	10,000
3. ZDHC / chemical project management and promotion	5,000
4. Development of temperature and wet sensitive and color-changing fabrics	5,000
5. Development of graphene cooling / heat insulation fabric	5,000
6. Application and development of aerogel fabric	10,000
7. Biodegradable material fabric	10,000
8. Fabrics recycled from ocean and fishing net (continued)	20,000
9. Development of composite section material fabric	10,000
10. Development of anhydrous dyeing (Aqua-off®, Solution Dyed) fabrics	6,000
11. Cooperative program with Taiwan Textile Federation	6,000
12. Development of biomass plastic	5,000
13. Development of unidirectional anti-stab cloth for Kevlar advanced bicycle	20,000
14. Development of hybrid tire cord fabrics	10,000
Total	142,000

(D)Effect of change in major policies and laws, both in Taiwan and abroad, on the company's finance and business and countermeasures:

The company has constantly kept a close eye on political and economic situations, formulation of major policies, and legal changes, both in Taiwan and abroad, and has staffers take professional courses and training, when necessary. Major legal changes related to the company's finance and business, in 2019 and as of Feb. 29, 2020, follow:

- 1.The "Statute for Industrial Innovation" was amended on July 24, 2019 under the Decree President Hua Zongyijing No. 10800073771. The amendment mainly included the extension of tax discount for the investment of research and development expenditures to the end of 2029, and the investment expenditures may be included in the deduction item of undistributed surplus . The Company declare research and development and investment expenditures accordingly to apply the relevant tax discount.
- 2."The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" was promulgated under the Decree President Hua Zongyijing No. 10800075631. The amendment mainly included that for profit-making enterprises to apply for repatriation of overseas reinvestment income, and the income stated above are used in real investment, and complied with other conditions such as a financial investment limit of 25% and ban on purchase of fixed assets, a preferential tax rate of 8% in the first year, 10% in the second year and a further half of the real investment will be applied. The Company will, depending on the operation and capital status of the Company and the overseas reinvestment business, apply for repatriation of overseas reinvestment income in accordance with relevant regulations when necessary.
- 3.Other policy and legal changes have not much influence on the company's finance and business.

(E) Influence of technological and industrial changes on the company's finance and business and countermeasures: There is no technological changes with major influence on the company, since the company belongs to an industry with mature technology.

(F) Influence of change in corporate image on corporate crisis management and countermeasures: Adhering to the management concept of "diligence and down-to-earth style, quest for perfection, sustainable development, and contribution to society," the company has established a good corporate image and will insist on the concept for further progress, in order to make even bigger contribution to the society.

(G) Expected benefits from acquisition, possible risk, and countermeasures: nil.

(H) Expected benefits from factory expansion, possible risk, and countermeasures: Evaluation shows that there is no major risk for factory expansion.

(I) Risk for concentration of purchase or sale and countermeasures:

- 1.Purchase: The company's major raw materials, including tire-cord filament, PU filament, and polyester filament are supply mainly by affiliates Formosa Chemicals & Fibre Corporation and Nan Ya Plastics Corp. in abundant volume, with any risk



of shortage.

2.S a l e s : In 2019, the ratio between domestic sale and export of the company was 43.08% and 56.92%. Major exported products are long- and short-fiber fabric, tire cord, and PE bag, shipped mainly to contracted customers in Southeast Asia, Hong Kong, China, India, Japan, and South Korea, while major products for domestic sales are long- and short-fiber fabric, tire cord, special fabric, and oil products. Given diversification in markets and customers, related risk is low.

(J) Influence and risk of massive share transfer by directors, supervisors, and major shareholders with over 10% shareholding and countermeasures: nil.

(K) Influence and risk of change in management right and countermeasures: nil.

(L) List major litigations, non-contentious cases, administrative litigations, including those with settled ruling or still in progress, involving the company and the company's directors, supervisors, president, actual responsible person, major shareholders with over 10%shareholding, and subordinated companies, whose outcomes may have major influence on shareholders' equity or security prices. Disclose the facts of the contentions, values of targets, starting dates of litigations, major parties involved, and status of handling as of the date of the publication of the annual report:

1.Taiwan Cooperative Bank Co., Ltd. (hereinafter referred to as TCB) filed a civil lawsuit against the Company at Taipei District Court in September 2019. TCB claimed that the former employees of the Company colluded with New Site Industries Inc. (hereinafter referred to as New Site) and New Brite Industries Inc. (hereinafter referred to as New Brite) to make false statements. TCB was misled the fact that New Site and New Brite had debts of accounts receivable against the Company, causing their damage. Therefore, TCB claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case is purely the personal behavior of the former employee. At present, the whole case is still under trial in the court, and it is impossible to judge the possible outcome and the amount of the case. However, the Company has invited a lawyer to submit a strong defense to protect the Company's rights and interests.

2.DBS (Taiwan) Commercial Bank Co., Ltd. (hereinafter referred to as DBS) filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company at Taipei District Court in September 2019. The former employees of the Company and Formosa Dong Nai colluded with New Site Industries Inc. (hereinafter referred to as New Site) to make the false statements. DBS was misled the fact that New Site has debts of accounts receivable against the Company and Formosa Dong Nai, causing their damage. Therefore DBS claimed that the Company should be jointly and severally liable with the obligation of indemnity. However, this case is purely the personal behavior of the former employee. At present, the whole case is still under trial in the court, and it is impossible to judge the possible outcome and the amount of the case. However, the Company and Formosa Dong Nai have invited lawyers to submit a strong defense to protect the Company's rights and interests.

3.O-Bank filed a civil lawsuit against the Company and Formosa Taffeta Dong Nai (hereinafter referred to as the Formosa Dong Nai), a subsidiary of the Company on Taipei District Court in February 2020. The former employees of the Company and Formosa Dong Nai colluded with I Chin Young Inc. (hereinafter referred to as I Chin Young) to make false statements. O-Bank was

misled the fact that I Chin Young has debts of accounts receivable against the Company and Formosa Dong Nai, causing their damage. Therefore, O-Bank claimed that the Company and Formosa Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case is purely the personal behavior of the former employee. At present, the whole case is still under trial in the court, and it is impossible to judge the possible outcome and the amount of the case. However, the Company and Formosa Dong Nai have invited lawyers to submit a strong defense to protect the Company's rights and interests.

(M) Management of operating risk:

The company's computer information system is developed by itself entirely and is tailor-made, according to the company's organization and various functional systems, stressing division of labor and check and balance, such as independent operation and articulation of procurement, contract work, fund maneuvering, and financial management, so as to avoid operating risk. The company's management system for computerized operation includes personnel management, business management, production management, engineering management, procurement management, and financial and accounting management, which are interlinked. After being keyed in, data can be transmitted and applied at multiple levels, to avoid mistakes. Various functional management reports are used as reference in decision making and operational improvement. Therefore, in addition to management purpose, the company's operating management also has the function of risk management.

(N) Other major risks and countermeasures: information-safety risk

1. In order to assure the safety and stability of information safety, prevent abnormality and disaster of information systems and damage of computer information files, and strengthen protection of personal data, the company has set up related management measures and handling guidelines, plus multi-layer control and protection mechanisms, so as to effectively manage risks of corporate information systems and uphold continuing operation of the company. In order assure safety of information utilization and establish a reliable environment for information usage, the company has embraced the following information-safety policy:
  - (1) comply with legal requirements and arouse information-safety awareness;
  - (2) stress risk management and protection data safety;
  - (3) full employee participation and seek continuous improvement.
2. Given linkage of global information networks, which facilitates business promotion, recurrent hacking may paralyze extensive network services, computer viruses and malware compromise the services and confidentiality of information systems, and culprits may steal corporate secrets via social media, taking advantage of the negligence of the company's staffers. To prevent such risks, the company has put in place a set of complete information measures, including:
  - (1) Establish firewall to ward off outside attacks and Websense Internet access filtration mechanism for employees, to screen malicious websites and continuous advanced attack

on the defense system, in addition to forbid unnecessary Internet access by employees and make backup copies for e-mails.

- (2) Establish access control, identity verification for access to application system, password control, access authorization, and regular scanning for vulnerable spots, plus installation of antivirus software, renovation of built-in safety patch program, control of USB access, and setup of back-up copy mechanism.
  - (3) Hold information-safety education, training, and testing for employees every year, to strengthen employees' awareness of information-safety risk.
  - (4) Review information-system protection measures and systems every year and concern about information-safety issues and formulate contingency plan, to assure their propriety and efficacy.
3. Due to constant progress and renovation of hackers' technology and methods, it is impossible to ward off hacking activities entirely but the company has managed to minimize such threat, via information-safety protection measures and education/training.

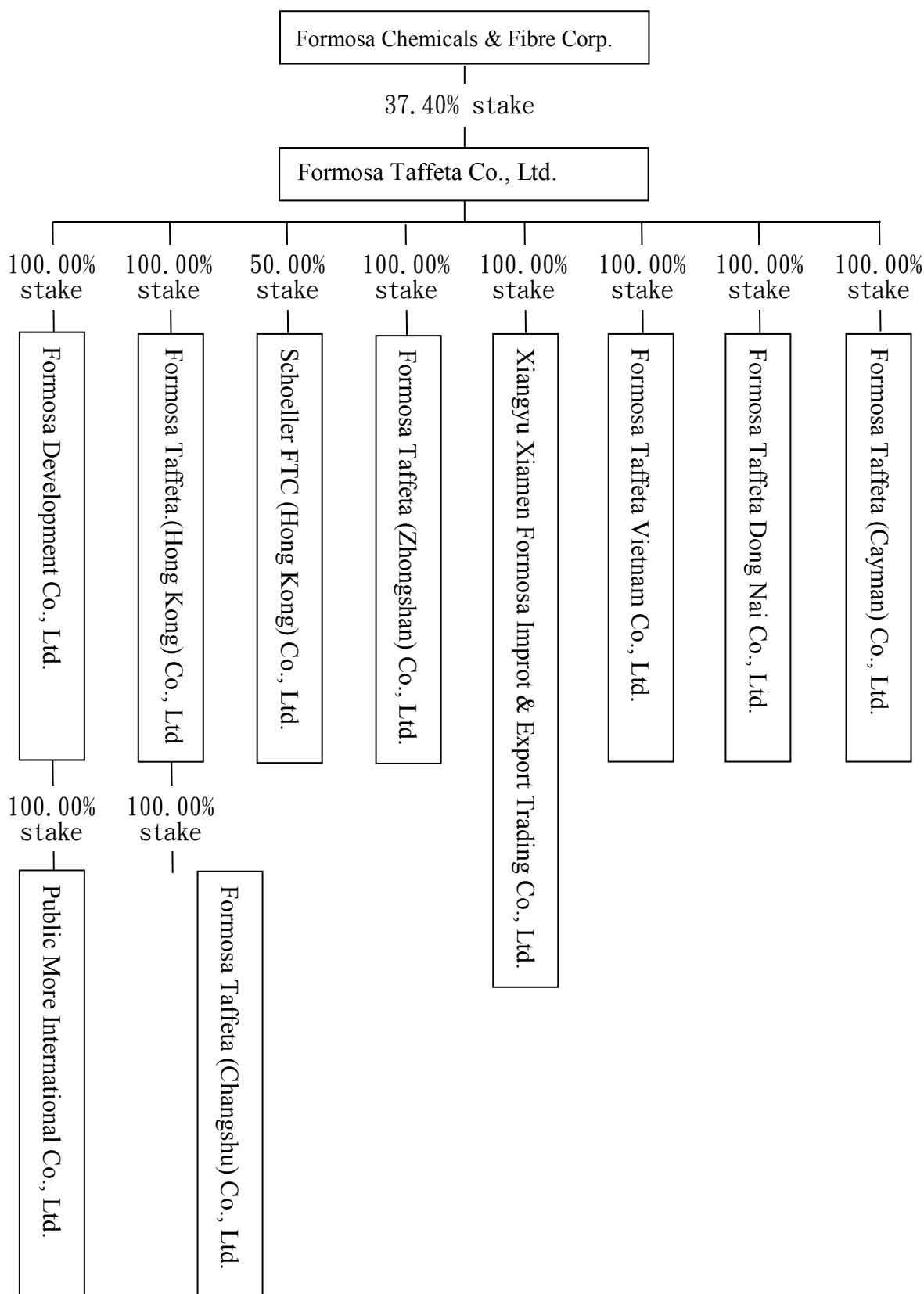
**G. Other important items: nil.**

## VIII. Items with special registration

### A. Data on affiliates

(A) Consolidated business report with affiliates

#### 1. Organizational chart of affiliates



## 2.Basic data on affiliates

unit: NT\$1,000

Company name	Date of incorporation	Address (the address on corporate license)	Paid-in capital	Major business items
Formosa Development Co., Ltd.	1990.9.20	29, Lane 224, Shuliou RD., Touliou 640, Yunlin, Taiwan	161,000	Urban land consolidation and development and lease of residences, office buildings, and factories
Formosa Taffeta (Hong Kong) Co., Ltd.	1989.4.11	Room 1606, Tower 6, China Hong Kong City, 33 Canton RD., Tsimshatsui, Kowloon, Hong Kong	1,356,822	Sale of filament fabric and spun fabric
Formosa Taffeta (Zhong shan) Co., Ltd.	1992.12.3	167, S. Shenwan Avenue, Shenwan Town, Zhongshan City, Guangdong Province 528462, China	1,402,085	Chemical long fiber polyamine fabric, polyester fabric
Xiamen Xiangyu Formosa import & export Trading Co., Ltd.	1994.8.24	B5, 7th fl., No. 22, Xiangxing 4th Rd, Modern Logistics Park, Xiamen	15,273	Export/import business, transshipment business, Applying to cancel the company from July 2019
Formosa Taffeta Vietnam Co., Ltd.	1999.6.16 Acquisition and reorganization	Sec.1, Nhut Chanh, Com, Ben Luc Dist., Long An Province, Vietnam	2,340,866	Production and processing of chemical-fiber fabric, dyeing and finishing, finished fabric
Formosa Taffeta Dong Nai Co., Ltd.	2004.6.25	Nhon Trach 3 Ind. Zone, Hiep Phuoc Town, Nhon Trach Dist., Dong Nai Province, Vietnam	2,590,434	Production, processing, and sale of various chemical-fiber fabrics, dyeing and finishing, and tire cord
Formosa Taffeta (Changshu) Co., Ltd.	2005.4.4	15, Peng-Hu RD., Dongnan Street, Changshu City, Jiangsu Province, 215500 CHINA	1,302,019	Engagement in dyeing and finishing of high-end fabric; lease of facilities; property management
Formosa Taffeta (Cayman) Co., Ltd.	2014.3.12	Cassia Court, Suite 716, 10 Market Street, Camana Bay, Grand Cayman, Island KYI-9006	5,284,775	Investment
Schoeller FTC (Hong Kong) Co., Ltd.	2001.10.31	Room 1606, Tower 6, China Hong Kong City, 33 Canton RD., Tsimshatsui, Kowloon, Hong Kong	6,879	Textile trading
Public more International Co., Ltd.	2017.2.15	27, Lane 224, Shuliou RD., Touliou 640, Yunlin, Taiwan	5,000	Employment service, temporary help service, manpower brokerage

3. Inferred as having a control-subordination relationship: omitted
4. Overview of businesses engaged by affiliates:
  - ( 1 ) Formosa Development engages mainly in urban land consolidation.
  - ( 2 ) Formosa Taffeta (Hong Kong) Co., Ltd. engages in export and import of filament fabric and spun fabric.
  - ( 3 ) Formosa Taffeta (Zhongshan) Co., Ltd. engages in production and sale of polyurethane fabric and polyester fabric, plus weaving, dyeing, and finishing of high-end fabric.
  - ( 4 ) Xiamen Xiangyu Formosa import & export Trading Co., Ltd. engages in transshipment of fabric in bonded area, Applying to cancel the company from July 2019.
  - ( 5 ) Formosa Taffeta Vietnam Co., Ltd. engages in the production and sale of chemical-fiber woven fabric and dyeing and finishing.
  - ( 6 ) Formosa Taffeta Dong Nai Co., Ltd. engages in production and sale of chemical-fiber woven fabric and tire cord, plus dyeing and finishing.
  - ( 7 ) Formosa Taffeta (Changshu) Co., Ltd. engages in dyeing and finishing of high-end fabric.
  - ( 8 ) Formosa Taffeta (Cayman) Limited. engages in investment activities.
  - ( 9 ) Schoeller FTC (Hong Kong) engages in textile trading.
  - (10) Public more International Co., Ltd. engages in employment service, temporary help service, and manpower brokerage.
5. Names of the directors, supervisors, and presidents of affiliates and their shareholdings or contributions

Information on the directors, supervisors, and presidents of affiliate

Unit: share

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Development Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong, Wen-yuan	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hsie, Shih-ming	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Tseng, Ching-pin (president)	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chang, Yung-chiao	16,100,000	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chang, Hsien-tang	16,100,000	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Lin, Chun-nan	16,100,000	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Lee, Kuo-yi	16,100,000	100.00%
Formosa Taffeta (Hong Kong) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong, Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Cheng, Hung-ning	—	100.00%
	President	Chen, Jui-mao	—	—

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Taffeta (Zhong Shan) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Wu,Li-jen	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng,Hung-ning	—	100.00%
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong,Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hsie,Shih-ming (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang	—	100.00%
Formosa Taffeta Vietnam Co.,Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hong Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Kuo-yi	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Chien-kuan (president)	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chang,Jin-long	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng,Hung-ning	—	100.00%
Formosa Taffeta Dong Nai Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Lee,Ming-chang	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Hong Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Tsai,Tien-shuan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lin,Chun-nan	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Kuo-yi	—	100.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee,Chien-kuan (president)	—	100.00%
	Supervisor	Representative of Formosa Taffeta Co., Ltd. : Cheng,Hung-ning	—	100.00%
Formosa Taffeta (Changshu) Co., Ltd.	Chairman	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wong,Wen-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Hong,Fu-yuan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Lee,Ming-chang (president)	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Lin,Chun-nan	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Lee,Kuo-yi	—	100.00%
	Director	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Wu,Li-jen	—	100.00%
	Supervisor	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Cheng,Hung-ning	—	100.00%

Company name	Title	Name or representative	Number of owned shares	
			Number of owned shares at the end of year	Percentage of shareholding
Formosa Taffeta (Cayman) Co., Ltd.	Chairman	Representative of Formosa Taffeta Co., Ltd. : Wong, Wen-yuan	—	100.00%
Schoeller FTC (Hong Kong) Co., Ltd.	Chairman	Schoeller Textil AG representative : Hans Jurgen Hubner	702,000	45.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Lee, Ming-chang	780,000	50.00%
	Director	Schoeller Textil AG representative : Christine Jenni	702,000	45.00%
	Director	Representative of Formosa Taffeta Co., Ltd. : Chen, Jui-mao (president)	780,000	50.00%
Public More International Company Ltd.	Director	Representative of Formosa Development Co., Ltd. : Tseng, Ching-pin	500,000	100.00%

Note 1: In case an affiliate is a foreign company, list persons with equivalent positions.

Note 2: In case an invested company is a company limited by shares, please specify the number of owned shares and percentage; for others, please specify contribution to paid-in capital and percentage, plus notes.

Note 3: in case directors or supervisors are institutional investors, information on their representatives should also be provided.

1. Director Wong, Wen-yuan is chairman of Formosa Chemicals & Fibre Corp. and Formosa Taffeta Co., Ltd.; 2. director Hsie, Shih-ming is vice chairman of Formosa Taffeta Co., Ltd.; 3. director Hong, Fu-yuan is vice chairman of Formosa Chemicals & Fibre Corp.; 4. director Lee, Ming-chang is president of Formosa Taffeta Co., Ltd.; 5. director Tsai, Tien-shuan is senior vice president of the second business segment of Formosa Taffeta Co., Ltd.; 6. director Tseng, Ching-pin is president of Formosa Development Co., Ltd.; 7. director Chang, Yung-chiao is manager of engineering division of Formosa Taffeta Co., Ltd.; 8. director Chang, Hsien-tang is deputy senior specialist of Formosa Development Co., Ltd.; 9. director Lee, Kuo-yi is assistant vice president of dyeing and finishing division of Formosa Taffeta Co., Ltd.; 10. director Lee, Chien-kuan is manager of dyeing and finishing division of Formosa Taffeta Co., Ltd.; 11. director Chang, Jin-long is assistant senior administrator of dyeing and finishing division of Formosa Taffeta Co., Ltd.; 12. director Lin, Chun-nan is assistant vice president of dyeing and finishing division (as well as acting vice president of first business segment) of Formosa Taffeta Co., Ltd.; 13. director Wu, Li-jen is manager of dyeing and finishing division of Formosa Taffeta Co., Ltd.; 14. director Cheng, Hung-ning is manager of General Management Divisions (as well as acting vice president of General Management Divisions) of Formosa Taffeta Co., Ltd.; 15. director Chen, Jui-mao is senior administrator of Formosa Taffeta Co., Ltd.



## 6. Operating status of affiliates

Unit: NT\$1,000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit/loss (after tax)	Earnings per share (NT\$) (after tax)
Formosa Development Co., Ltd.	161,000	321,968	37,306	284,662	2,771	-1,754	11,263	0.70
Formosa Taffeta ( Hong Kong) Co., Ltd.	1,356,822	1,902,342	749,450	1,152,892	1,592,249	75,916	60,120	
Formosa Taffeta (Zhongshan) Co., Ltd.	1,402,085	1,963,528	222,365	1,741,163	1,891,909	149,755	110,956	
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	15,273	91	76	15	-	-268	-334	
Formosa Taffeta Vietnam Co., Ltd.	2,340,866	3,262,355	1,121,625	2,140,730	2,962,921	278,622	211,388	
Formosa Taffeta Dong Nai Co., Ltd.	2,590,434	6,205,529	3,871,435	2,334,094	4,881,878	174,466	45,844	
Formosa Taffeta (Changshu) Co., Ltd.	1,302,019	1,768,503	732,592	1,035,911	1,584,213	81,413	58,678	
Formosa Taffeta (Cayman) Co., Ltd.	5,284,775	3,775,536	-	3,775,536	-	-	-	
Schoeller FTC (Hong Kong) Co., Ltd.	6,879	45,074	33,227	11,847	114,468	1,212	1,593	
Public More International Company Ltd.	5,000	17,388	4,936	12,452	37,207	8,606	4,834	

The company passed a resolution of the board of directors on December 13, 2019 to approve the 16% equity of Formosa Advanced Technologies Co., Ltd, and completed the equity transfer procedure on December 16, 2019. After the disposal, the group's shareholding ratio was 30.68% and There is no substantial control, so the consolidated turnover and profit amount are re-expressed according to the regulations.

(B) Consolidated financial statement of affiliated enterprises

## Declaration

We hereby declare that the company's consolidated parent company-sub subsidiary financial report for fiscal 2019 (Jan. 1, 2019, through Dec. 31, 2019), IFRS (International Financial Reporting Standards) 10, covers parent company and subsidiaries, the same as the stipulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and has disclosed information required by the latter. Therefore, the company will not compile a separate consolidated financial statement of affiliated enterprises.

Company Name: Formosa Taffeta Co.,Ltd. & Subsidiary

Responsible person: Wong Wen-yuan

March 13, 2020

(C) Affiliation Report

Formosa Taffeta Co., Ltd.

Review report on affiliation report by certified public accountant

No. 19009035

To Formosa Taffeta Co., Ltd.

The 2019 affiliation report compiled by Formosa Taffeta Co., Ltd. on March 13, 2020 is based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," disclosing information without much aberration from related information disclosed in the notes of the financial statement covering the aforementioned period.

The certified public account has found no major aberration in the notes of the 2019 affiliation report of Formosa Taffeta Co., Ltd. from the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," after comparing the two documents.

Wu Han-chi, PwC Taiwan

Chou Chien-hung certified public accountant

March 13, 2020

Formosa Taffeta Co., Ltd.  
2019 Affiliation Report

1 Status of relationship between subordinate company and controlling company Unit: share; %

Name of controlling company	Reason of control	Shareholding of controlling company and pledge of stock rights			Directors, supervisors, or managers assigned by controlling company	
		Number of shares in held	%	Number of pledged shares	Title	Name
Formosa Chemicals & Fibre Corp.	That company can directly or indirectly control the company's personnel, finance, or business	630,022,431	37.40%	0	Chairman Director Director Director Director	Wong Wen-yuan Hong Fu-yuan Lu Wen-Chin Lee Ming-chang Tsai Tien-shuan

2. Transactions between subordinate company and controlling company

(1) Status of purchase and sale

Unit: NT\$1,000

Transactions with controlling company				Conditions for transactions with controlling company		Common transaction conditions		Reasons of difference		Note receivable (payable) and account receivable (payable)		Overdue Account receivable			Notes
Purchase (sale)	Amount	Share in total purchase (sale) %	Gross margin for sale	Unit Price (NT\$)	Credit period	Unit price	Credit period	Balance	Share in total note receivable (payable) or account receivable (payable) %	Handling value	Handling method	Value of allowance for bad debts			
Sale	904	0.00	45	Common list price	Open Account 60 Days	Common list price	45-120 days after sale	Account receivable 82	0.00	-	-	-			
Purchase	1,631,215	7.18	-	-	Two-month promissory note after acceptance	-	15-60 days after purchase	Note payable 44,999 Account payable 409,615	2.67 24.34	-	-	-			

Note: Due to effect of product specifications and nature on price, transactions between Formosa Taffeta and affiliates and between the company and common customers cannot be evaluated with the same criteria.

- (2) Property transaction: nil
- (3) Loan extension: nil
- (4) Lease of assets: nil
- (5) Other important transactions: nil

- 3. Endorsement and guarantee: nil
- 4. Other items with major influence on finance and business: nil

Chairman: Wong Wen-yuan

Managerial staffer: Lee Ming-chang

Accounting chief: Lee Shu-ming

B. Disclose the status of securities issuance via private placement in 2018 and 2019 as of the publication of the annual report, including date and amount approved by shareholders' meeting or the board of directors, basis and reasonableness for the setting of issuance price, method for the selection of specific persons, necessity for the private share placement, targets and qualifications of the private share placement, their subscription amounts, relationship with the company, participation in the company's management, actual subscription (or conversion) prices, difference between actual subscription prices and reference prices, effect of private share placement on shareholders' equity, utilization of the fund collected from private share placement during the interval before formulation of utilization plan for the fund, status for the utilization of the fund, progress for the execution of the fund utilization plan, and manifested result: nil.

C. Holding or disposal of the company's shares by subsidiaries in the recent year and as of the date of the publication of the annual report:

Unit: NT\$1,000; share; %

Name of subsidiary (note 1)	Stock capital collected	fund Source	Percent age of shareholding by the company	Date of share acquisition of disposal	shares and amount of acquisition (note 2)	Volume and value of share disposal (note 2)	Investment income/loss	Volume and value of shareholding as of the date of the publication of the annual report (note 3))	Setting of pledge	Value of guarantee and endorsement undertaken by the company for subsidiary	Loans extended by the company to subsidiaries
Formosa Development Co., Ltd.	161,000	Own fund	100.00	2019	-	shares: 50,000 amount: 1,993	1,194	shares:2,193,228 amount: 75,008	Nil	Nil	Nil
				2020 as of the annual report date	-	Nil	Nil	shares:2,193,228 amount: 67,551	Nil	Nil	Nil

Note 1: List the situation of subsidiaries separately.

Note 2: Value refers to actual value deriving from share acquisition of disposal.

Note 3: List the status of shareholding and share disposal separately.

Note 4: Explain their influence on the company's financial performance and status.

D. Other necessary supplementary explanations: nil

E. Whether or not there is items with major influence on shareholders' equity or securities prices, as stipulated in item 3-2 of article 36 of the Securities and Exchange Act: nil.

## **F. Guidelines for Ethical Conducts of the Company's Directors, Supervisors and Managerial Staffers**

revised by the board of directors on June 23, 2017

### Chapter 1 General rules

Article 1: The guidelines are formulated, to assure conformance to ethical conducts in carrying out business activities related to their jobs by the company's directors and managerial staffers (including president, executive vice president, senior vice president, vice president, financial chief, accounting chief, and others with the authority of management and signature), so as to prevent unethical conducts and conducts detrimental to the interests of the company and shareholders.

### Chapter 2 Norms for ethical conducts

Article 2: In handling the company's affairs, directors and managerial staffers should embrace a self-disciplined attitude, based on honesty without deception, trustworthiness and law abidance, fairness and justness, and compliance with ethics.

Article 3: Directors and managerial staffers should avoid conflict of interests involving meddling or possible meddling with the company's overall interests for personal interests, including, but not limited to, inability to handle corporate affairs in an objective and efficient manner, or provision of improper benefits to themselves, their spouses, parents, children, or relatives within second-degree kinship, thanks to their positions in the company. To prevent conflict of interest, it is necessary to pass the review by the board of directors beforehand, for the company providing loans or guarantee to, or engaging in major transactions of assets with, the aforementioned persons or their associated affiliates. Related purchase or sale should be carried out, on the consideration of the company's maximum benefits.

Article 4: In the face of profit-making opportunities for the company, directors and managerial staffers should uphold just and legal benefits available to the company. Directors and managerial staffers shouldn't take advantage of the company's properties or information or their positions to seek personal benefits. In addition to the requirements of the Company Act or corporate charter, they should not engage in business activities, in competition with the company.

Article 5: Directors and managerial staffers have the duty of confidentiality for information on the company, suppliers, and customers, except cases with authorized or legally mandated publication. Information which should be kept confidential include those whose utilization by rivals or leakage may harm the interests of the company or customers.

Article 6: Directors and managerial staffers should treat the company's suppliers, customers, rivals, and employees in a fair manner, avoiding acquisition of improper benefits via manipulation, concealing, or abuse of information obtained from their positions, untrue narration on major issues, or other unfair transaction methods.

Article 7: Directors and managerial staffers should utilize the company's assets properly, according to the needs of their jobs, and avoid stealth, negligent usage, or waste of the company's assets, which may affect the company's profitability.

Article 8: Directors and managerial staffers should abide by various laws and government regulations, as well as the company's regulations and systems.

Article 9: When discovering violation of laws/regulations or guidelines by directors or managerial staffers, the company's employees should report, along with sufficient evidence, the irregularities to the auditing committee, direct managerial superiors, personnel or internal-auditing chiefs at the President's Office, or other proper parties. After the reports are investigated and confirmed, the company will reward the informants

property, according to personnel management regulations.

The company will handle the aforementioned reports in a confidential and responsible manner and make its utmost in protecting the safety of those who make the reports in good faith, to shield them from retaliation in any form.

Article 10: Should directors or managerial staffers be confirmed to violate the guidelines, in addition to penalties according to personnel management regulations, the case should be reported to the board of directors and the offenders should be subject to civil, criminal, or administrative liabilities, in addition to disclosure on the Open Market Observation Post System of relevant information, including date, situation, relevant article of the guidelines of the offense, as well as the state of handling.

#### Chapter 3 Procedure for exemption

Article 11: Proposal to exempt directors or managerial staffers from the requirements of the guidelines under special situation should be approved by the board of directors with agreement of over two thirds of the directors in attendance, whose number should be more than half of the total. Relevant information for the exemption should be posted on the Open Market Observation System instantly, including date of approval by the board of directors, opposition or reservation of independent directors, if any, exemption period, reasons for the exemption, and criteria for the exemption, for evaluation of its propriety by shareholders, so as to uphold the company's interests.

#### Chapter 4 Method for information disclosure

Article 12: The guidelines should be publicly disclosed on corporate website, in yearbook and prospectus, and on the Market Observation Post System and the requirement also applies to its revision.

#### Chapter 5 Supplementary provision

Article 13: The guidelines are put into practice after approval by the board of directors and should be reported to shareholders' meeting; the requirement also applies to its revision.



**FORMOSA TAFFETA CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 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.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Opinion***

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

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

### ***Basis for opinion***

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

## ***Key audit matters***

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

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

### **Valuation of allowance for uncollectible accounts**

#### Description

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

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

#### How our audit addressed the matter

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

- A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
- B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements and testing the related assessment to confirm the accuracy of ageing analysis of accounts receivable; and

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

### **Valuation of inventory**

#### Description

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

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

#### How our audit addressed the matter

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

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

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

As stated in Note 6(6) of the consolidated financial statements, the Company's Board of Directors during its meeting on December 13, 2019 resolved to dispose its 16% equity interest in Formosa Advanced

Technologies Co., Ltd. The equity transfer procedure was completed on December 16, 2019. After the disposal, the Company lost its control over Formosa Advanced Technologies Co., Ltd. Accordingly, the Company recognized gain on disposal of \$2,016,760 thousand in 2019. Our opinion is not modified in respect of this matter.

***Other matter – Audits of other independent auditors***

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

***Other matter – Parent company only financial reports***

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Han-Chi Chou,

Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2019

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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)

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

(Continued)

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

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

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

(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)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>	6(18)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	6(3)				
8311 Actuarial gains (losses) on defined benefit plans		(\$ 83,820)	-	\$ 150,329	1
8316 Unrealized gain on valuation of financial assets at fair value through other comprehensive income		( 4,224,653 )	( 11 )	( 3,472,754 )	( 10 )
8320 Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method		( 1,745,174 )	( 5 )	1,071	-
8310 <b>Other comprehensive loss that will not be reclassified to profit or loss</b>		( 6,053,647 )	( 16 )	( 3,321,354 )	( 9 )
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 246,306 )	( 1 )	154,788	-
8370 Share of other comprehensive (loss) income of associates and joint ventures accounted for uner equity method		( 64,499 )	-	14,914	-
8360 <b>Other comprehensive (loss) income that will be reclassified to profit or loss</b>		( 310,805 )	( 1 )	169,702	-
8300 <b>Total other comprehensive loss for the year</b>		(\$ 6,364,452 )	( 17 )	(\$ 3,151,652 )	( 9 )
8500 <b>Total comprehensive (loss) income for the year</b>		(\$ 534,985 )	( 1 )	\$ 2,169,048	6
<b>Profit attributable to:</b>					
8610 Owners of the parent		\$ 5,188,729	14	\$ 4,737,406	13
8620 Non-controlling interest		640,738	2	583,294	2
		<u>\$ 5,829,467</u>	<u>16</u>	<u>\$ 5,320,700</u>	<u>15</u>
<b>Comprehensive (loss) income attributable to:</b>					
8710 Owners of the parent		(\$ 1,175,723 )	( 3 )	\$ 1,730,196	5
8720 Non-controlling interest		640,738	2	438,852	1
		<u>(\$ 534,985 )</u>	<u>( 1 )</u>	<u>\$ 2,169,048</u>	<u>6</u>
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
<b>Basic and diluted earnings per share (in dollars)</b>	6(26)				
9710 Profit for the year from continuing operations		\$ 3.06	\$ 2.75	\$ 2.69	\$ 2.33
Profit for the year from discontinued operations		0.91	0.71	1.04	0.84
Non-controlling interest		( 0.65 )	( 0.38 )	( 0.61 )	( 0.35 )
9750 Profit attributable to common shareholders of the parent		<u>\$ 3.33</u>	<u>\$ 3.08</u>	<u>\$ 3.12</u>	<u>\$ 2.82</u>
<b>Assuming shares held by subsidiaries are not deemed as treasury stock:</b>					
Profit for the year from continuing operations		\$ 3.06	\$ 2.75	\$ 2.69	\$ 2.32
Profit for the year from discontinued operations		0.91	0.71	1.04	0.84
Non-controlling interest		( 0.65 )	( 0.38 )	( 0.61 )	( 0.35 )
Profit attributable to common shareholders of the parent		<u>\$ 3.32</u>	<u>\$ 3.08</u>	<u>\$ 3.12</u>	<u>\$ 2.81</u>

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

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

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

(Continued)



FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

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

(Continued)

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

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

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



FORMOSA TAFFETA CO., LTD.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

**1. HISTORY AND ORGANIZATION**

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

<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 December 31, 2019, the Company and its subsidiaries (collectively referred herein as the “Group”) had 7,918 employees.

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

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

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

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

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

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

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$1,048,552 (including \$260,897 reclassified from long-term prepaid rent) and 'lease liability' by \$787,655 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - (c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
  - (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.0136%.
- E. The Group recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments

under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing

control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 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	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100	100	
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residences and buildings, and development of new community and specialised zones	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
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	50	
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Dong Nai Co., Ltd.	Manufacturing of nylon and polyester filament products	100	100	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding company	100	100	
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100	100	
Formosa Development Co., Ltd.	Public More International Company Ltd.	Employment service, manpower allocation and agency service etc.	100	100	

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

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

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

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

E. Significant restrictions: None.

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

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

As of December 31, 2018, the non-controlling interest amounted to \$6,055,486. The information

on non-controlling interest and respective subsidiaries is as follows:

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

Summarized financial information on the subsidiary:

Balance sheet

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

Statement of comprehensive income

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

Statement of cash flows

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional

currency”). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.



- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(12) Inventories

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

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does

not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a

change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

Effective 2019

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

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

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

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

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

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset’s useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Investment property

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

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. When the circumstances or reasons for

recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

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

(19) Notes and accounts payable

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

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

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

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

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

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

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

(23) Financial guarantee contracts

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

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected

to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

## B. Pensions

### (a) Defined contribution plans

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

### (b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

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

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

## (25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in

the year the stockholders resolve to retain the earnings.

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

(26) Share capital

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

(27) Dividends

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

(28) Revenue recognition

A. The Company manufactures and sells various fabrics and IC products, and renders services as

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

- B. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- D. Formosa Advanced Technologies Co., Ltd. renders IC packaging and testing services. Considering that the highly customized products have no alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized in the reporting period in which the services are delivered to the customers. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the costs incurred relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

#### (29) Operating segments

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

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

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

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

The Group assesses the impairment of an investment accounted for using equity method as soon as



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

(2) Impairment assessment of accounts receivable

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

(3) Evaluation of inventories

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and petty cash	\$ 50,402	\$ 156,022
Checking accounts and demand deposits	1,393,841	1,797,743
Time deposits	983,331	419,938
Commercial paper	809,050	1,018,193
	<u>\$ 3,236,624</u>	<u>\$ 3,391,896</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 interest rates of time deposits as of December 31, 2019 and 2018 ranged from 1.58%~5.57% and 2.75%~5.47%, respectively.
- C. The Group has no cash and cash equivalents pledged to others.

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

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

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

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

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

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

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

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

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

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

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

- A. The Group has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$41,894,833 and \$50,186,918 as at December 31, 2019 and 2018, respectively.
- B. Aiming to satisfy the operating capital needs, the Group sold its equity investment in Nan Ya Technology Corp. at fair value of \$772,686 which resulted in loss on disposal (including the portion attributable to non-controlling interests) of (\$1,804,708) during the year ended December 31, 2018 which was reclassified to retained earnings, respectively.
- C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

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

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

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

(4) Notes and accounts receivable

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

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

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

The above ageing analysis was based on past due date.

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

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

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

(5) Inventories

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

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

The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 39,913,637	\$ 39,205,386
Inventory valuation loss (Note)	339,274	176,918
Others (Note)	51,574	( 57,940)
	<u>\$ 40,304,485</u>	<u>\$ 39,324,364</u>
Less: Cost of inventories recognised as expense from discontinued operations	<u>(\$ 7,302,136)</u>	<u>(\$ 7,111,588)</u>
	<u>\$ 33,002,349</u>	<u>\$ 32,212,776</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>December 31, 2019</u>	<u>December 31, 2018</u>
Formosa Advanced Technologies Co., Ltd.	\$ 4,884,465	\$ -
Formosa Industries Co., Ltd.	2,010,641	2,008,842
Quang Viet Enterprise Co., Ltd.	1,247,694	1,191,261
Changshu Yu Yuan Development Co., Ltd.	15,439	16,403
	<u>\$ 8,158,239</u>	<u>\$ 3,216,506</u>

- A. On December 13, 2019, the Company's Board of Directors resolved to dispose 16% equity interest in the Group's subsidiary, Formosa Advanced Technologies Co., Ltd., and the transfer of shares was completed on December 16, 2019. After the disposal, the Group's shareholding ratio decreased to 30.68% and the Group lost its substantial control over Formosa Advanced Technologies Co., Ltd. As the Group has significant influence on Formosa Advanced Technologies Co., Ltd., said investment was reclassified from consolidated entity to 'investments accounted for using equity method'. Please refer to Note 6(9) for details.
- B. The investment income of \$221,492 and \$238,313 for the years ended December 31, 2019 and 2018, respectively, were accounted for under the equity method based on the audited financial statements of the investee companies.
- C. The Group is the director of Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. and has significant influence on its operations, thus, Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. were accounted for under the equity method.
- D. The Group's material associates, Quang Viet Enterprise Co., Ltd. and Formosa Advanced Technologies Co., Ltd., has quoted market prices as follows:

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

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

(a) Basic information:

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

(b) Summarized financial information:

Balance sheets

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

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

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

Statements of comprehensive income

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

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



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

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

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

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

(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>Year ended December 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	-	1,900	86	2,738,417	2,743,417
Disposals	-	( 40)	( 136,017)	( 3,652)	-	( 139,709)
Transfers (Note)	( 7,892)	( 467,575)	( 2,706,515)	( 94,712)	( 2,895,668)	( 569,908)
Depreciation charge	( 2,887)	( 332,889)	( 2,157,041)	( 160,119)	-	( 2,652,936)
Disposals - discontinued operations	-	-	( 4,569,235)	( 83,207)	( 690,866)	( 5,343,308)
Net exchange differences	1,618	( 62,775)	( 98,327)	( 5,596)	55,305	( 109,775)
Closing net book amount	<u>\$ 2,026,308</u>	<u>\$ 4,340,104</u>	<u>\$ 5,368,515</u>	<u>\$ 445,703</u>	<u>\$ 518,109</u>	<u>\$ 12,698,739</u>
<u>At December 31, 2019</u>						
Cost	\$ 2,195,581	\$ 10,464,411	\$ 22,122,591	\$ 4,969,124	\$ 518,109	\$ 40,269,816
Accumulated depreciation	( 13,535)	( 6,124,307)	( 16,754,076)	( 4,523,421)	-	( 27,415,339)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,026,308</u>	<u>\$ 4,340,104</u>	<u>\$ 5,368,515</u>	<u>\$ 445,703</u>	<u>\$ 518,109</u>	<u>\$ 12,698,739</u>

Note: Transfers into investment property.

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<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>
<u>Year ended December 31, 2018</u>						
Opening net book amount	\$ 2,375,450	\$ 5,182,905	\$ 6,800,537	\$ 687,372	\$ 1,976,014	\$ 17,022,278
Additions	-	-	584	62	4,539,028	4,539,674
Disposals	( 342,670)	( 283)	( 120,743)	( 5,967)	( 25,016)	( 494,679)
Transfers (Note)	-	390,882	4,675,201	114,699	( 5,180,782)	-
Depreciation charge	( 294)	( 364,837)	( 1,782,441)	( 192,718)	-	( 2,340,290)
Net exchange differences	( 31)	( 5,284)	47,582	31	1,677	43,975
Closing net book amount	<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>At December 31, 2018</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>

Note: Transferred from prepayments

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

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

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

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

- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles of land which the Company has acquired for future plant expansion are under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of December 31, 2019 and 2018, the land mortgaged to the Company was \$808,300.

(8) Leasing arrangements – lessee

Effective 2019

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

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

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

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

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

	Year ended December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 10,839

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

(9) Discontinued operations

A. On December 13, 2019, the Company's Board of Directors resolved to sell its 16% equity interest in the Group's subsidiary, Formosa Advanced Technologies Co., Ltd., to Nan Ya Technology Corp. and Nan Ya Printed Circuit Board Corp. for a consideration of \$2,514,064. Formosa Advanced Technologies Co., Ltd. was presented as discontinued operations as it has met the definition of discontinued operations. The transfer of shares was completed on December 16, 2019. As the Group has significant influence on Formosa Advanced Technologies Co., Ltd., said investment was reclassified from a consolidated entity to 'investments accounted for using equity method'. Please refer to Note 6(6) for details.

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

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

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

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

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

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

(10) Short-term borrowings

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

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Forward foreign exchange contracts	<u>\$ 80</u>	<u>\$ 774</u>

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

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

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

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

(12) Other payables

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

(13) Long-term borrowings

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

(14) Pensions

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

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

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

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

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

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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic



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

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

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Discount rate	<u>1.25%</u>	<u>1.25%</u>
Future salary increases	<u>1.00%</u>	<u>1.00%</u>

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

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

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

The sensitivity analysis above was based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the

balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company and domestic subsidiaries for the year ending December 31, 2020 amount to \$70,751.
  - (g) As of December 31, 2019, the Company's weighted average duration of that retirement plan is 7.5 years.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company's mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd., and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of the employees' monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.
- (c) The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd., have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (d) Formosa Taffeta (Hong Kong) Co., Ltd. and Schoeller FTC (Hong Kong) Co., Ltd. have defined contribution plans whereby contributions are made to the mandatory provident fund based on a percentage of the employees' salaries and wages as full-time employees' pension benefit.
- (e) Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulations.
- (f) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$178,131, and \$165,871, respectively.

(15) Share capital

- A. As of December 31, 2019, the Company's authorized and issued capital was \$16,846,646, consisting of 1,684,665,000 shares of common stock, with a par value of \$10 per share.
- B. For the years ended December 31, 2019 and 2018, changes in the number of treasury stocks are as follows (in thousands of shares):

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

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

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

(16) Capital surplus

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

Year ended December 31, 2019					
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1, 2019	\$ 25,297	\$ 1,650	\$ 2,032	\$ 1,236,557	\$ 3,324
Disposal of treasury shares	1,194	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	4,606	-	-	-	-
Expired cash dividends transferred to capital surplus	-	-	-	46	-
Changes in the net interest of associates recognized under the equity method	-	-	-	12,673	-
Expired cash dividends transferred to capital surplus	-	-	-	-	2,263
At December 31, 2019	<u>\$ 31,097</u>	<u>\$ 1,650</u>	<u>\$ 2,032</u>	<u>\$ 1,249,276</u>	<u>\$ 5,587</u>

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

(17) Retained earnings

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

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

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

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

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

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

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

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

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

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

(18) Other equity items

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

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

(19) Operating revenue

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

A. Contract assets

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

	<u>December 31, 2019</u>	<u>January 1, 2018</u>
Contract assets relating to IC revenue	\$ 788,643	\$ 491,632

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

(20) Other income

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

(21) Other gains and losses

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



(22) Expenses by nature

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

(23) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 4,210,908	\$ 4,110,984
Labor and health insurance fees	544,664	438,399
Pension costs	205,473	205,347
Other personnel expenses	154,547	170,230
	<u>5,115,592</u>	<u>4,924,960</u>
Less: Employee benefit expense from from discontinued operations	( 1,417,256)	( 1,506,507)
	<u>\$ 3,698,336</u>	<u>\$ 3,418,453</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 years ended December 31, 2019 and 2018, employees' compensation was accrued at \$11,220 and \$10,543 respectively; while directors' and supervisors' remuneration was accrued at \$5,610 and \$5,272, respectively. The aforementioned amounts were recognized in salary expenses.

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

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

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

(24) Finance costs

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

(25) Income tax

A. Components of income tax expense

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

- D. The income tax returns of the Company, Formosa Development Co., Ltd. and Public More International Company Ltd. through 2017, have been assessed and approved by the Tax Authority.
- E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.
- F. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. is based on 25% of income generated within and outside Mainland China. In addition, Formosa Taffeta (Zhong Shan) Co., Ltd. was certified as high-tech enterprise by Guangdong Provincial Government and is qualified to the applicable income tax rate of 15% for

3 years from 2018.

- G. The income tax rate of Formosa Taffeta Vietnam Co., Ltd. was approved by Vietnam government to be 10% for 15 years from the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit-making year and 20% income tax exemption for the next 4 years.
- H. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 20% after 12 years. The Company was granted income tax exemption for 3 years from the first profit-making year and income tax reduction of 15% or 20% for the next 4 to 10 years.
- I. In accordance with local tax regulations, the applicable income tax rate of Schoeller F.T.C. (Hong Kong) Co., Ltd. and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

(26) Earnings per share

A. Basic earnings per share

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

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

Year ended December 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	\$ 4,529,407		\$ 3,900,407	<u>1,682,385</u>
Profit from discontinued operations	1,750,954	1,420,293		1.04	0.84
Profit attributable to the non-controlling interest	( 1,024,599)	( 583,294)		( 0.61)	( 0.35)
Profit attributable to the parent	<u>\$ 5,255,762</u>	<u>\$ 4,737,406</u>		<u>\$ 3.12</u>	<u>\$ 2.82</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:

Year ended December 31, 2019

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

Year ended December 31, 2018

	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	\$ 4,529,407		\$ 3,900,407	<u>1,684,665</u>
Profit from discontinued operations	1,750,954	1,420,293		1.04	0.84
Profit attributable to the non-controlling interest	( 1,024,599)	( 583,294)		( 0.61)	( 0.35)
Profit attributable to the parent	<u>\$ 5,255,762</u>	<u>\$ 4,737,406</u>		<u>\$ 3.12</u>	<u>\$ 2.81</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 years ended December 31, 2019 and 2018.

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

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

B. Proceeds from disposal of subsidiaries:

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

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



(28) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2019	\$ 3,638,538	\$ -	\$ 8,192,200	\$ 11,830,738
Changes in cash flow from financing activities	114,839	-	( 1,666,899)	( 1,552,060)
Impact of changes in foreign exchange rate	-	-	( 5,518)	( 5,518)
At December 31, 2019	<u>\$ 3,753,377</u>	<u>\$ -</u>	<u>\$ 6,519,783</u>	<u>\$ 10,273,160</u>

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2018	\$ 2,805,690	\$ 1,299,806	\$ 11,222,071	\$ 15,327,567
Changes in cash flow from financing activities	832,848	( 1,299,806)	( 3,033,083)	( 3,500,041)
Impact of changes in foreign exchange rate	-	-	3,212	3,212
At December 31, 2018	<u>\$ 3,638,538</u>	<u>\$ -</u>	<u>\$ 8,192,200</u>	<u>\$ 11,830,738</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
Formosa Advanced Technologies Co., Ltd.	Associate
Quang Viet Enterprise Co., Ltd.	Associate
Formosa Industries Corp.	Associate
Formosa Biomedical Technology Corp.	Other related party
Toa Resin Corp.	Other related party
Formosa Petrochemical Corp.	Other related party
Formosa Heavy Industries Corp.	Other related party
Formosa Network Technology Corp.	Other related party
Formosa Plastics Corp.	Other related party
Formosa Plastics Transport Corp.	Other related party
Formosa Asahi Spandex Corp.	Other related party
Nan Ya Technology Corp.	Other related party
Nan Ya Plastics Corp.	Other related party
Nan Ya PCB Corp.	Other related party
Nan Ya Photonics Inc.	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nanya Plastic (Guangzhou) Co.,Ltd.	Other related party
Nan Ya (Kunshan) Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
Piecemakers Technology, Inc. (Not related parties since February,2018)	Other related party
Kong You Industrial Co., Ltd.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party
Formosa HA Tinh (Cayman) Limited	Other related party
FG INC.	Other related party
NKFG	Other related party

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

(3) Significant related party transactions and balances

A. Operating revenue

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

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

B. Purchases of goods

	Years ended December 31,	
	2019	2018
Purchases of goods:		
– Ultimate parent	\$ 2,052,678	\$ 2,432,999
– Associates	879,399	897,996
– Other related party		
Formosa Petrochemical Corp.	10,726,911	10,916,187
Others	1,870,925	1,787,121
	<u>\$ 15,529,913</u>	<u>\$ 16,034,303</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>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts receivable:		
– Ultimate parent	\$ 82	\$ 98
– Associates	72,254	41,091
– Other related party		
Nan Ya Technology Corp.	-	1,006,359
Others	157,248	185,309
	<u>\$ 229,584</u>	<u>\$ 1,232,857</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>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts payable:		
– Ultimate parent	\$ 550,298	\$ 693,798
– Associates	70,536	46,854
– Other related party		
Formosa Petrochemical Corp.	440,852	397,563
Others	148,358	193,626
	<u>\$ 1,210,044</u>	<u>\$ 1,331,841</u>

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

#### E. Property transactions and investment property

##### (a) Acquisition of property, plant and equipment:

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

	<u>Year ended December 31, 2019</u>
Other related party	<u>\$ 70,849</u>

##### (b) Disposal of property, plant and equipment:

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

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

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

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

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

(d) Disposal of financial assets:

				<u>Year ended December 31, 2019</u>	
	<u>Accounts</u>	<u>No. of shares (in thousands)</u>	<u>Objects</u>	<u>Proceeds</u>	<u>Gain/(loss)</u>
Other related party	Investments accounted for under equity method	70,756	Formosa Advanced Technologies Co., Ltd.	<u>\$ 2,514,064</u>	Note 1 <u>\$ 2,016,760</u>
				<u>Year ended December 31, 2018</u>	
	<u>Accounts</u>	<u>No. of shares (in thousands)</u>	<u>Objects</u>	<u>Proceeds</u>	<u>Gain/(loss)</u>
Other related party	Investments accounted for under equity method	84,022	Formosa Advanced Technologies Co., Ltd.	<u>\$ 3,039,857</u>	Note 2

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

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

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

The Group leases buildings at No. 319, 329 and 331, Henan St., Douliu City, Yunlin County, No. 497-1, Sec. Neilin, land and employees' dorms at No. 132 and 136, Sec. Meilin river, Douliu City to Formosa Advanced Technologies Co., Ltd. Rents which were determined by reference to general rental price in local market are payable at the beginning of each month based on the mutual agreement. Rent income for the year ended December 31, 2019 amounted to \$40,408.

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

Note: It mainly refers to transfers from property, plant and equipment to the investment property held by the Group. The fair value of the investment property held by the Group as at December 31, 2019 was \$595,151, which was by reference to the transaction prices of similar prices in the neighbouring areas.

#### F. Others

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

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

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

‘other payables’.

(4) Key management compensation

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

8. PLEGDED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

Applicable for 2018

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

(2) Significant commitments and contingent liabilities

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

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

(3) Endorsements and guarantees

As of December 31, 2019, in order to assist the subsidiaries is obtaining credit line, the Company has

guaranteed the following amounts for subsidiaries:

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

(4) Contingencies - Significant lawsuit

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

B. In August 2019, O-Bank Co., Ltd. filed a complaint against the Company. Several employees of the Company, instead of making the truthful representations during the credit assessment procedures, cooperated with New Site Industries Inc., New Brite Industries Inc., Highlite Industries, Inc. and Loomtech Industries Inc. (together referred herein as New Brite Group) to conduct false statements and provide misleading information with regard to the fact that New Site Industries Inc. and New Brite Industries Inc. owned the accounts receivable due from the Company, thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that the Company shall be liable for the losses incurred due to poor supervision. The Company has appointed a legal counsel to represent them. Based on the opinion of the legal counsel, the ultimate outcome of this litigation is not presently determinable as the case is still in the course of debate process.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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



- (1) Please refer to Note 6(17) F for the distribution of 2019 earnings which was proposed by the Board of Directors on March 13, 2020.
- (2) The Group officially invested in Switzerland “Schoeller Textil AG” on January 13, 2020 in the amount of CHF 39,580 thousand and acquired 50% of shares of “Schoeller Textil AG” after the capital increase. The investment is expected to be completed in March 2020.
- (3) Owing to the capital increase of FG INC., the Board of Directors during its meeting on March 13, 2020 resolved to increase its investment in FG INC. in the amount of USD 1,290 thousand, in proportion to the original shareholding ratio of 3% in FG INC. Consequently, the total investment in FG INC. will be USD 12,390 thousand.

## 12. OTHERS

### (1) Capital management

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

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

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

## (2) Financial instruments

### A. Financial instruments by category

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

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

### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Group focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.
- (b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### C. Significant financial risks and degrees of financial risks

#### (a) Market risk

##### Foreign exchange risk

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

December 31, 2019			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 76,526	30.11	\$ 2,304,198
<u>Non-monetary items</u>			
VND:NTD	4,953,113,164	0.0013	6,439,047
HKD:NTD	299,251	3.86	1,155,108
RMB:NTD	467,986	4.32	2,021,701
USD:NTD	125,391	30.11	3,775,523
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	5,930	6.98	178,552
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

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

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

Year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 23,042	\$ -
<u>Non-monetary items</u>			
VND:NTD	1%	-	64,390
HKD:NTD	1%	-	11,551
RMB:NTD	1%	-	20,217
USD:NTD	1%	-	37,755
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	1%	1,786	-
Year ended December 31, 2018			
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%	\$ 36,068	\$ -
JPY:NTD	1%	1,156	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	61,407
HKD:NTD	1%	-	11,396
RMB:NTD	1%	-	19,685
USD:NTD	1%	-	56,368
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	1,214	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If

the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$0 and \$3,830, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$418,948 and \$501,869, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

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

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were denominated in the NTD and USD.
- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate of NTD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by \$51,200 and \$63,200, respectively. The main factor is that changes in interest expense result from floating rate borrowings.
- iv. If the borrowing interest rate of USD dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by \$479 and \$978, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

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

- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On December 31, 2019 and 2018, the provision matrix is as follows:

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

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

	Year ended December 31, 2019		
	Notes receivable	Accounts receivable	Contract assets
At January 1	\$ -	(\$ 71,033)	\$ -
Effect from disposal of subsidiaries	-	6,779	-
Effect of foreign exchange	-	1,019	-
At December 31	<u>\$ -</u>	<u>(\$ 63,235)</u>	<u>\$ -</u>
	Year ended December 31, 2018		
	Notes receivable	Accounts receivable	Contract assets
At January 1	\$ -	(\$ 76,521)	\$ -
Reversal of impairment loss	-	5,090	-
Effect of foreign exchange	-	398	-
At December 31	<u>\$ -</u>	<u>(\$ 71,033)</u>	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, commercial paper and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2019 and 2018, the Group held money market position of \$45,081,174 and \$53,902,282, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities:

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

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

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

(3) Fair value information

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

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

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

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

- B. Financial instruments not measured at fair value

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



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

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

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 119	\$ -	\$ 119
Financial assets at fair value through other comprehensive income				
Equity securities	<u>37,356,695</u>	<u>346,800</u>	<u>4,191,338</u>	<u>41,894,833</u>
	<u>\$ 37,356,695</u>	<u>\$ 346,919</u>	<u>\$ 4,191,338</u>	<u>\$ 41,894,952</u>
Financial liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 80</u>
December 31, 2018				
<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 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 measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 774</u>	<u>\$ -</u>	<u>\$ 774</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 years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

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

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

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

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

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

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

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

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 415,853	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value
	3,775,485	Net asset value	Not applicable	Not applicable

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

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

		<u>December 31, 2019</u>		
		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%	<u>\$ 4,159</u>	<u>\$ 4,159</u>
		<u>December 31, 2018</u>		
		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%	<u>\$ 3,444</u>	<u>\$ 3,444</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 years ended December 31, 2019 are stated as follows. Furthermore, the inter-company transactions were eliminated based on the financial statements of investees which were not reviewed by other independent accountants, except for the reviewed financial statements of Formosa Advanced Technologies Co., Ltd. The following disclosures are for reference only.

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(11) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

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

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

### 14. SEGMENT INFORMATION

#### (1) General information

- A. The Group operates and sets policies from product and service perspective; thus, management also identifies reportable segments using the same method.
- B. The Group has four reportable segments: First business group, Second business group consisting of Cord fabric department, Gasoline department and FORMOSA ADVANCED TECHNOLOGIES CO., LTD. (FATC) department. Details are as follows:
  - (a) First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries–FORMOSA TAFFETA (ZHONG SHAN) CO.,

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

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

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

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

(2) Measurement of segment information

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

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(3) Information about segment profit or loss and assets

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

Year ended December 31, 2018

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

(5) Information on product and service

Please refer to Note 6(19).

(6) Geographical information

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

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

(7) Major customer information

None.

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3, 8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3, 8)	Provision of endorsements/g guarantees by parent company to subsidiary (Note 7)		Provision of endorsements/g guarantees to party in Mainland China (Note 7)	Footnote
											Y	N		
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 41,742,511	\$ 1,042,800	\$ 989,340	\$ 29,980	\$ -	1.54	\$ 83,485,023	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	41,742,511	1,616,500	1,588,940	603,494	-	2.47	83,485,023	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	41,742,511	1,738,000	1,648,900	293,174	-	2.57	83,485,023	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	41,742,511	4,803,200	4,257,160	2,876,937	-	6.63	83,485,023	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	41,742,511	7,330,382	6,954,584	6,954,584	-	10.83	83,485,023	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	185,030	3,000	3,000	3,000	-	1.05	370,060	Y	N	N	

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

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

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

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

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

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

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 2

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 3  
Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

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

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

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

Note 5: Beginning balance plus addition amount is not equal to balance at December 31, 2018 because of valuation in exchange rate.

Note 6: The gain on disposal, including actual gain on disposal of New Taiwan dollar \$684,314 thousand, and revaluation of benefits of New Taiwan dollar \$1,332,446 thousand.

Note 7: Since the Group disposed of the Formosa Advanced Technologies Co., Ltd. and lost control, and was reclassified from a subsidiary to an related party using the equity method

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 4

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

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

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

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

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



FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

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

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			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	\$ 1,631,215	Draw promissory notes due in 2 months after inspection	3.66
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	409,615	Draw promissory notes due in 2 months after inspection	0.44
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	44,999	Draw promissory notes due in 2 months after inspection	0.05

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019		Book value	Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)				
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	\$ 114,912	\$ 114,912	16,100,000	100.00	\$ 206,087	\$ 11,263	\$ 546)	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	135,686,472	30.68	4,867,814	1,262,495	579,267	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (HONG KONG) CO., LTD.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	1,356,862	-	100.00	1,152,772	60,120	60,280	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,135,684	211,388	211,388	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and 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	1,247,694	857,014	183,911	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	\$ 2,958	\$ 2,958	-	50.00	\$ 3,354	\$ 1,593	\$ 862	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100.00	2,312,412	45,844	45,844	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,010,642	570,320	37,580	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	6,241,670	-	100.00	3,775,536	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	16,651	1,262,495	1,375	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

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

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company for the year ended December 31, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

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

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

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

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

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and December 31, 2019 are both US\$46,400,000 (remitted out US\$46,388,800 and equipment amounted to US\$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and December 31, 2019 are both US\$570,000.

Note 5: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 is US\$42,000,000. Formosa Taiffeta (Changshu) Co., Ltd. reduced its capital amounting to US\$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2019 was US\$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,402,085	\$ 1,397,104	\$ 38,534,340
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,163	38,534,340
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	124,620	38,534,340

Note :

- (1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US\$46,400,000.
- (2)The investment in XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US\$570,000.
- (3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US\$42,000,000, while the company reduced its capital and divided some part of housing land to Changshu Fushun Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.
- (4)The original currency of paid-in capital was translated at USD:TWD = 1:30.11

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas  
For the year ended December 31, 2019

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

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





FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

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

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

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

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

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

Note 5: Beginning balance plus addition amount is not equal to balance at December 31, 2018 because of valuation in exchange rate.

Note 6: The gain on disposal, including actual gain on disposal of New Taiwan dollar \$684,314 thousand, and revaluation of benefits of New Taiwan dollar \$1,332,446 thousand.

Note 7: Since the Group disposed of the Formosa Advanced Technologies Co., Ltd. and lost control, and was reclassified from a subsidiary to an related party using the equity method

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

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 CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 372,368) (	1.36)	Pay by mail transfer 60 days after delivery	\$	-	-	Accounts receivable	\$ 71,196	3.58
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	( 289,838) (	1.06)	Pay 120 days after delivery		-	-	Accounts receivable	47,012	2.36
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Associate	Sales	( 257,608) (	0.94)	60 days after monthly billings		-	-	Accounts receivable	27,578	1.39
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	10,726,911	47.09	Pay every 15 days by mail transfer		-	-	Accounts payable	( 440,852) (	26.20)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,631,215	7.16	Draw promissory notes due in 2 months after inspection		-	-	Notes payable	( 44,999) (	2.67)
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	872,256	3.83	Pay every 15 days by mail transfer		-	-	Accounts payable	( 85,949) (	5.11)
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	257,885	1.13	Pay every 15 days by mail transfer		-	-	Accounts payable	( 14,812) (	0.88)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	( 471,866) (	24.94)	60 days after monthly billings		-	-	Accounts receivable	207,383	70.10
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD.	Associate	Purchases	161,548	7.02	60 days after monthly billings		-	-	Accounts payable	( 4,595) (	4.27)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	( 372,989) (	7.64)	60 days after monthly billings		-	-	Accounts receivable	39,130	4.37

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term				Balance
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	( 397,427 )	( 8.14 )	60 days after monthly billings	-	-	Accounts receivable	76,101	8.50
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales (\$	209,238 )	( 4.29 )	60 days after monthly billings	-	-	Accounts receivable	\$ 31,491	3.52
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	690,175	16.67	60 days after monthly billings	-	-	Accounts payable	( 58,778 )	( 9.75 )
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	413,419	9.98	60 days after monthly billings	-	-	Accounts payable	( 95,684 )	( 15.87 )
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	126,991	3.07	60 days after monthly billings	-	-	Accounts payable	( 5,129 )	( 0.85 )
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	JIAXING QUANG VIET GARMENT CO., LTD.	Associate	Sales	( 176,963 )	( 11.17 )	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	6,532	4.39

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			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	\$ 1,631,215	Draw promissory notes due in 2 months after inspection	3.66
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	409,615	Draw promissory notes due in 2 months after inspection	0.44
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	44,999	Draw promissory notes due in 2 months after inspection	0.05

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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



FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES  
Information on investees

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019 \$	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	114,912	114,912	16,100,000	100.00	\$ 206,087	\$ 11,263	546	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	135,686,472	30.68	4,867,814	1,262,495	579,267	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (HONG KONG) CO., LTD.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	1,356,862	-	100.00	1,152,772	60,120	60,280	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,135,684	211,388	211,388	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and 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	1,247,694	857,014	183,911	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES  
Information on investees

For the year ended December 31, 2019

Expressed in thousands of NT\$  
(Except as otherwise indicated)

Table 7

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	\$ 2,958	\$ 2,958	-	50.00	\$ 3,354	\$ 1,593	\$ 862	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100.00	2,312,412	45,844	45,844	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,010,642	570,320	37,580	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	6,241,670	-	100.00	3,775,536	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	16,651	1,262,495	1,375	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	\$ 5,000	\$ 5,000	-	100.00	\$ 9,994	\$ 4,834	\$ 4,834	

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

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

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company for the year ended December 31, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

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

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

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

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

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and December 31, 2019 are both US\$46,400,000 (remitted out US\$46,388,800 and equipment amounted to US\$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and December 31, 2019 are both US\$570,000.  
Note 5: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 is US\$42,000,000. Formosa Taiffeta (Changshu) Co., Ltd. reduced its capital amounting to US\$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2019 was US\$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,402,085	\$ 1,397,104	\$ 38,534,340
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,163	38,534,340
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	124,620	38,534,340

Note :

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas  
For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 9

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

**FORMOSA TAFFETA CO., LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND REPORT OF INDEPENDENT**  
**ACCOUNTANTS**  
**DECEMBER 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.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Opinion***

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

In our opinion, based on our audits and the reports of other independent accountants, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

### ***Basis for opinion***

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

### ***Key audit matters***

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

Key audit matters for the Company's parent company only financial statements of the current period are stated as follows:

#### **Valuation of allowance for uncollectible accounts**

##### Description

Refer to Note 4(9) for accounting policy on financial assets impairment, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2019, the Company's accounts receivable amounted to NT\$1,794,283 thousand, net of allowance for bad debts amounting to NT\$31,678 thousand.

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

##### How our audit addressed the matter

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

- A. Evaluating the reasonableness of the estimates used by management to estimate the expected credit losses of accounts receivable and obtaining relevant supporting documents, including: forward-looking adjustments, accounting disputes, overdue status, post-account collections and indications that show that the customer cannot repay the loan as scheduled;
- B. Assessing the adequacy of allowance for uncollectible accounts estimated by management to confirm whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements and testing the related assessment to confirm the



accuracy of ageing analysis of accounts receivable; and

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

## **Valuation of inventory**

### Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(3) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2019, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$5,398,520 thousand and NT\$750,022 thousand, respectively.

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

### How our audit addressed the matter

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

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

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

As stated in Note 6 (6) of the consolidated financial statements, the Company's Board of Directors during its meeting on December 13, 2019 resolved to dispose its 16% equity interest in Formosa Advanced Technologies Co., Ltd. The equity transfer procedure was completed on December 16, 2019. After the disposal, the Company lost its control over Formosa Advanced Technologies Co., Ltd. and accordingly, recognized NT\$2,016,760 thousand as gain on disposal in 2019. Our opinion is not modified in respect of this matter.

***Other matter - audits of the other independent accountants***

We did not audit the financial statements of certain investments accounted for under the equity method. The balance of these investments accounted for under the equity method amounted to NT\$7,709,785 thousand and NT\$7,464,179 thousand, constituting 10% and 9% of total assets as of December 31, 2019 and 2018, respectively, and comprehensive income was NT\$479,586 thousand and NT\$382,256 thousand, constituting (41%) and 22% of total comprehensive income for the years then ended, respectively. The financial statements of these investees were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements relative to these investees is based solely on the audit reports of the other independent accountants.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor's responsibilities for the audit of the financial statements***

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

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

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2020

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The accompanying parent company only 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 parent company only 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.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 2,361,271	3	\$ 1,447,966	2
1110	Financial assets at fair value through profit or loss - current	6(2)	119	-	-	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	1,446,808	2	1,717,779	2
1150	Notes receivable, net	6(4)	27,399	-	109,709	-
1160	Notes receivable - related parties	7	6,395	-	4,429	-
1170	Accounts receivable, net	6(4)	1,794,283	3	2,128,150	3
1180	Accounts receivable - related parties	7	195,904	-	220,365	-
1200	Other receivables	7	307,690	1	290,656	1
130X	Inventory	6(5)	4,648,498	6	4,893,736	6
1410	Prepayments		95,187	-	92,227	-
1470	Other current assets		254,769	-	194,023	-
11XX	<b>Total current assets</b>		<u>11,138,323</u>	<u>15</u>	<u>11,099,040</u>	<u>14</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	36,672,540	49	40,556,651	50
1550	Investments accounted for under equity method	6(6)	19,465,512	26	21,385,854	27
1600	Property, plant and equipment	6(7) and 7	6,478,848	8	6,785,900	8
1755	Right-of-use assets	6(8)	784,563	1	-	-
1760	Investment property - net	7	543,924	1	473,658	1
1840	Deferred income tax assets	6(23)	138,816	-	79,023	-
1900	Other non-current assets		157,665	-	119,377	-
15XX	<b>Total non-current assets</b>		<u>64,241,868</u>	<u>85</u>	<u>69,400,463</u>	<u>86</u>
1XXX	<b>Total assets</b>		<u>\$ 75,380,191</u>	<u>100</u>	<u>\$ 80,499,503</u>	<u>100</u>

(Continued)

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(9)	\$ 12,324	-	\$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(10)	80	-	774	-
2150	Notes payable		133,168	-	127,600	-
2160	Notes payable - related parties	7	44,999	-	331,828	-
2170	Accounts payable		612,172	1	484,745	1
2180	Accounts payable - related parties	7	1,073,977	1	964,825	1
2200	Other payables	7	827,606	1	854,276	1
2230	Current income tax liabilities	6(23)	322,428	1	104,403	-
2280	Current lease liabilities		128,630	-	-	-
2300	Other current liabilities		90,513	-	85,154	-
21XX	<b>Total current liabilities</b>		<u>3,245,897</u>	<u>4</u>	<u>2,953,605</u>	<u>3</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(11)	6,400,000	8	7,900,000	10
2570	Deferred income tax liabilities	6(23)	377,609	1	290,513	-
2580	Non-current lease liabilities		659,965	1	-	-
2600	Other non-current liabilities		477,471	1	442,181	1
25XX	<b>Total non-current liabilities</b>		<u>7,915,045</u>	<u>11</u>	<u>8,632,694</u>	<u>11</u>
2XXX	<b>Total liabilities</b>		<u>11,160,942</u>	<u>15</u>	<u>11,586,299</u>	<u>14</u>
<b>Equity</b>						
<b>Share capital</b>						
3110	Share capital - common stock	6(13)	16,846,646	22	16,846,646	21
<b>Capital surplus</b>						
3200	Capital surplus	6(14)	1,289,642	2	1,268,860	2
<b>Retained earnings</b>						
3310	Legal reserve	6(15)	8,041,335	11	7,567,594	9
3320	Special reserve		2,214,578	3	2,214,578	3
3350	Unappropriated retained earnings		10,835,955	14	9,743,048	12
<b>Other equity interest</b>						
3400	Other equity interest	6(16)	25,010,157	33	31,291,978	39
3500	Treasury stocks	6(13)	(19,064)	-	(19,500)	-
3XXX	<b>Total equity</b>		<u>64,219,249</u>	<u>85</u>	<u>68,913,204</u>	<u>86</u>
<b>Commitments and contingent liabilities</b>						
<b>Subsequent event</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 75,380,191</u>	<u>100</u>	<u>\$ 80,499,503</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

**FORMOSA TAFFETA CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

				Years ended December 31			
Items		Notes		2019		2018	
				AMOUNT	%	AMOUNT	%
4000	<b>Sales revenue</b>	6(17) and 7		\$ 27,468,794	100	\$ 27,593,484	100
5000	<b>Operating costs</b>	6(5)(20)(21) and 7		( 25,256,705)	( 92)	( 25,442,866)	( 92)
5900	<b>Net operating margin</b>			<u>2,212,089</u>	<u>8</u>	<u>2,150,618</u>	<u>8</u>
	<b>Operating expenses</b>	6(20)(21) and 7					
6100	Selling expenses			( 1,391,821)	( 5)	( 1,397,836)	( 5)
6200	General and administrative expenses			( 540,168)	( 2)	( 528,989)	( 2)
6000	<b>Total operating expenses</b>			<u>( 1,931,989)</u>	<u>( 7)</u>	<u>( 1,926,825)</u>	<u>( 7)</u>
6900	<b>Operating profit</b>			<u>280,100</u>	<u>1</u>	<u>223,793</u>	<u>1</u>
	<b>Non-operating income and expenses</b>						
7010	Other income	6(18) and 7		2,227,186	8	2,820,730	10
7020	Other gains and losses	6(19) and 7		1,943,835	7	924,798	3
7050	Finance costs	6(22)		( 86,942)	-	( 103,358)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)		<u>1,229,208</u>	<u>4</u>	<u>1,389,799</u>	<u>5</u>
7000	<b>Total non-operating income and expenses</b>			<u>5,313,287</u>	<u>19</u>	<u>5,031,969</u>	<u>18</u>
7900	<b>Profit before income tax</b>			<u>5,593,387</u>	<u>20</u>	<u>5,255,762</u>	<u>19</u>
7950	Income tax expense	6(23)		( 404,658)	( 1)	( 518,356)	( 2)
8200	<b>Profit for the year</b>			<u>\$ 5,188,729</u>	<u>19</u>	<u>\$ 4,737,406</u>	<u>17</u>
	<b>Other comprehensive income</b>	6(16)					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>						
8311	Actuarial gains (losses) on defined benefit plans			( \$ 83,820)	-	\$ 153,145	1
8316	Unrealized loss on valuation of financial assets at fair value through other comprehensive income	6(3)		( 4,223,464)	( 16)	( 2,635,914)	( 10)
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method			( 1,746,363)	( 6)	( 693,862)	( 3)
8310	<b>Other comprehensive loss that will not be reclassified to profit or loss</b>			<u>( 6,053,647)</u>	<u>( 22)</u>	<u>( 3,176,631)</u>	<u>( 12)</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>						
8361	Exchange differences on translation			( 246,306)	( 1)	154,507	1
8380	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method			( 64,499)	-	14,914	-
8360	<b>Other comprehensive (loss) income that will be reclassified to profit or loss</b>			<u>( 310,805)</u>	<u>( 1)</u>	<u>169,421</u>	<u>1</u>
8300	<b>Other comprehensive loss for the year</b>			<u>( \$ 6,364,452)</u>	<u>( 23)</u>	<u>( \$ 3,007,210)</u>	<u>( 11)</u>
8500	<b>Total comprehensive loss for the year</b>			<u>( \$ 1,175,723)</u>	<u>( 4)</u>	<u>\$ 1,730,196</u>	<u>6</u>
				<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
9750	Basic earnings per share	6(24)		<u>\$ 3.33</u>	<u>\$ 3.08</u>	<u>\$ 3.12</u>	<u>\$ 2.82</u>
	Assuming shares held by subsidiaries are not deemed as treasury stock:			<u>\$ 3.32</u>	<u>\$ 3.08</u>	<u>\$ 3.12</u>	<u>\$ 2.81</u>

The accompanying notes are an integral part of these parent company only financial statements.



FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY, STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

Notes	Capital Reserves				Retained Earnings			Other Equity Interest			Total equity	
	Share capital - common stock	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Change in net equity of associates and joint ventures accounted for under equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized 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
Year ended December 31, 2018												
Balance at January 1, 2018	\$ 16,846,646	\$ 19,899	\$ 545	\$ 250,345	\$ 7,139,607	\$ 2,214,578	\$ 5,398,225	(\$ 914,267)	\$ -	\$ 38,440,218	(\$ 19,935)	\$ 69,379,395
Retrospective adjustments							4,890,917		33,680,146	(38,440,218)		130,845
Balance at January 1, 2018 after adjustments	16,846,646	19,899	545	250,345	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)	69,510,240
Profit for the year	-	-	-	-	-	-	4,737,406	-	-	-	-	4,737,406
Other comprehensive income (loss)	-	-	-	-	-	-	153,145	169,421	(3,329,776)	-	-	(3,007,210)
Total comprehensive income (loss)	-	-	-	-	-	-	4,890,551	169,421	(3,329,776)	-	-	1,730,196
Appropriations of 2017 earnings:												
Legal reserve	-	-	-	-	427,987	-	(427,987)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(3,200,863)	-	-	-	435	(3,200,863)
Disposal of treasury stock	-	1,041	-	-	-	-	-	-	-	-	-	1,476
Changes in the net interest of associates recognized under the equity method	-	-	-	5,264	-	-	1,562	-	(1,562)	-	-	5,264
Changes in share of consolidated subsidiaries	-	-	-	-	-	-	4,347	-	(3,804)	-	-	543
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	1,105	980,948	-	-	-	-	(118,806)	-	-	863,247
Adjustment of cash dividends paid to consolidated subsidiaries	-	4,357	-	-	-	-	-	-	-	-	-	4,357
Expired cash dividends transferred to capital surplus	-	-	-	-	-	-	-	-	-	-	-	1,822
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	1,822	-	-	-	-	-	-	1,822
Balance at December 31, 2018	\$ 16,846,646	\$ 25,297	\$ 1,650	\$ 1,236,557	\$ 7,567,594	\$ 2,214,578	\$ 9,743,048	(\$ 744,846)	\$ 32,036,824	\$ -	(\$ 19,500)	\$ 68,913,204

(Continued)

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

Notes	Capital Reserves				Retained Earnings				Other Equity Interest			Total equity		
	Share capital - common stock	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Donated assets received	Change in net equity of associates and joint ventures accounted for under equity method	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Unrealized gain or loss on available-for-sale financial assets	Treasury stocks
Year ended December 31, 2019														
Balance at January 1, 2019	\$ 16,846,646	\$ 25,297	\$ 1,650	\$ 2,032	\$ 1,236,557	\$ 3,324	\$ 7,567,504	\$ 2,214,578	\$ 9,743,048	\$ 744,846	\$ 32,036,824	\$ -	(\$ 19,500)	\$ 68,913,204
Profit for the year	-	-	-	-	-	-	-	-	5,188,729	-	-	-	-	5,188,729
Other comprehensive loss	-	-	-	-	-	-	-	-	(83,820)	(310,805)	(5,969,827)	-	-	(6,364,452)
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	5,104,909	(310,805)	(5,969,827)	-	-	(1,175,723)
Appropriations of 2018 earnings:														
Legal reserve	-	-	-	-	-	-	473,741	-	(473,741)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(3,537,796)	-	-	-	436	(3,537,796)
Disposal of treasury stock	-	1,194	-	-	-	-	-	-	-	-	-	-	-	1,630
Changes in the net interest of associates recognized under the equity method	-	-	-	-	12,719	-	-	-	(1,654)	-	-	-	-	11,065
Changes in share of consolidated subsidiaries	-	-	-	-	-	-	-	-	1,189	(1,189)	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	-	4,606	-	-	-	-	-	-	-	-	-	-	-	4,606
Expired cash dividends transferred to capital surplus	-	-	-	-	-	2,263	-	-	-	-	-	-	-	2,263
Balance at December 31, 2019	\$ 16,846,646	\$ 31,097	\$ 1,650	\$ 2,032	\$ 1,249,276	\$ 5,587	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	\$ 1,055,651	\$ 26,065,808	\$ -	(\$ 19,064)	\$ 64,219,249

The accompanying notes are an integral part of these parent company only financial statements.

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 5,593,387	\$ 5,255,762
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of expected credit loss		-	( 5,386 )
Depreciation (including depreciation on investment property)	6(7)(20) and 7	807,966	740,702
Interest expense	6(22)	86,942	103,358
Interest income	6(18)	( 5,527 )	( 5,537 )
Dividend income	6(18)	( 1,963,309 )	( 2,531,826 )
(Gain) loss on valuation of financial assets	6(2)(19)	( 119 )	398
(Gain) loss on valuation of financial liabilities	6(10)(19)	( 694 )	774
Receipt of cash dividends from investment accounted for under the equity method		646,882	893,308
Gain on disposal of investments	6(6)	( 2,016,760 )	-
Share of profit of subsidiaries and associates accounted for under the equity method	6(6)	( 1,229,208 )	( 1,389,799 )
Gain on disposal and scrap of property, plant and equipment	6(19) and 7	( 3,856 )	( 870,873 )
Unrealized gain on disposal and scrap of property, plant and equipment, net	6(19) and 7	( 33,317 )	( 43,894 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		82,310	4,846
Notes receivable - related parties		( 1,966 )	8,578
Accounts receivable, net		333,867	( 174,418 )
Accounts receivable - related parties		24,461	( 25,994 )
Other receivables		( 16,914 )	55,398
Inventories		245,238	69,833
Prepayments		( 2,960 )	57,258
Other current assets		( 60,746 )	( 5,816 )
Changes in operating liabilities			
Notes payable		5,568	( 7,855 )
Notes payable - related parties		( 286,829 )	92,275
Accounts payable		127,427	( 199,304 )
Accounts payable - related parties		109,152	( 98,057 )
Other payables		( 14,297 )	34,188
Other current liabilities		5,359	( 5,303 )
Other non-current liabilities		( 48,530 )	( 147,909 )
Cash inflow generated from operations		2,383,527	1,804,707
Interest received		5,407	5,537
Dividends received		1,963,309	2,526,309
Interest paid		( 90,390 )	( 107,748 )
Income tax paid		( 159,330 )	( 230,114 )
Net cash flows from operating activities		<u>4,102,523</u>	<u>3,998,691</u>

(Continued)

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through other comprehensive income		\$ -	\$ 693,200
Acquisition of financial assets at fair value through other comprehensive income		( 69,570 )	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		-	5,780
Acquisition of investments accounted for under the equity method		-	( 566,417 )
Proceeds from disposal of investments accounted for under the equity method	6(6) and 7	2,514,064	3,039,857
Acquisition of property, plant, and equipment	6(25)	( 433,228 )	( 446,701 )
Proceeds from disposal of property, plant and equipment		9,705	1,236,614
(Increase) decrease in other non-current assets		( 38,288 )	43,428
Net cash flows from investing activities		<u>1,982,683</u>	<u>4,005,761</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings		12,324	( 7,386 )
Decrease in short-term notes and bills payable		-	( 1,299,806 )
Payment of lease principal		( 146,429 )	-
Increase in long-term borrowings		9,200,000	1,600,000
Payment of long-term borrowings		( 10,700,000 )	( 4,500,000 )
Payment of cash dividends	6(15)	( 3,537,796 )	( 3,200,863 )
Net cash flows used in financing activities		( 5,171,901 )	( 7,408,055 )
Net increase in cash and cash equivalents		913,305	596,397
Cash and cash equivalents at beginning of year	6(1)	<u>1,447,966</u>	<u>851,569</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 2,361,271</u>	<u>\$ 1,447,966</u>

The accompanying notes are an integral part of these parent company only financial statements.

FORMOSA TAFFETA CO., LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANIZATION

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

The major operations of each department are as follows:

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

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

(3) During the years ended December 31, 2019 and 2018, the Company had an average of 4,636 and 4,698 employees, respectively.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by 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 Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise 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 Company 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 Company increased 'right-of-use asset' and increased 'lease liability' by \$725,099 on January 1, 2019.
- C. The Company 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 Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.01%.
- E. The Company recognised 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 recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 754,524
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	754,524
Incremental borrowing interest rate at the date of initial application	1.0136%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$ 725,099

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements have been prepared in accordance with

the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, these parent company only 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 and unrecognized actuarial losses, and less unrecognized actuarial gains and 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 Ecritical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-



monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses.

**B. Translation of foreign operations**

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

**(4) Classification of current and non-current items**

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

**(5) Cash equivalents**

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, and the Company has not retained control of the financial asset.

(11) Inventories

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

(12) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries refer to the entities (including special purpose entities) that the Company has control over their financial and operating policies and own more than 50% of voting shares directly or indirectly. The Company evaluates investments in subsidiaries accounted under equity method in these parent company only financial statements.
- B. Unrealized profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to ensure consistency with the policies of the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of

the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest.
- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss.
- J. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and

Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

<u>Item</u>	<u>Estimated useful lives</u>
Buildings and structures	10 ~ 60 years
Machinery and equipment	5 ~ 20 years
Transportation equipment	5 ~ 10 years
Other equipment	2 ~ 15 years

(14) 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. Leases 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.

(15) Investment property

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Notes and accounts payable

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

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

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

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

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Financial guarantee contracts

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

(23) 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 plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) 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 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(25) Share capital

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

(26) Dividends

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

(27) Revenue recognition

- A. The Company manufactures and sells various fabrics and renders services as an oil distributor. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the



products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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

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

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

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

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

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

### (2) Impairment valuation of accounts receivable

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

### (3) Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was \$4,648,498.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and petty cash	\$ 48,267	\$ 137,858
Checking accounts and demand deposits	723,279	716,435
Time deposits	780,675	-
Cash equivalents - Commercial paper	809,050	593,673
	<u>\$ 2,361,271</u>	<u>\$ 1,447,966</u>

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

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

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Forward foreign exchange contracts	\$ 119	\$ -

A. For the years ended December 31, 2019 and 2018, the Company recognized \$119 and (\$398) in profit or loss in relation to financial assets at fair value through profit or loss, respectively.

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

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

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

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

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

Items	December 31, 2019	December 31, 2018
Current items:		
Equity instruments		
Listed stocks	\$ 900,285	\$ 900,285
Unlisted stocks	100,000	100,000
	1,000,285	1,000,285
Valuation adjustment	446,523	717,494
	\$ 1,446,808	\$ 1,717,779
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,163,125	\$ 8,163,125
Unlisted stocks	473,360	403,790
	8,636,485	8,566,915
Valuation adjustment	28,036,055	31,989,736
	\$ 36,672,540	\$ 40,556,651

- A. The Company 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 \$38,119,348 and \$42,274,430 as at December 31, 2019 and 2018, respectively.
- B. Aiming to satisfy the operating capital needs, the Company sold its equity investment in Nan Ya Technology Corp. at fair value of \$696,277 which resulted in loss on disposal of (\$1,810,626) during the year ended December 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:

	Years ended December 31,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 4,224,653)	(\$ 2,635,914)
Cumulative losses reclassified to retained earnings due to derecognition	\$ -	(\$ 1,813,704)

- D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company were \$38,119,348 and \$42,274,430, 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>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 27,399	\$ 109,709
Accounts receivable	\$ 1,825,961	\$ 2,159,828
Less: Allowance for uncollectible accounts	( 31,678)	( 31,678)
	<u>\$ 1,794,283</u>	<u>\$ 2,128,150</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 1,841,302	\$ 2,222,050
Up to 30 days	8,430	28,939
31 to 90 days	20	17,818
Over 90 days	3,608	730
	<u>\$ 1,853,360</u>	<u>\$ 2,269,537</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$1,853,360, \$2,269,537, and \$2,099,965, respectively.

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$27,399 and \$109,709, and accounts receivable were \$1,825,961 and \$2,159,828, respectively.

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

(5) Inventories

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 442,903	(\$ 13,860)	\$ 429,043
Supplies	86,157	( 519)	85,638
Work in process	1,781,264	-	1,781,264
Finished goods	2,317,740	( 735,643)	1,582,097
Merchandise inventory	302,421	-	302,421
Materials in transit	356,387	-	356,387
Outsourced processed materials	111,648	-	111,648
	<u>\$ 5,398,520</u>	<u>(\$ 750,022)</u>	<u>\$ 4,648,498</u>

December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 471,312	(\$ 9,898)	\$ 461,414
Supplies	66,872	( 1,287)	65,585
Work in process	1,835,698	-	1,835,698
Finished goods	2,409,232	( 429,337)	1,979,895
Merchandise inventory	159,786	-	159,786
Materials in transit	251,557	-	251,557
Outsourced processed materials	139,801	-	139,801
	<u>\$ 5,334,258</u>	<u>(\$ 440,522)</u>	<u>\$ 4,893,736</u>

The cost of inventories recognized as expense for the years ended December 31, 2019 and 2018 were as follows:

	Years ended December 31,	
	2019	2018
Cost of inventories sold	\$ 24,893,146	\$ 25,252,173
Loss on inventory valuation	309,500	196,644
Others (Note)	54,059	( 5,951)
	<u>\$ 25,256,705</u>	<u>\$ 25,442,866</u>

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

(6) Investments accounted for using equity method

A. List of long-term investments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Formosa Advanced Technologies Co., Ltd.	\$ 4,867,814	\$ 5,350,424
Formosa Taffeta (Cayman) Limited	3,775,536	5,524,284
Formosa Taffeta Dong Nai Co., Ltd.	2,312,412	2,281,893
Formosa Industry Co., Ltd.	2,010,641	2,008,842
Taffeta (Zhong Shan) Co, Ltd.	1,741,163	1,695,852
Formosa Taffeta Vietnam Co., Ltd.	2,135,684	1,963,366
Formosa Taffeta (Hong Kong) Co., Ltd.	1,152,772	1,133,880
Quang Viet Enterprise Co., Ltd.	1,247,694	1,191,261
Formosa Development Co., Ltd.	206,087	217,235
Schoeller F.T.C. (Hong Kong) Co., Ltd.	3,354	5,663
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	12,355	13,154
	<u>\$ 19,465,512</u>	<u>\$ 21,385,854</u>

B. The investment income (loss) on subsidiaries and associates accounted for using equity method for the years ended December 31, 2019 and 2018 was as follows:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Formosa Advanced Technologies Co., Ltd.	\$ 579,267	\$ 838,593
Formosa Taffeta Vietnam Co., Ltd.	211,388	139,974
Quang Viet Enterprise Co., Ltd.	183,911	116,954
Formosa Industry Co., Ltd.	37,580	121,457
Formosa Development Co., Ltd.	( 546)	13,708
Taffeta (Zhong Shan) Co, Ltd.	110,956	94,273
Formosa Taffeta Dong Nai Co., Ltd.	45,844	( 5,943)
Schoeller F.T.C. (Hong Kong) Co., Ltd.	862	3,103
Formosa Taffeta (Hong Kong) Co., Ltd.	60,280	60,477
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	( 334)	7,203
Formosa Taffeta (Cayman) Limited	0	0
	<u>\$ 1,229,208</u>	<u>\$ 1,389,799</u>

C. The share of income of subsidiaries and associates accounted for using equity method of \$479,586 and \$382,748 for the years ended December 31, 2019 and 2018, respectively, were based on the audited financial statements of the investee companies.

D. Subsidiaries

(a) Information on the Company's subsidiaries is provided in Note 4(3) of the Company's 2019 consolidated financial statements.

(b) As at December 31, 2019 and 2018, the Company's common stocks owned by its subsidiary, Formosa Development Co., Ltd., were 2,193,228 and 2,243,228 shares, respectively, treated as treasury stock.

E. Associates

(a) The financial information of the Company's principal associates is summarized below:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2019	December 31, 2018		
Formosa Advanced Technologies Co., Ltd.	Taiwan	30.68%	46.68%	Associate	Equity method
Formosa Industry Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method
Kuang Yueh Co., Ltd.	Taiwan	17.99%	17.99%	Associate	Equity method

(b) As the Company is a director of Formosa Industry Co., Ltd. and Quang Viet Enterprise Co., Ltd., it exercises significant influence over its operations. Accordingly, Formosa Industry Co., Ltd. and Quang Viet Enterprise Co., Ltd. are accounted for using equity method.

(c) The financial information of the Company's principal associates is summarized below:

Balance sheets

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

	<u>Quang Viet Enterprise Co., Ltd.</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current assets	\$ 7,897,890	\$ 7,605,631
Non-current assets	3,757,365	3,222,091
Current liabilities	( 2,021,980)	( 3,043,953)
Non-current liabilities	( 1,837,355)	( 329,187)
Total net assets	<u>\$ 7,795,920</u>	<u>\$ 7,454,582</u>
Share in associate's net assets	\$ 1,402,486	\$ 1,341,079
Difference	( 154,792)	( 149,818)
Carrying amount of the associate	<u>\$ 1,247,694</u>	<u>\$ 1,191,261</u>

	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>December 31, 2019</u>	
Current assets	\$ 6,631,748	
Non-current assets	6,643,175	
Current liabilities	( 1,250,356)	
Non-current liabilities	( 594,494)	
Total net assets	<u>\$ 11,430,073</u>	
Share in associate's net assets	\$ 3,507,074	
Difference	<u>1,360,740</u>	
Carrying amount of the associate	<u>\$ 4,867,814</u>	



Statements of Comprehensive Income

	<u>Formosa Industry Co., Ltd.</u>	
	<u>Year ended</u> <u>December 31, 2019</u>	<u>Year ended</u> <u>December 31, 2018</u>
Revenue	\$ 27,385,174	\$ 31,560,607
Profit for the year from continuing operations		
(Total comprehensive income)	<u>\$ 350,580</u>	<u>\$ 1,202,739</u>
	<u>Quang Viet Enterprise Co., Ltd.</u>	
	<u>Year ended</u> <u>December 31, 2019</u>	<u>Year ended</u> <u>December 31, 2018</u>
Revenue	\$ 16,259,345	\$ 13,280,440
Profit for the year from continuing operations	1,097,607	857,041
Other comprehensive income (loss)	4,405	4,405
Total comprehensive income	<u>\$ 1,102,012</u>	<u>\$ 861,446</u>
	<u>Formosa Advanced Technologies Co., Ltd.</u>	
	<u>Year ended</u> <u>December 31, 2019</u>	
Revenue	\$ 9,457,849	
Profit for the year from continuing operations	1,262,496	
Other comprehensive income (loss)	( 83,445)	
Total comprehensive income	<u>\$ 1,179,051</u>	

F. The significant associate, Kuang Yueh Co., Ltd., has quoted market prices. As of December 31, 2019 and 2018, the fair value is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Quang Viet Enterprise Co., Ltd.	\$ 2,826,494	\$ 1,952,512
Formosa Advanced Technologies Co., Ltd.	5,061,105	-
	<u>\$ 7,887,599</u>	<u>\$ 1,952,512</u>

G. During its meeting on December 13, 2019, the Company's board of directors resolved to dispose its 16% equity interest in FORMOSA ADVANCED TECHNOLOGIES CO., LTD. to Nan Ya Technology Corp. and Nan Ya Printed Circuit Board Co., for a consideration of \$2,514,064. The equity transfer was completed on December 16, 2019. After the disposal, the Company's shareholding ratio was reduced to 30.68% and the Company recognized \$2,016,760 as gain on disposal in 2019. Accordingly, the Company lost its control over FORMOSA ADVANCED TECHNOLOGIES CO., LTD., which became an associate accounted for using the equity method. Please refer to Note 6(9) of the Company's 2019 consolidated financial statements.

H. The Company sold 84,022 thousand shares of Formosa Advanced Technologies Co., Ltd. to Nan Ya Technology Corp. at fair value of 3,039,857 on July 23, 2018, resulting in a gain on disposal

of \$980,948 in 2018 which was reclassified to retained earnings, causing the shareholding ratio to decline to 46.68%.

(Blank)

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
<u>At January 1, 2019</u>						
Cost	\$ 2,068,417	\$ 6,388,806	\$ 14,293,461	\$ 4,226,369	\$ 258,518	\$ 27,235,571
Accumulated depreciation	-	( 4,299,556)	( 11,994,527)	( 3,999,850)	-	( 20,293,933)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>
<u>2019</u>						
Opening net book amount	\$ 1,912,679	\$ 2,089,250	\$ 2,298,934	\$ 226,519	\$ 258,518	\$ 6,785,900
Additions	-	-	-	-	434,724	434,724
Disposals	-	-	( 5,617)	( 232)	-	( 5,849)
Transfers (Note)	( 1,059)	59,971	391,429	45,611	( 472,259)	( 96,249)
Depreciation charge	-	( 197,803)	( 389,617)	( 52,258)	-	( 639,678)
Closing net book amount	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>
<u>At December 31, 2019</u>						
Cost	\$ 2,067,358	\$ 6,274,310	\$ 14,455,488	\$ 4,199,524	\$ 220,983	\$ 27,217,663
Accumulated depreciation	-	( 4,442,834)	( 12,160,359)	( 3,979,884)	-	( 20,583,077)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>

Note: Transferred into investment property

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
<u>At January 1, 2018</u>						
Cost	\$ 2,411,087	\$ 6,293,337	\$ 14,217,461	\$ 4,251,596	\$ 412,462	\$ 27,585,943
Accumulated depreciation	-	( 4,092,322)	( 11,870,188)	( 4,035,306)	-	( 19,997,816)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,255,349</u>	<u>\$ 2,201,015</u>	<u>\$ 2,347,273</u>	<u>\$ 216,290</u>	<u>\$ 412,462</u>	<u>\$ 7,432,389</u>
<u>2018</u>						
Opening net book amount	\$ 2,255,349	\$ 2,201,015	\$ 2,347,273	\$ 216,290	\$ 412,462	\$ 7,432,389
Additions	-	-	-	-	435,113	435,113
Disposals	( 342,670)	-	( 23,014)	( 57)	-	( 365,741)
Transfers	-	95,468	435,093	58,496	( 589,057)	-
Depreciation charge	-	( 207,233)	( 460,418)	( 48,210)	-	( 715,861)
Closing net book amount	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>
<u>At December 31, 2018</u>						
Cost	\$ 2,068,417	\$ 6,388,806	\$ 14,293,461	\$ 4,226,369	\$ 258,518	\$ 27,235,571
Accumulated depreciation	-	( 4,299,556)	( 11,994,527)	( 3,999,850)	-	( 20,293,933)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>

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

	Years ended December 31,	
	2019	2018
Amount capitalized	\$ 2,387	\$ 2,733
Interest rate	0.98%~1.02%	0.98%~1.04%

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

Items	Significant components	Estimated useful lives
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	5 ~ 20 years
Transportation equipment	Pallet trucks and fork lift trucks	5 ~ 10 years
Other equipment	Cogeneration power generation equipment	2~ 15 years

C. Certain regulations restrict ownership of land to individuals, thus, the title of land which the Company has acquired for future plant expansion is under the name of third parties but the titles were transferred and mortgaged by the Company. As of December 31, 2019 and 2018, the amounts of titles mortgaged to the Company were \$808,300.

(8) Leasing arrangements – lessee

Effective 2019

A. The Company 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:

	Year ended	Year ended
	December 31, 2019	December 31, 2018
	Carrying amount	Depreciation charge
Land	\$ 784,563	\$ 142,304

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

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

	Year ended
	December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 8,156

E. For the year 2019, the Company's total cash outflow for leases was \$154,585.

(9) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate	Collateral
Bank borrowings			
Purchase loans	\$ <u>12,324</u>	0.37%	-

Type of borrowings	December 31, 2018	Interest rate	Collateral
Bank borrowings			
Purchase loans	\$ <u>-</u>	-	-

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contracts	\$ <u>80</u>	\$ <u>774</u>

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

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

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

Derivative Financial Liabilities	December 31, 2018	
	Contract Amount (Notional Principal)	Contract Period
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	JPY 50,000,000	2018.12~2019.2
Taipei Fubon Bank	JPY 56,680,000	2018.12~2019.2
Chang Hwa Bank	JPY 50,000,000	2018.12~2019.1
Chang Hwa Bank	JPY 50,210,000	2018.12~2019.1

The Company 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.

(11) Long-term borrowings

	December 31, 2019	December 31, 2018
Credit borrowing	\$ <u>6,400,000</u>	\$ <u>7,900,000</u>
Interest rate	<u>0.89%~1.03%</u>	<u>0.98%~1.04%</u>

(12) Pensions

A. (a) The Company has 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 contributes monthly an amount equal to 2% 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 would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 2,286,947	\$ 2,500,851
Fair value of plan assets	( 1,816,757)	( 2,068,801)
Net defined benefit liability	<u>\$ 470,190</u>	<u>\$ 432,050</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 2,500,851	(\$ 2,068,801)	\$ 432,050
Current service cost	22,465	-	22,465
Interest expense (income)	31,261	( 26,384)	4,877
	<u>2,554,577</u>	<u>( 2,095,185)</u>	<u>459,392</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 75,285)	( 75,285)
Experience adjustments	159,106	-	159,106
	<u>159,106</u>	<u>( 75,285)</u>	<u>83,821</u>
Pension fund contribution	-	( 70,751)	( 70,751)
Paid pension	( 426,736)	424,464	( 2,272)
Balance at December 31	<u>\$ 2,286,947</u>	<u>( \$ 1,816,757)</u>	<u>\$ 470,190</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 2,789,932	(\$ 2,055,899)	\$ 734,033
Current service cost	29,226	-	29,226
Interest expense (income)	34,874	( 26,293)	8,581
	<u>2,854,032</u>	<u>( 2,082,192)</u>	<u>771,840</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 55,693)	( 55,693)
Experience adjustments	( 99,918)	-	( 99,918)
	<u>( 99,918)</u>	<u>( 55,693)</u>	<u>( 155,611)</u>
Pension fund contribution	-	( 180,776)	( 180,776)
Paid pension	( 253,263)	249,860	( 3,403)
Balance at December 31	<u>\$ 2,500,851</u>	<u>(\$ 2,068,801)</u>	<u>\$ 432,050</u>

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

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

	Years ended December 31,	
	2019	2018
Discount rate	<u>1.25%</u>	<u>1.25%</u>
Future salary increases	<u>1.00%</u>	<u>1.00%</u>

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



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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1.00%	Decrease 1.00%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 25,591)</u>	<u>\$ 26,543</u>	<u>\$ 114,528</u>	<u>(\$ 101,152)</u>
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	<u>(\$ 31,086)</u>	<u>\$ 32,308</u>	<u>\$ 139,373</u>	<u>(\$ 122,059)</u>

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) For the aforementioned pension plan, the Company recognized pension costs of \$27,341 and \$37,807 for the years ended December 31, 2019 and 2018, respectively.

(g) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2020 are \$70,751.

(h) As of December 31, 2019, the weighted average duration of that retirement plan is 7.5 years.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (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 contributes 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 pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2019 and 2018 were \$78,348 and \$74,523, respectively.

(13) Share capital

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

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

		2019			
<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>Beginning Shares</u>	<u>Additions</u>	<u>Disposal (Note)</u>	<u>Ending Shares</u>
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	<u>2,243</u>	<u>-</u>	<u>( 50)</u>	<u>2,193</u>
		2018			
<u>Reason for reacquisition</u>	<u>Investee company</u>	<u>Beginning Shares</u>	<u>Additions</u>	<u>Disposal (Note)</u>	<u>Ending Shares</u>
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	<u>2,293</u>	<u>-</u>	<u>( 50)</u>	<u>2,243</u>

Note: For the years ended December 31, 2019 and 2018, the subsidiary company disposed its investment in the Company of 50,000 shares and generated capital surplus of \$1,194 and \$1,041, respectively.

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

(14) Capital surplus

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

(15) Retained earnings

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

accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section; and iv) other special reserves set out by legal provisions.

According to the R.O.C. Company Law and the Company's Articles of Incorporation, the annual net income should be used initially to cover any accumulated deficit; 10% of the annual net income should be set aside as legal reserve and special reserve. The remaining balance shall be distributed to shareholders according to their shareholding percentage.

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

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

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

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

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

E. As of December 31, 2019 and 2018, unpaid stock dividends amounted to \$10,562 and \$9,455, respectively.

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

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

As of March 13, 2020, the above appropriations of 2019 earnings has not yet been resolved by

the shareholders.

G. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(21).

(16) Other equity items

	Unrealized gains (losses) on valuation	Currency translation
January 1, 2019	\$ 32,036,824	(\$ 744,846)
Revaluation		
— Parent company	( 4,224,653)	-
— Associates	( 1,745,174)	-
Revaluation transferred to retained earnings		
— Associates	( 1,189)	-
Difference of currency translation		
— Parent company	-	( 246,306)
— Associates	-	( 64,499)
December 31, 2019	<u>\$ 26,065,808</u>	<u>(\$ 1,055,651)</u>
	Unrealized gains (losses) on valuation	Currency translation
January 1, 2018	\$ 38,440,218	(\$ 914,267)
Retrospective adjustments	( 4,760,072)	-
January 1, 2018 after adjustments	33,680,146	( 914,267)
Revaluation		
— Parent company	( 2,635,914)	-
— Associates	( 693,862)	-
Revaluation transferred to retained earnings		
— Parent company	1,810,626	-
— Associates	( 5,366)	-
Difference of currency translation		
— Parent company	-	154,507
— Associates	-	14,914
Difference between consideration and carrying amount of subsidiaries acquired	( 118,806)	-
December 31, 2018	<u>\$ 32,036,824</u>	<u>(\$ 744,846)</u>

(17) Operating revenue

	Years ended December 31,	
	2019	2018
Sales revenue	\$ 27,251,868	\$ 27,350,551
Service revenue	216,926	242,933
	<u>\$ 27,468,794</u>	<u>\$ 27,593,484</u>

(18) Other income

	Years ended December 31,	
	2019	2018
Interest income from bank deposits	\$ 5,527	\$ 5,537
Dividend income	1,963,309	2,531,826
Other income	258,350	283,367
	<u>\$ 2,227,186</u>	<u>\$ 2,820,730</u>

(19) Other gains and losses

	Years ended December 31,	
	2019	2018
Forward foreign exchange contracts		
Net gain (loss) on financial assets at fair value through profit or loss	\$ 119	(\$ 398)
Net gain (loss) on financial liabilities at fair value through profit or loss	694	( 774)
Net currency exchange gain (loss)	( 27,575)	100,476
Gain on disposal of investment	2,016,760	-
Gain on disposal of property, plant and equipment	37,173	914,767
Bank charges	( 37,628)	( 37,700)
Other losses	( 45,708)	( 51,573)
	<u>\$ 1,943,835</u>	<u>\$ 924,798</u>

(20) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	\$ 2,750,500	\$ 2,785,539
Depreciation charges on property, plant and equipment	781,982	715,861
	<u>\$ 3,532,482</u>	<u>\$ 3,501,400</u>

(21) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 2,341,897	\$ 2,346,420
Labour and health insurance fees	237,497	235,499
Pension costs	105,690	112,330
Other personnel expenses	65,416	91,290
	<u>\$ 2,750,500</u>	<u>\$ 2,785,539</u>

- A. According to the Articles of Incorporation, the Company distributed employees' compensation at a ratio of profit before income tax of the current year, after covering accumulated losses. The ratio shall not be lower than 0.05% and not higher than 0.5% for employees' compensation, and not higher than 0.05% for directors' and supervisions' remuneration.
- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$11,220 and \$10,543, respectively; while directors' and supervisors' remuneration was accrued at \$5,610 and \$5,272, respectively. The aforementioned amount was recognized in salary expenses.

For the year ended December 31, 2019, the employees' compensation was estimated and accrued based on the Articles of Incorporation. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors amounted to \$11,220 and \$5,610, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 financial statements. For the year ended December 31, 2018, employees' compensation was \$10,543 and distributed in cash.

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

(22) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	\$ 81,173	\$ 106,091
Other financial expense	8,156	-
Less: Capitalization of qualifying assets	( 2,387)	( 2,733)
Finance costs	<u>\$ 86,942</u>	<u>\$ 103,358</u>

(23) Income tax

- A. Income tax expense

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 134,306	\$ 111,830
Additional 5% tax on undistributed earnings	198,107	32,440
Basic tax	46,026	-
Adjustments in respect of prior years	( 1,084)	81,038
Land value increment tax	-	127,086
Total current tax	377,355	352,394
Deferred tax:		
Impact of change in tax rate	-	16,750
Origination and reversal of temporary differences	27,303	149,212
Tax expense	<u>\$ 404,658</u>	<u>\$ 518,356</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 1,118,677	\$ 1,051,152
Tax effect of permanent differences	( 618,154)	( 654,125)
Tax effect of temporary differences	( 33,522)	( 84,813)
Tax exempt income by tax regulation	-	( 173,443)
Land Value Increment Tax from selling land	-	127,086
Tax effect of basic tax	46,026	-
Adjustments in respect of prior years	( 1,084)	81,038
Net change in deferred income tax assets and liabilities	27,303	149,212
Impact of change in tax rate	-	16,750
Cessation of capital gain tax for securities	( 332,695)	( 26,941)
Additional 5% tax on undistributed earnings	198,107	32,440
Tax expense	<u>\$ 404,658</u>	<u>\$ 518,356</u>

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

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

	Year ended December 31, 2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	\$ 64,093	\$ 61,900	\$ -	\$ 125,993
Allowance for bad debts in excess of tax deductible limit	2,503	-	-	2,503
Unrealized foreign exchange loss	370	4,556	-	4,926
Unrealized gain on disposal of equipment	12,057	(6,663)	-	5,394
	<u>79,023</u>	<u>59,793</u>	<u>-</u>	<u>138,816</u>
Deferred tax liabilities:				
-Temporary differences				
Accrued pension liabilities	(6,219)	6,219	-	-
Investment income accounted for under equity method	(284,294)	(93,315)	-	(377,609)
	<u>(290,513)</u>	<u>(87,096)</u>	<u>-</u>	<u>(377,609)</u>
	<u>(\$ 211,490)</u>	<u>(\$ 27,303)</u>	<u>\$ -</u>	<u>(\$ 238,793)</u>

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences				
Provision for inventory obsolescence	\$ 21,049	\$ 43,044	\$ -	\$ 64,093
Allowance for bad debts in excess of tax deductible limit	2,128	375	-	2,503
Accrued pension liabilities	31,776	(31,776)	-	-
Unrealized foreign exchange loss	2,576	(2,206)	-	370
Unrealized gain on disposal of equipment	17,711	(5,654)	-	12,057
- Loss carryforward	49,389	(49,389)	-	-
	<u>124,629</u>	<u>(45,606)</u>	<u>-</u>	<u>79,023</u>
Deferred tax liabilities:				
-Temporary differences				
Accrued pension liabilities	-	(6,219)	-	(6,219)
Investment income accounted for under equity method	(170,157)	(114,137)	-	(284,294)
	<u>(170,157)</u>	<u>(120,356)</u>	<u>-</u>	<u>(290,513)</u>
	<u>(\$ 45,528)</u>	<u>(\$ 165,962)</u>	<u>\$ -</u>	<u>(\$ 211,490)</u>

D. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

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



(24) Earnings per share

A. Basic earnings per share

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

Year ended December 31, 2019					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	<u>\$ 5,593,387</u>	<u>\$ 5,188,729</u>	<u>1,682,448</u>	<u>\$ 3.33</u>

Year ended December 31, 2018					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	<u>\$ 5,255,762</u>	<u>\$ 4,737,406</u>	<u>1,682,385</u>	<u>\$ 3.12</u>

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

Year ended December 31, 2019					
	Amount		Outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	<u>\$ 5,593,387</u>	<u>\$ 5,188,729</u>	<u>1,684,665</u>	<u>\$ 3.32</u>

Year ended December 31, 2018					
	Amount		Outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
	Net income	<u>\$ 5,255,762</u>	<u>\$ 4,737,406</u>	<u>1,684,665</u>	<u>\$ 3.12</u>

B. Employees' compensation could be distributed in the form of stock. It does not have significant effect on the financial statements for the years ended December 31, 2019 and 2018. It also had no significant effect on earnings per share.

(25) Non-cash transaction

Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 434,724	\$ 435,113
Add: Opening balance of payable on equipment	1,766	13,354
Less: Ending balance of payable on equipment	( 3,262)	( 1,766)
Cash paid during the year	<u>\$ 433,228</u>	<u>\$ 446,701</u>

(26) Changes in liabilities from financing activities

For the years ended December 31, 2019 and 2018, the change of short-term borrowings, short-term notes and bills payable and long-term borrowings are \$12,324, \$0 and (\$1,500,000); (\$7,386), (\$1,299,806) and (\$2,900,000), respectively.

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 the Company's ultimate controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Formosa Chemicals & Fibre Corp.	Parent Company
Formosa Taffeta Dong Nai Co., Ltd.	Subsidiary
Formosa Taffeta Vietnam Co., Ltd.	Subsidiary
Schoeller F.T.C. (Hong Kong) Co., Ltd.	Subsidiary
Formosa Taffeta (Zhong Shan) Co., Ltd.	Subsidiary
Formosa Taffeta (Hong Kong) Co., Ltd.	Subsidiary
Formosa Taffeta (Changshu) Co., Ltd.	Subsidiary
Quang Viet Enterprise Corp.	Associate
Formosa Advanced Technologies Co., Ltd. (Note)	Associate
Formosa Industries Corp.	Associate
Formosa Heavy Industries Corp.	Other Related Party
Formosa Biomedical Technology Corp.	Other Related Party
Formosa Petrochemical Corp.	Other Related Party
Formosa Asahi Spandex Corp.	Other Related Party
Formosa Technologies Corp.	Other Related Party
Formosa Plastics Corp.	Other Related Party
Chang Gung Biotechnology Corp.	Other Related Party
Nan Ya Plastics Corp.	Other Related Party
Nanya Technology Corp.	Other Related Party
Yugen Yueh Co., Ltd.	Other Related Party
Yumaowu Enterprise Co., Ltd.	Other Related Party
Yu Yuang Textile Co., Ltd.	Other Related Party

Names of related parties	Relationship with the Company
Yu Maowu Complex Co., Ltd.	Other Related Party
Great King Garment Co., Ltd.	Other Related Party
Kong You Industrial Co., Ltd.	Other Related Party
Bellmart Industrial Co., Ltd.	Other Related Party
TOA Resin Corp.	Other Related Party
Formosa HA TINH (CAYMAN) LIMITED	Other Related Party

Note: On December 13, 2019, the Company disposed its 16% equity interest in FORMOSA ADVANCED TECHNOLOGIES CO., LTD. and lost control over it. Accordingly, FORMOSA ADVANCED TECHNOLOGIES CO., LTD. became an associate accounted for using equity method.

(3) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2019	2018
Sales of goods:		
– Ultimate parent	\$ 904	\$ 565
– Subsidiaries	422,241	386,125
– Associates	380,074	393,650
– Other related parties	472,009	500,161
	<u>\$ 1,275,228</u>	<u>\$ 1,280,501</u>

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

B. Purchases of goods

	Years ended December 31,	
	2019	2018
Purchases of goods:		
– Ultimate parent	\$ 1,631,215	\$ 1,978,969
– Subsidiaries	614,955	622,950
– Other related parties		
Formosa Petrochemical Corp.	10,726,911	10,916,187
Others	1,192,844	1,187,012
	<u>\$ 14,165,925</u>	<u>\$ 14,705,118</u>

Goods and services are purchased from parent company, subsidiaries and associates on normal commercial terms and conditions.

C. Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Receivables from related parties:		
– Ultimate parent	\$ 82	\$ 98
– Subsidiaries	58,083	72,017
– Associates	71,861	41,091
– Other related parties	<u>72,273</u>	<u>111,588</u>
	<u>\$ 202,299</u>	<u>\$ 224,794</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

#### D. Notes and accounts payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Payables from related parties:		
– Ultimate parent	\$ 454,614	\$ 644,076
– Subsidiaries	95,681	159,888
– Other related parties		
Formosa Petrochemical Corp.	440,852	397,563
Others	<u>127,829</u>	<u>95,126</u>
	<u>\$ 1,118,976</u>	<u>\$ 1,296,653</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, investment property and other receivables

##### (a) Acquisition of property, plant and equipment

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Other related party	<u>\$ 70,849</u>	<u>\$ -</u>

(b) The Company sold fixed assets to related parties at cost plus any necessary expenses. Gain or loss is recorded as gain or loss on disposal of property, plant and equipment. Details are as follows:

	<u>Years ended December 31,</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Disposal</u>	<u>Gain (loss)</u>	<u>Disposal</u>	<u>Gain (loss)</u>
	<u>proceeds</u>	<u>on disposal</u>	<u>proceeds</u>	<u>on disposal</u>
Sale of property, plant and equipment:				
– Subsidiaries	<u>\$ 10,579</u>	<u>\$ 9,126</u>	<u>\$ 35,777</u>	<u>\$ 17,560</u>

The unrealized gain on disposal of property, plant and equipment from the transactions above

amounted to \$9,126 and \$11,117 for the years ended December 31, 2019 and 2018, respectively.

(c) Rental income (shown as other income)

The Company rent out buildings on No. 319, 329 and 331 Henan St., Douliu City, Yunlin County, and land on No. 497-1 Neilin Section and land No. 132, 136, MeiLinChi St., Douliu City and employees' dormitory to Formosa Advanced Technologies Co., Ltd. The lessee pays the Company at the beginning of every month. For the years ended December 31, 2019 and 2018, rental income amounted to \$40,408 and \$36,883, respectively.

Investment property leased to Formosa Advanced Technologies Co., Ltd. are as follows:

	Land	Building and structures	Total
<u>At January 1, 2019</u>			
Cost	\$ 6,833	\$ 764,479	\$ 771,312
Accumulated depreciation	-	( 297,654)	( 297,654)
	<u>\$ 6,833</u>	<u>\$ 466,825</u>	<u>\$ 473,658</u>
<u>Year ended December 31, 2019</u>			
Opening net book amount	\$ 6,833	\$ 466,825	\$ 473,658
Transfer	1,059	95,191	96,250
Depreciation charge	-	( 25,984)	( 25,984)
Closing net book amount	<u>\$ 7,892</u>	<u>\$ 536,032</u>	<u>\$ 543,924</u>
<u>At December 31, 2019</u>			
Cost	\$ 7,892	\$ 906,122	\$ 914,014
Accumulated depreciation	-	( 370,090)	( 370,090)
	<u>\$ 7,892</u>	<u>\$ 536,032</u>	<u>\$ 543,924</u>
	Land	Building and structures	Total
<u>At January 1, 2018</u>			
Cost	\$ 6,833	\$ 764,479	\$ 771,312
Accumulated depreciation	-	( 272,813)	( 272,813)
	<u>\$ 6,833</u>	<u>\$ 491,666</u>	<u>\$ 498,499</u>
<u>Year ended December 31, 2018</u>			
Opening net book amount	\$ 6,833	\$ 491,666	\$ 498,499
Depreciation charge	-	( 24,841)	( 24,841)
Closing net book amount	<u>\$ 6,833</u>	<u>\$ 466,825</u>	<u>\$ 473,658</u>
<u>At December 31, 2018</u>			
Cost	\$ 6,833	\$ 764,479	\$ 771,312
Accumulated depreciation	-	( 297,654)	( 297,654)
	<u>\$ 6,833</u>	<u>\$ 466,825</u>	<u>\$ 473,658</u>

Note: Most of above represents transfer from property, plant and equipment.

The fair value of the Company's investment property was based on the selling price of similar property in neighbouring areas. As of December 31, 2019 and 2018, the fair value was \$595,151 and \$520,354, respectively.

(d) Other income

Other income pertains to the Company's collections and payment transfer of utilities and disposal fee, etc. for Formosa Advanced Technologies Co., Ltd. For the years ended December 31, 2019 and 2018, other income amounted to \$19,408 and \$16,068, respectively.

(e) Other receivables

	<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries			
-Formosa Taffeta Dong Nai Co., Ltd.	Purchase of raw materials and supplies and disposal of equipment, payments made by the Company on behalf of related party	\$ 23,885	\$ 42,469
-Formosa Taffeta Vietnam Co., Ltd.		97,481	43,168
-Others		154	4,514
Associates			
-Others	Rent, utility expense, steam and waste disposal costs, transportation expense and service agency fee	4,984	-
Other related party			
-Formosa HA TINH (CAYMAN) LIMITED	Payments of guarantee commission	14,172	9,409
-Others	Payments made by the Company on behalf of related party	1,725	2
		<u>\$ 142,401</u>	<u>\$ 99,562</u>

(f) Acquisition of financial assets:

	<u>Account</u>	<u>No. of shares</u>	<u>Object</u>	<u>Year ended December 31, 2019</u> <u>Consideration</u>
Other related parties	Non-current financial assets at fair value through other comprehensive income	-	FG INC	<u>\$ 69,570</u>

(g) Disposal of financial assets:

			<u>Year ended December 31, 2019</u>		
	<u>Account</u>	<u>No. of shares (in thousands)</u>	<u>Object</u>	<u>Proceeds</u>	<u>Gain/(loss)</u>
Other related party	Investments accounted for under equity method	70,756	Formosa Advanced Technologies Co., Ltd.	<u>\$ 2,514,064</u>	Note 1 \$ 2,016,760
			<u>Year ended December 31, 2018</u>		
	<u>Account</u>	<u>No. of shares (in thousands)</u>	<u>Object</u>	<u>Proceeds</u>	<u>Gain/(loss)</u>
Other related party	Investments accounted for under equity method	84,022	Formosa Advanced Technologies Co., Ltd.	<u>\$ 3,039,857</u>	Note 2

Note 1: On December 13, 2019, the Company disposed its 16% equity interest in FORMOSA ADVANCED TECHNOLOGIES CO., LTD.. After the disposal, the Company's shareholding ratio was reduced to 30.68% and lost control over it. Accordingly, FORMOSA ADVANCED TECHNOLOGIES CO., LTD. became an associate accounted for using equity method.

Note 2: The difference between the disposal equity price and the book value transfer to capital surplus (include part of non-controlling interests) for amounts of \$980,948.

(h) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	\$ 12,391	\$ 8,167
Associates	1,127	930
Other related parties	565	27,880
	<u>\$ 14,083</u>	<u>\$ 36,977</u>

F. Commission expenses and commissions payable

(a) The Company paid commissions for sales rendered to Formosa Taffeta (Hong Kong) Co., Ltd. equivalent to 2.5%. Details are as follows (shown as sales and marketing expenses):

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	<u>\$ 1,205</u>	<u>\$ 3,272</u>

(b) The balances of commission payable (shown as other payables) consisted of the following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	<u>\$ 321</u>	<u>\$ 788</u>

G. Endorsements and guarantees provided to related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 989,340	\$ 1,013,595
Formosa Taffeta Vietnam Co., Ltd.	1,588,940	1,535,750
Formosa Taffeta (Changshu) Co., Ltd.	1,648,900	1,689,325
Formosa Taffeta Dong Nai Co., Ltd.	4,257,160	4,668,680
Formosa HA TINH (CAYMAN) Ltd.	6,954,584	7,125,084
	<u>\$ 15,438,924</u>	<u>\$ 16,032,434</u>

(4) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 25,951	\$ 33,399

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

<u>Effective 2018</u>	<u>December 31, 2018</u>
Less than 1 year	\$ 129,761
Between 1 and 5 years	382,264
More than 5 years	242,499
	<u>\$ 754,524</u>

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

<u>Currency</u>	<u>Amount</u>
USD	\$ 939
JPY	1,009
EUR	452

(3) Contingencies-Lawsuit

A. In August 2019, Taiwan Cooperative Bank Ltd. and DBS Bank (Taiwan) Ltd. filed a complaint against the Company. Several employees of the Company, instead of making the truthful representations during the credit assessment procedures, cooperated with New Site Industries Inc. and New Brite Industries Inc. to conduct false statements and provide misleading information with regard to the fact that New Site Industries Inc. and New Brite Industries Inc. owned the accounts receivable due from the Company, thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that the Company shall be liable for the losses incurred due to poor



supervision. The Company has appointed a legal counsel to represent them. Based on the opinion of the legal counsel, it is difficult to predict the judge's decision at this stage as the case is still in the course of debate process. Therefore, the outcome and impact of the case cannot yet be determined.

B. In August 2019, O-Bank Co., Ltd. filed a complaint against the Company. Several employees of the Company, instead of making the truthful representations during the credit assessment procedures, cooperated with New Site Industries Inc., New Brite Industries Inc., Highlite Industries, Inc. and Loomtech Industries Inc. (together referred herein as "New Brite Group") to conduct false statements and provide misleading information with regard to the fact that New Site Industries Inc. and New Brite Industries Inc. owned the accounts receivable due from the Company, thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that the Company shall be liable for the losses incurred due to poor supervision. The Company has appointed a legal counsel to represent them. Based on the opinion of the legal counsel, it is difficult to predict the judge's decision at this stage as the case is still in the course of debate process. Therefore, the outcome and impact of the case cannot yet be determined.

#### 10. SIGNIFICANT DISASTER LOSS

None.

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

Aside from the lawsuits described in Note 9(3), the other significant events are as follows:

- A. Please refer to Note 6(15) F for the distribution of 2019 earnings which was proposed by the Board of Directors on March 13, 2020.
- B. The Company officially invested in Switzerland "Schoeller Textil AG" on January 13, 2020 in the amount of Swiss franc 39,580 thousand, equivalent to 50% equity interest after the capital increase of "Schoeller Textil AG". Said investment is expected to be completed in March, 2020.
- C. Owing to the capital increase of FG INC. the Board of Directors during its meeting on March 13, 2020 resolved to increase its investment in FG INC. in the amount of USD 1,290 thousand, in proportion to the original shareholding ratio of 3% in FG INC. Consequently, the total investment in FG INC. will be USD 12,390 thousand.

#### 12. OTHERS

##### (1) Capital management

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

shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

At December 31, 2019, the Company's strategy for its gearing ratio is the same for December 31, 2018. The gearing ratios at December 31, 2019 and 2018 were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total borrowings	\$ 6,412,324	\$ 7,900,000
Less: Cash and cash equivalents	( 2,361,271)	( 1,447,966)
Net debt	4,051,053	6,452,034
Total equity	<u>64,265,275</u>	<u>68,913,204</u>
Total capital	<u>\$ 68,316,328</u>	<u>\$ 75,365,238</u>
Gearing ratio	<u>6%</u>	<u>9%</u>

## (2) Financial instruments

### A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss	\$ 119	\$ -
Financial assets measured at fair value through other comprehensive profit or loss	38,119,348	42,274,430
Financial assets at amortized cost	<u>4,692,942</u>	<u>4,201,275</u>
	<u>\$ 42,812,647</u>	<u>\$ 46,475,705</u>
<u>Financial liabilities</u>		
Financial liabilities measured at fair value through profit or loss	\$ 80	\$ 774
Financial liabilities at amortized cost	<u>9,104,246</u>	<u>10,663,274</u>
	<u>\$ 9,104,326</u>	<u>\$ 10,664,048</u>

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

### B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Company focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.
- (b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters,

such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

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

December 31, 2019			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 76,526	30.11	\$ 2,304,198
<u>Non-monetary items</u>			
VND:NTD	4,953,113,164	0.0013	6,439,047
HKD:NTD	299,251	3.86	1,155,109
RMB:NTD	467,986	4.32	2,021,700
USD:NTD	125,391	30.11	3,775,523
December 31, 2018			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 60,910	30.73	\$ 1,871,764
<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	439,198	4.48	1,967,607
USD:NTD	179,768	30.73	5,524,271

The total exchange (loss) income, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to \$27,575 and \$100,476, respectively. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 23,042	\$ -
<u>Non-monetary items</u>			
VND:NTD	1%	-	64,390
HKD:NTD	1%	-	11,551
RMB:NTD	1%	-	20,217
USD:NTD	1%	-	37,755
Year ended December 31, 2018			
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%	\$ 18,718	\$ -
<u>Non-monetary items</u>			
VND:NTD	1%	-	61,407
HKD:NTD	1%	-	11,396
RMB:NTD	1%	-	19,676
USD:NTD	1%	-	55,243

ii. Price risk

- (i) The Company'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. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- (ii) The Company's investments in equity securities comprise shares. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$0 and \$6, 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 \$381,193 and \$422,724, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

iii. Cash flow and fair value interest rate risk

- (i) The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, the Company's borrowings at variable rate were denominated in the NTD.
  - (ii) The Company'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) For the years ended December 31, 2019 and 2018, if interest borrowing rates of NTD dollars has increased / decreased by 1% with all other variables held constant, net of tax profit for the years ended December 31, 2019 and 2018 would have decreased / increased by \$51,299 and \$63,200, 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 Company 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 Company 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 Company's credit policy, each local entity in the Company 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 Company 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 Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
  - v. The Company classifies customer's accounts receivable and contract assets in accordance with product types and customer types. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
  - vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

vii. The Company uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On December 31, 2019 and 2018, the provision matrix are 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 December 31, 2019</u>					
Expected loss rate	1%	17%	100%	100%	
Total book value	\$ 1,841,302	\$ 8,430	\$ 20	\$ 3,608	\$ 1,853,360
Loss allowance	26,579	1,471	20	3,608	31,678
	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	0%	30%	78%	82%	
Total book value	\$ 2,222,050	\$ 28,939	\$ 17,818	\$ 730	\$ 2,269,537
Loss allowance	8,498	8,729	13,852	599	31,678

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

	Year ended December 31, 2019	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 31,678)
Effect of foreign exchange	-	-
At December 31	\$ -	(\$ 31,678)
	Year ended December 31, 2018	
	Notes receivable	Accounts receivable
At January 1	\$ -	(\$ 37,064)
Effect of foreign exchange	-	5,386
At December 31	\$ -	(\$ 31,678)

(c) Liquidity risk

- i. The Company's investments in equity financial instruments which have active markets are expected to be sold easily and quickly in the market at the price close to fair value. The Company's investments in equity financial instruments without active markets are exposed to liquidity risk.
- ii. Due to well-managed operations, the Company has an excellent credit in financial institutions and the money market, and has adequate working capital to meet commitments associated with receivables and payables. Therefore, no liquidity risk is expected to arise.
- iii. The table below analyses the Company'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>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Notes payable (including related parties)	\$ 178,167	-	-
Accounts payable (including related parties)	1,686,149	-	-
Other payables	827,606	-	-
Long-term borrowings	-	4,200,000	2,200,000
Financial guarantee contracts	15,438,924	-	-

Derivative financial liabilities

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Forward exchange contracts	\$ 80	-	-

Non-derivative financial liabilities:

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Notes payable (including related parties)	\$ 459,428	-	-
Accounts payable (including related parties)	1,449,570	-	-
Other payables	854,276	-	-
Long-term borrowings	-	7,000,000	200,000
Financial guarantee contracts	16,032,434	-	-

Derivative financial liabilities

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Forward exchange contracts	\$ 774	-	-

(d) The Company 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 Company'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 Company'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 Company'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 nature of the assets and liabilities is as follows:

<u>December 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 other comprehensive income				
Equity securities	\$ 37,356,696	\$ 346,800	\$ 415,852	\$ 38,119,348
Forward exchange contracts	-	119	-	119
	<u>\$ 37,356,696</u>	<u>\$ 346,919</u>	<u>\$ 415,852</u>	<u>\$ 38,119,467</u>
Financial liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 80	\$ -	\$ 80



<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 other comprehensive income				
Equity securities	<u>\$41,552,550</u>	<u>\$ 403,500</u>	<u>\$ 318,380</u>	<u>\$42,274,430</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>

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

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

- |  | Listed shares |
|--|---------------|
| Market quoted price  | Closing price |
| 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 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 Company 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 Company's credit quality.  |               |

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

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

	<u>Year ended December 31, 2019</u>	
	<u>Non-derivative equity instruments</u>	
At January 1	\$	318,380
Acquired in the period		69,570
Gains and losses recognized in other comprehensive income		
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income		27,903
At December 31	\$	<u>415,853</u>
	<u>Year ended December 31, 2018</u>	
	<u>Non-derivative equity instruments</u>	
At January 1	\$	-
Retrospective adjustments		331,904
At January 1 after adjustments		331,904
Gains and losses recognized in other comprehensive income		
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	13,524)
At December 31	\$	<u>318,380</u>

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

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

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

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

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 415,852	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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 318,380	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

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

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

		<u>December 31, 2018</u>			
		<u>Recognized in other</u>			
		<u>comprehensive income</u>			
		<u>Input</u>	<u>Change</u>	<u>Favourable</u>	<u>Unfavourable</u>
				<u>change</u>	<u>change</u>
Financial assets					
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%		<u>\$ 3,184</u>	<u>\$ 3,184</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 year ended December 31, 2019 are stated as follows. Furthermore, the inter-company transactions were eliminated when preparing financial statements of investees which were audited by other independent accountants. The following disclosures are for reference only.

A. Loans to others: None.

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

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

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

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

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

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

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

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), (10) and 12(2).

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

#### (2) Information on investees

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

#### (3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

14. SEGMENT INFORMATION

None.

(Blank)

FORMOSA TAFFETA CO., LTD.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3, 8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3, 8)	Provision of endorsements/g guarantees by parent company to subsidiary (Note 7)		Provision of endorsements/g guarantees to party in Mainland China (Note 7)	Footnote
											Y	N		
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 41,742,511	\$ 1,042,800	\$ 989,340	\$ 29,980	\$ -	1.54	\$ 83,485,023	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA	2	41,742,511	1,616,500	1,588,940	603,494	-	2.47	83,485,023	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	41,742,511	1,738,000	1,648,900	293,174	-	2.57	83,485,023	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	41,742,511	4,803,200	4,257,160	2,876,937	-	6.63	83,485,023	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	41,742,511	7,330,382	6,954,584	6,954,584	-	10.83	83,485,023	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	185,030	3,000	3,000	3,000	-	1.05	370,060	Y	N	N	

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

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

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

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

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

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

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

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

Note 5: Fill in the amount approved by the Board of Directors or the 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 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.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

	Capital Reserves				Retained Earnings			Other Equity Interest			Total equity		
	Share capital - common stock	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Change in net equity of associates and joint ventures accounted for under equity method	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Unrealized gain or loss on available-for-sale financial assets	Treasury stocks
Year ended December 31, 2018													
Balance at January 1, 2018	\$ 16,846,646	\$ 19,899	\$ 545	\$ 250,345	\$ 1,502	\$ 7,139,607	\$ 2,214,578	\$ 5,398,225	(\$ 914,267)	\$ 33,680,146	\$ 38,440,218	(\$ 19,935)	\$ 69,379,395
Retrospective adjustments	-	-	-	-	-	-	-	4,890,917	-	-	(38,440,218)	-	130,845
Balance at January 1, 2018 after adjustments	16,846,646	19,899	545	250,345	1,502	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)	69,510,240
Profit for the year	-	-	-	-	-	-	-	4,737,406	-	-	-	-	4,737,406
Other comprehensive income (loss)	-	-	-	-	-	-	-	153,145	169,421	(3,329,776)	-	-	(3,007,210)
Total comprehensive income (loss)	-	-	-	-	-	-	-	4,890,551	169,421	(3,329,776)	-	-	(3,007,210)
Appropriations of 2017 earnings:													
Legal reserve	-	-	-	-	-	427,987	-	(427,987)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(3,200,863)	-	-	-	435	(3,200,863)
Disposal of treasury stock	-	1,041	-	-	-	-	-	-	-	-	-	-	1,476
Changes in the net interest of associates recognized under the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in share of consolidated subsidiaries	-	-	-	5,264	-	-	-	1,562	-	(1,562)	-	-	5,264
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	1,105	980,948	-	-	-	4,347	-	(3,804)	-	-	543
Adjustment of cash dividends paid to consolidated subsidiaries	-	-	-	-	-	-	-	-	-	(118,806)	-	-	863,247
Expired cash dividends transferred to capital surplus	-	4,357	-	-	-	-	-	-	-	-	-	-	4,357
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	1,822	-	-	-	-	-	-	-	1,822
Balance at December 31, 2018	\$ 16,846,646	\$ 25,297	\$ 1,650	\$ 1,236,557	\$ 3,324	\$ 7,567,594	\$ 2,214,578	(\$ 9,743,048)	(\$ 744,846)	\$ 32,036,824	\$ 3,078	(\$ 19,500)	\$ 68,913,204

(Continued)

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

Notes	Capital Reserves				Retained Earnings				Other Equity Interest			Total equity
	Share capital - common stock	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Change in net equity of associates and joint ventures accounted for under equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized 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	
Year ended December 31, 2019												
Balance at January 1, 2019	\$ 16,846,646	\$ 25,297	\$ 1,650	\$ 1,236,557	\$ 7,567,504	\$ 2,214,578	\$ 9,743,048	\$ 744,846	\$ 32,036,824	\$ -	(\$ 19,500)	\$ 68,913,204
Profit for the year	-	-	-	-	-	-	5,188,729	-	-	-	-	5,188,729
Other comprehensive loss	-	-	-	-	-	-	(83,820)	(310,805)	(5,969,827)	-	-	(6,364,452)
Total comprehensive income (loss)	-	-	-	-	-	-	5,104,909	(310,805)	(5,969,827)	-	-	(1,175,723)
Appropriations of 2018 earnings:												
Legal reserve	-	-	-	-	473,741	-	(473,741)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(3,537,796)	-	-	-	436	(3,537,796)
Disposal of treasury stock	-	1,194	-	-	-	-	-	-	-	-	-	1,630
Changes in the net interest of associates recognized under the equity method	-	-	-	12,719	-	-	(1,654)	-	-	-	-	11,065
Changes in share of consolidated subsidiaries	-	-	-	-	-	-	1,189	(1,189)	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	-	4,606	-	-	-	-	-	-	-	-	-	4,606
Expired cash dividends transferred to capital surplus	-	-	-	2,263	-	-	-	-	-	-	-	2,263
Balance at December 31, 2019	\$ 16,846,646	\$ 31,097	\$ 1,650	\$ 1,249,276	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	\$ 1,055,651	\$ 26,065,808	\$ -	(\$ 19,064)	\$ 64,219,249

The accompanying notes are an integral part of these parent company only financial statements.



(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
<u>At January 1, 2019</u>						
Cost	\$ 2,068,417	\$ 6,388,806	\$ 14,293,461	\$ 4,226,369	\$ 258,518	\$ 27,235,571
Accumulated depreciation	-	( 4,299,556)	( 11,994,527)	( 3,999,850)	-	( 20,293,933)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>
<u>2019</u>						
Opening net book amount	\$ 1,912,679	\$ 2,089,250	\$ 2,298,934	\$ 226,519	\$ 258,518	\$ 6,785,900
Additions	-	-	-	-	434,724	434,724
Disposals	-	-	( 5,617)	( 232)	-	( 5,849)
Transfers (Note)	( 1,059)	59,971	391,429	45,611	( 472,259)	( 96,249)
Depreciation charge	-	( 197,803)	( 389,617)	( 52,258)	-	( 639,678)
Closing net book amount	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>
<u>At December 31, 2019</u>						
Cost	\$ 2,067,358	\$ 6,274,310	\$ 14,455,488	\$ 4,199,524	\$ 220,983	\$ 27,217,663
Accumulated depreciation	-	( 4,442,834)	( 12,160,359)	( 3,979,884)	-	( 20,583,077)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>

Note: Transferred into investment property

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
<u>At January 1, 2018</u>						
Cost	\$ 2,411,087	\$ 6,293,337	\$ 14,217,461	\$ 4,251,596	\$ 412,462	\$ 27,585,943
Accumulated depreciation	-	( 4,092,322)	( 11,870,188)	( 4,035,306)	-	( 19,997,816)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,255,349</u>	<u>\$ 2,201,015</u>	<u>\$ 2,347,273</u>	<u>\$ 216,290</u>	<u>\$ 412,462</u>	<u>\$ 7,432,389</u>
<u>2018</u>						
Opening net book amount	\$ 2,255,349	\$ 2,201,015	\$ 2,347,273	\$ 216,290	\$ 412,462	\$ 7,432,389
Additions	-	-	-	-	435,113	435,113
Disposals	( 342,670)	-	( 23,014)	( 57)	-	( 365,741)
Transfers	-	95,468	435,093	58,496	( 589,057)	-
Depreciation charge	-	( 207,233)	( 460,418)	( 48,210)	-	( 715,861)
Closing net book amount	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>
<u>At December 31, 2018</u>						
Cost	\$ 2,068,417	\$ 6,388,806	\$ 14,293,461	\$ 4,226,369	\$ 258,518	\$ 27,235,571
Accumulated depreciation	-	( 4,299,556)	( 11,994,527)	( 3,999,850)	-	( 20,293,933)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>

FORMOSA TAFFETA CO., LTD.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3, 8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 6)	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/g parent company to subsidiary (Note 7)	Provision of endorsements/g parent company subsidiary to party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 41,742,511	\$ 1,042,800	\$ 989,340	\$ 29,980	\$ -	1.54	\$ 83,485,023	Y	N	Y
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA	2	41,742,511	1,616,500	1,588,940	603,494	-	2.47	83,485,023	Y	N	N
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	41,742,511	1,738,000	1,648,900	293,174	-	2.57	83,485,023	Y	N	Y
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	41,742,511	4,803,200	4,257,160	2,876,937	-	6.63	83,485,023	Y	N	N
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	41,742,511	7,330,382	6,954,584	6,954,584	-	10.83	83,485,023	N	N	N
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	185,030	3,000	3,000	3,000	-	1.05	370,060	Y	N	N

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

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

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

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

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

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

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

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

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorized 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 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.

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

For the year ended December 31, 2019

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

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

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2019

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2019

Table 3

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)(Note 4)		Disposal (Note 3)	Gain (loss) on disposal	Balance as at December 31, 2019		Footnote
					Number of shares	Amount	Number of shares	Amount			Number of shares	Amount	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Investments accounted for under TECHNOLOGIES equity method	NAN YA TECHNOLOGY CORPORATION	Other related party	206,442,472	\$ 5,350,424	-	-	\$ 2,514,064	\$ 1,829,451	135,686,472	\$ 4,867,814	Note5
FORMOSA ADVANCED TECHNOLOGIE S CO., LTD.	JIH SUN MONEY MARKET FUND	Current financial assets at fair value through income	-	-	15,147,454	224,084	20,240,320	300,000	524,629	524,325	304	-	Note6

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

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

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

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

Note 5: Beginning balance plus addition amount is not equal to balance at December 31, 2018 because of valuation in exchange rate.

Note 6: The gain on disposal, including actual gain on disposal of New Taiwan dollar \$684,314 thousand, and revaluation of benefits of New Taiwan dollar \$1,332,446 thousand.

Note 7: Since the Group disposed of the Formosa Advanced Technologies Co., Ltd. and lost control, and was reclassified from a subsidiary to an related party using the equity method

FORMOSA TAFFETA CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital Reserves					Retained Earnings			Other Equity Interest			Total equity
			Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Donated assets received	Change in net equity of associates and joint ventures accounted for under equity method	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
												Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	
Year ended December 31, 2018														
Balance at January 1, 2018		\$ 16,846,646	\$ 19,899	\$ 545	\$ 2,032	\$ 250,345	\$ 1,502	\$ 7,139,607	\$ 2,214,578	\$ 5,398,225	(\$ 914,267)	\$ 38,440,218	(\$ 19,935)	\$ 69,379,395
Retrospective adjustments														
Balance at January 1, 2018 after adjustments		16,846,646	19,899	545	2,032	250,345	1,502	7,139,607	2,214,578	4,890,917	(914,267)	(38,440,218)	(19,935)	130,845
Profit for the year										10,289,142				69,510,240
Other comprehensive income (loss)	6(16)									4,737,406				4,737,406
Total comprehensive income (loss)										153,145				(3,007,210)
Appropriations of 2017 earnings:	6(15)									4,890,551	169,421			1,730,196
Legal reserve								427,987		(427,987)				-
Cash dividends										(3,200,863)			435	1,476
Disposal of treasury stock	6(13)		1,041											
Changes in the net interest of associates recognized under the equity method														
Changes in share of consolidated subsidiaries						5,264				1,562				5,264
Difference between consideration and carrying amount of subsidiaries acquired or disposed										4,347				543
Adjustment of cash dividends paid to consolidated subsidiaries				1,105										863,247
Expired cash dividends transferred to capital surplus						980,948								4,357
Disposal of financial assets at fair value through other comprehensive income														1,822
Balance at December 31, 2018		\$ 16,846,646	\$ 25,297	\$ 1,650	\$ 2,032	\$ 1,236,587	\$ 3,324	\$ 7,567,594	\$ 2,214,578	(\$ 1,813,704)	(\$ 744,846)	\$ 32,036,824	(\$ 19,500)	\$ 68,913,204

(Continued)



FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

Notes	Capital Reserves				Retained Earnings				Other Equity Interest			Total equity
	Share capital - common stock	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Change in net equity of associates and joint ventures accounted for under equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized 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	
Year ended December 31, 2019												
Balance at January 1, 2019	\$ 16,846,646	\$ 25,297	\$ 1,650	\$ 1,236,557	\$ 7,567,504	\$ 2,214,578	\$ 9,743,048	\$ 744,846	\$ 32,036,824	\$ -	(\$ 19,500)	\$ 68,913,204
Profit for the year	-	-	-	-	-	-	5,188,729	-	-	-	-	5,188,729
Other comprehensive loss	-	-	-	-	-	-	(83,820)	(310,805)	(5,969,827)	-	-	(6,364,452)
Total comprehensive income (loss)	-	-	-	-	-	-	5,104,909	(310,805)	(5,969,827)	-	-	(1,175,723)
Appropriations of 2018 earnings:												
Legal reserve	-	-	-	-	473,741	-	(473,741)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(3,537,796)	-	-	-	436	(3,537,796)
Disposal of treasury stock	-	1,194	-	-	-	-	-	-	-	-	-	1,630
Changes in the net interest of associates recognized under the equity method	-	-	-	12,719	-	-	(1,654)	-	-	-	-	11,065
Changes in share of consolidated subsidiaries	-	-	-	-	-	-	1,189	(1,189)	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	-	4,606	-	-	-	-	-	-	-	-	-	4,606
Expired cash dividends transferred to capital surplus	-	-	-	2,263	-	-	-	-	-	-	-	2,263
Balance at December 31, 2019	\$ 16,846,646	\$ 31,097	\$ 1,650	\$ 1,249,276	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	\$ 1,055,651	\$ 26,065,808	\$ -	(\$ 19,064)	\$ 64,219,249

The accompanying notes are an integral part of these parent company only financial statements.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
<u>At January 1, 2019</u>						
Cost	\$ 2,068,417	\$ 6,388,806	\$ 14,293,461	\$ 4,226,369	\$ 258,518	\$ 27,235,571
Accumulated depreciation	-	( 4,299,556)	( 11,994,527)	( 3,999,850)	-	( 20,293,933)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>
<u>2019</u>						
Opening net book amount	\$ 1,912,679	\$ 2,089,250	\$ 2,298,934	\$ 226,519	\$ 258,518	\$ 6,785,900
Additions	-	-	-	-	434,724	434,724
Disposals	-	-	( 5,617)	( 232)	-	( 5,849)
Transfers (Note)	( 1,059)	59,971	391,429	45,611	( 472,259)	( 96,249)
Depreciation charge	-	( 197,803)	( 389,617)	( 52,258)	-	( 639,678)
Closing net book amount	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>
<u>At December 31, 2019</u>						
Cost	\$ 2,067,358	\$ 6,274,310	\$ 14,455,488	\$ 4,199,524	\$ 220,983	\$ 27,217,663
Accumulated depreciation	-	( 4,442,834)	( 12,160,359)	( 3,979,884)	-	( 20,583,077)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>

Note: Transferred into investment property

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
<u>At January 1, 2018</u>						
Cost	\$ 2,411,087	\$ 6,293,337	\$ 14,217,461	\$ 4,251,596	\$ 412,462	\$ 27,585,943
Accumulated depreciation	-	( 4,092,322)	( 11,870,188)	( 4,035,306)	-	( 19,997,816)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,255,349</u>	<u>\$ 2,201,015</u>	<u>\$ 2,347,273</u>	<u>\$ 216,290</u>	<u>\$ 412,462</u>	<u>\$ 7,432,389</u>
<u>2018</u>						
Opening net book amount	\$ 2,255,349	\$ 2,201,015	\$ 2,347,273	\$ 216,290	\$ 412,462	\$ 7,432,389
Additions	-	-	-	-	435,113	435,113
Disposals	( 342,670)	-	( 23,014)	( 57)	-	( 365,741)
Transfers	-	95,468	435,093	58,496	( 589,057)	-
Depreciation charge	-	( 207,233)	( 460,418)	( 48,210)	-	( 715,861)
Closing net book amount	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>
<u>At December 31, 2018</u>						
Cost	\$ 2,068,417	\$ 6,388,806	\$ 14,293,461	\$ 4,226,369	\$ 258,518	\$ 27,235,571
Accumulated depreciation	-	( 4,299,556)	( 11,994,527)	( 3,999,850)	-	( 20,293,933)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>

FORMOSA TAFFETA CO., LTD.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3, 8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 6)	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/g guarantees by parent company to subsidiary (Note 7)		Provision of endorsements/g guarantees by parent company to subsidiary (Note 7)		Footnote (Note 7)
											Y	N	Y	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 41,742,511	\$ 1,042,800	\$ 989,340	\$ 29,980	\$ -	1.54	\$ 83,485,023	Y	N	Y	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	41,742,511	1,616,500	1,588,940	603,494	-	2.47	83,485,023	Y	N	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	41,742,511	1,738,000	1,648,900	293,174	-	2.57	83,485,023	Y	N	Y	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	41,742,511	4,803,200	4,257,160	2,876,937	-	6.63	83,485,023	Y	N	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	41,742,511	7,330,382	6,954,584	6,954,584	-	10.83	83,485,023	N	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	185,030	3,000	3,000	3,000	-	1.05	370,060	Y	N	N	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 TAFETTA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

Notes	Capital Reserves					Retained Earnings			Other Equity Interest			Total equity	
	Share capital - common stock	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Donated assets received	Change in net equity of associates and joint ventures accounted for under equity method	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Unrealized gain or loss on available-for-sale financial assets
Year ended December 31, 2018													
Balance at January 1, 2018	\$ 16,846,646	\$ 19,899	\$ 545	\$ 2,032	\$ 250,345	\$ 1,502	\$ 7,139,607	\$ 2,214,578	\$ 5,398,225	(\$ 914,267)	\$ -	\$ 38,440,218	(\$ 19,935)
Retrospective adjustments									4,890,917		33,680,146	(38,440,218)	
Balance at January 1, 2018 after adjustments	16,846,646	19,899	545	2,032	250,345	1,502	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)
Profit for the year	-	-	-	-	-	-	-	-	4,737,406	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	153,145	169,421	(3,329,776)	-	-
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,890,551	169,421	(3,329,776)	-	-
Appropriations of 2017 earnings:									(427,987)				
Legal reserve	-	-	-	-	-	-	427,987	-	(3,200,863)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	435
Disposal of treasury stock	-	1,041	-	-	-	-	-	-	-	-	-	-	-
Changes in the net interest of associates recognized under the equity method	-	-	-	-	5,264	-	-	-	1,562	-	(1,562)	-	-
Changes in share of consolidated subsidiaries	-	-	-	-	-	-	-	-	4,347	-	(3,804)	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	-	-	1,105	-	980,948	-	-	-	-	-	(118,806)	-	-
Expired cash dividends transferred to capital surplus	-	4,357	-	-	-	-	-	-	-	-	-	-	-
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	1,822	-	-	-	-	-	-	-
Balance at December 31, 2018	\$ 16,846,646	\$ 25,297	\$ 1,650	\$ 2,032	\$ 1,236,557	\$ 3,324	\$ 7,567,594	\$ 2,214,578	(\$ 1,813,704)	(\$ 744,846)	1,810,626	-	(\$ 19,500)
									\$ 9,743,048		\$ 32,036,824		\$ 68,913,204

(Continued)

FORMOSA TAFFETA CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

Notes	Capital Reserves				Retained Earnings				Other Equity Interest			Total equity
	Share capital - common stock	Treasury stock transactions	Capital Surplus, changes in ownership interests in subsidiaries	Change in net equity of associates and joint ventures accounted for under equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized 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	
Year ended December 31, 2019												
Balance at January 1, 2019	\$ 16,846,646	\$ 25,297	\$ 1,650	\$ 1,236,557	\$ 7,567,504	\$ 2,214,578	\$ 9,743,048	\$ 744,846	\$ 32,036,824	\$ -	(\$ 19,500)	\$ 68,913,204
Profit for the year	-	-	-	-	-	-	5,188,729	-	-	-	-	5,188,729
Other comprehensive loss	-	-	-	-	-	-	(83,820)	(310,805)	(5,969,827)	-	-	(6,364,452)
Total comprehensive income (loss)	-	-	-	-	-	-	5,104,909	(310,805)	(5,969,827)	-	-	(1,175,723)
Appropriations of 2018 earnings:												
Legal reserve	-	-	-	-	473,741	-	(473,741)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(3,537,796)	-	-	-	436	(3,537,796)
Disposal of treasury stock	-	1,194	-	-	-	-	-	-	-	-	-	1,630
Changes in the net interest of associates recognized under the equity method	-	-	-	12,719	-	-	(1,654)	-	-	-	-	11,065
Changes in share of consolidated subsidiaries	-	-	-	-	-	-	1,189	(1,189)	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	-	4,606	-	-	-	-	-	-	-	-	-	4,606
Expired cash dividends transferred to capital surplus	-	-	-	2,263	-	-	-	-	-	-	-	2,263
Balance at December 31, 2019	\$ 16,846,646	\$ 31,097	\$ 1,650	\$ 1,249,276	\$ 8,041,335	\$ 2,214,578	\$ 10,835,955	\$ 1,055,651	\$ 26,065,808	\$ -	(\$ 19,064)	\$ 64,219,249

The accompanying notes are an integral part of these parent company only financial statements.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
<u>At January 1, 2019</u>						
Cost	\$ 2,068,417	\$ 6,388,806	\$ 14,293,461	\$ 4,226,369	\$ 258,518	\$ 27,235,571
Accumulated depreciation	-	( 4,299,556)	( 11,994,527)	( 3,999,850)	-	( 20,293,933)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>
<u>2019</u>						
Opening net book amount	\$ 1,912,679	\$ 2,089,250	\$ 2,298,934	\$ 226,519	\$ 258,518	\$ 6,785,900
Additions	-	-	-	-	434,724	434,724
Disposals	-	-	( 5,617)	( 232)	-	( 5,849)
Transfers (Note)	( 1,059)	59,971	391,429	45,611	( 472,259)	( 96,249)
Depreciation charge	-	( 197,803)	( 389,617)	( 52,258)	-	( 639,678)
Closing net book amount	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>
<u>At December 31, 2019</u>						
Cost	\$ 2,067,358	\$ 6,274,310	\$ 14,455,488	\$ 4,199,524	\$ 220,983	\$ 27,217,663
Accumulated depreciation	-	( 4,442,834)	( 12,160,359)	( 3,979,884)	-	( 20,583,077)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,911,620</u>	<u>\$ 1,831,476</u>	<u>\$ 2,295,129</u>	<u>\$ 219,640</u>	<u>\$ 220,983</u>	<u>\$ 6,478,848</u>

Note: Transferred into investment property

	Land	Buildings and structures	Machinery	Transportation equipment and other equipment	Prepayments for equipment	Total
<u>At January 1, 2018</u>						
Cost	\$ 2,411,087	\$ 6,293,337	\$ 14,217,461	\$ 4,251,596	\$ 412,462	\$ 27,585,943
Accumulated depreciation	-	( 4,092,322)	( 11,870,188)	( 4,035,306)	-	( 19,997,816)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 2,255,349</u>	<u>\$ 2,201,015</u>	<u>\$ 2,347,273</u>	<u>\$ 216,290</u>	<u>\$ 412,462</u>	<u>\$ 7,432,389</u>
<u>2018</u>						
Opening net book amount	\$ 2,255,349	\$ 2,201,015	\$ 2,347,273	\$ 216,290	\$ 412,462	\$ 7,432,389
Additions	-	-	-	-	435,113	435,113
Disposals	( 342,670)	-	( 23,014)	( 57)	-	( 365,741)
Transfers	-	95,468	435,093	58,496	( 589,057)	-
Depreciation charge	-	( 207,233)	( 460,418)	( 48,210)	-	( 715,861)
Closing net book amount	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>
<u>At December 31, 2018</u>						
Cost	\$ 2,068,417	\$ 6,388,806	\$ 14,293,461	\$ 4,226,369	\$ 258,518	\$ 27,235,571
Accumulated depreciation	-	( 4,299,556)	( 11,994,527)	( 3,999,850)	-	( 20,293,933)
Accumulated impairment	( 155,738)	-	-	-	-	( 155,738)
	<u>\$ 1,912,679</u>	<u>\$ 2,089,250</u>	<u>\$ 2,298,934</u>	<u>\$ 226,519</u>	<u>\$ 258,518</u>	<u>\$ 6,785,900</u>



FORMOSA TAFFETA CO., LTD.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3, 8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 6)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 7)	Ceiling on total amount of endorsements/ guarantees provided (Note 3, 8)	Provision of endorsements/g guarantees by parent company to subsidiary (Note 7)		Provision of endorsements/g guarantees to party in Mainland China (Note 7)		Footnote
											Y	N	Y	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 41,742,511	\$ 1,042,800	\$ 989,340	\$ 29,980	\$ -	1.54	\$ 83,485,023	Y	N	Y	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	41,742,511	1,616,500	1,588,940	603,494	-	2.47	83,485,023	Y	N	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	41,742,511	1,738,000	1,648,900	293,174	-	2.57	83,485,023	Y	N	Y	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	41,742,511	4,803,200	4,257,160	2,876,937	-	6.63	83,485,023	Y	N	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	41,742,511	7,330,382	6,954,584	6,954,584	-	10.83	83,485,023	N	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	185,030	3,000	3,000	3,000	-	1.05	370,060	Y	N	N	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 authorized 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.

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

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2019

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)(Note 4)		Disposal (Note 3)		Balance as at December 31, 2019		Footnote
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Investments accounted for under TECHNOLOGIES equity method	NAN YA TECHNOLOGY CORPORATION	Other related party	206,442,472	\$ 5,350,424	-	-	2,514,064	\$ 1,829,451	70,756,000	\$ 4,867,814	Note5
FORMOSA ADVANCED TECHNOLOGIE S CO., LTD.	JIH SUN MONEY TECHNOLOGIE S CO., LTD.	Current financial assets at fair value through income	-	-	15,147,454	224,084	20,240,320	300,000	524,629	524,325	35,387,774	-	Note6

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

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

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

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

Note 5: Beginning balance plus addition amount is not equal to balance at December 31, 2018 because of valuation in exchange rate.

Note 6: The gain on disposal, including actual gain on disposal of New Taiwan dollar \$684,314 thousand, and revaluation of benefits of New Taiwan dollar \$1,332,446 thousand.

Note 7: Since the Group disposed of the Formosa Advanced Technologies Co., Ltd. and lost control, and was reclassified from a subsidiary to an related party using the equity method

FORMOSA TAFFETA CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Percentage of total 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	(\$ 372,368) (	1.56)	Pay by mail transfer 60 days after delivery	\$ -	-	-	Accounts receivable	\$ 71,196	3.58
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	( 289,838) (	1.06)	Pay 120 days after delivery	-	-	-	Accounts receivable	47,012	2.36
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Associate	Sales	( 257,608) (	0.94)	60 days after monthly billings	-	-	-	Accounts receivable	27,578	1.39
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	10,726,911	47.09	Pay every 15 days by mail transfer	-	-	-	Accounts payable	( 440,852) (	26.20)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,631,215	7.16	Draw promissory notes due in 2 months after inspection	-	-	-	Notes payable	( 44,999) (	2.67)
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	872,256	3.83	Pay every 15 days by mail transfer	-	-	-	Accounts payable	( 409,615) (	24.34)
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	257,885	1.13	Pay every 15 days by mail transfer	-	-	-	Accounts payable	( 85,949) (	5.11)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	( 471,866) (	24.94)	60 days after monthly billings	-	-	-	Accounts receivable	207,383	70.10
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	161,548	7.02	60 days after monthly billings	-	-	-	Accounts payable	( 4,595) (	4.27)
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	( 372,989) (	7.64)	60 days after monthly billings	-	-	-	Accounts receivable	39,130	4.37
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	( 397,427) (	8.14)	60 days after monthly billings	-	-	-	Accounts receivable	76,101	8.50

FORMOSA TAFFETA CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

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

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NTS\$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.

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

For the year ended December 31, 2019

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

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

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.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 6

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	\$ 1,631,215	Draw promissory notes due in 2 months after inspection	3.66
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	409,615	Draw promissory notes due in 2 months after inspection	0.44
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	44,999	Draw promissory notes due in 2 months after inspection	0.05

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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



FORMOSA TAFFETA CO., LTD.  
Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019 \$	Balance as at December 31, 2018 \$	Number of shares	Ownership (%)	Book value \$			
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	114,912	114,912	16,100,000	100.00	206,087	11,263	546	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	135,686,472	30.68	4,867,814	1,262,495	579,267	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (HONG KONG) CO., LTD.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	1,356,862	-	100.00	1,152,772	60,120	60,280	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,135,684	211,388	211,388	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and 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	1,247,694	857,014	183,911	

FORMOSA TAFFETA CO., LTD.  
Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Main business activities	Location	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019 \$	Balance as at December 31, 2018 \$	Number of shares	Ownership (%)	Book value \$			
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Trading of textiles	Hong Kong	2,958	2,958	-	50.00	3,354	1,593	862	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Production, processing and sale of various dyeing and finishing textiles and yarn	Vietnam	2,590,434	2,590,434	-	100.00	2,312,412	45,844	45,844	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	Vietnam	1,987,122	1,987,122	-	10.00	2,010,642	570,320	37,580	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Investments	Cayman Islands	6,241,670	6,241,670	-	100.00	3,775,536	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	IC assembly, testing and modules	Taiwan	21,119	21,119	469,500	0.11	16,651	1,262,495	1,375	

FORMOSA TAFFETA CO., LTD.  
Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

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

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company for the year ended December 31, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

FORMOSA TAFFETA CO., LTD.

Information on investments in Mainland China

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

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

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

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

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

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and December 31, 2019 are both US\$46,400,000 (remitted out US\$46,388,800 and equipment amounted to US\$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and December 31, 2019 are both US\$570,000.

Note 5: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 is US\$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US\$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2019 was US\$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,402,085	\$ 1,397,104	\$ 38,534,340
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,163	38,534,340
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	124,620	38,534,340

Note :

- (1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US\$46,400,000.
- (2)The investment in XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US\$570,000.
- (3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US\$42,000,000, while the company reduced its capital and divided some part of housing land to Changshu Fushun Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.
- (4)The original currency of paid-in capital was translated at USD:TWD = 1:30.11

FORMOSA TAFFETA CO., LTD.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas  
For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 9

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

FORMOSA TAFFETA CO., LTD.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3.8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 6)	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/g parent company to subsidiary (Note 7)	Provision of endorsements/g parent company subsidiary to parent company (Note 7)	Provision of endorsements/g parent company to party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 41,742,511	\$ 1,042,800	\$ 989,340	\$ 29,980	\$ -	1.54	\$ 83,485,023	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	41,742,511	1,616,500	1,588,940	603,494	-	2.47	83,485,023	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	41,742,511	1,738,000	1,648,900	293,174	-	2.57	83,485,023	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	41,742,511	4,803,200	4,257,160	2,876,937	-	6.63	83,485,023	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	41,742,511	7,330,382	6,954,584	6,954,584	-	10.83	83,485,023	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	185,030	3,000	3,000	3,000	-	1.05	370,060	Y	N	N	

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

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.
- Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories.
  - (1)Having business relationship.
  - (2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
  - (3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
  - (4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
  - (5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
  - (6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
  - (7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

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

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

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

For the year ended December 31, 2019

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

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



FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2019

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2019

Table 3  
Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)(Note 4)		Disposal (Note 3)		Balance as at December 31, 2019		Footnote	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount		
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Investments accounted for under TECHNOLOGIES equity method	NAN YA TECHNOLOGY CORPORATION	Other related party	206,442,472	\$ 5,350,424	-	-	\$ 2,514,064	\$ 1,829,451	\$ 2,016,760	135,686,472	\$ 4,867,814	Note5
FORMOSA ADVANCED TECHNOLOGIE S CO., LTD.	JIH SUN MONEY MARKET FUND	Current financial assets at fair value through income	-	-	15,147,454	224,084	20,240,320	300,000	524,629	524,325	304	-	-	Note6

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

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

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

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

Note 5: Beginning balance plus addition amount is not equal to balance at December 31, 2018 because of valuation in exchange rate.

Note 6: The gain on disposal, including actual gain on disposal of New Taiwan dollar \$684,314 thousand, and revaluation of benefits of New Taiwan dollar \$1,332,446 thousand.

Note 7: Since the Group disposed of the Formosa Advanced Technologies Co., Ltd. and lost control, and was reclassified from a subsidiary to an related party using the equity method

FORMOSA TAFFETA CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

FORMOSA TAFFETA CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

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)
	Purchaser/seller	Counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Amount	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	( 397,427 )	8.14		60 days after monthly billings	-	-	Accounts receivable	76,101	8.50
FORMOSA TAFFETA DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	( \$ 209,238 )	4.29		60 days after monthly billings	\$ -	-	Accounts receivable	\$ 31,491	3.52
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	690,175	16.67		60 days after monthly billings	-	-	Accounts payable	( 58,778 )	( 9.75 )
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	413,419	9.98		60 days after monthly billings	-	-	Accounts payable	( 95,684 )	( 15.87 )
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	126,991	3.07		60 days after monthly billings	-	-	Accounts payable	( 5,129 )	( 0.85 )
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	JIAXING QUANG VIET GARMENT CO., LTD.	Associate	Sales	( 176,963 )	11.17		Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	6,532	4.39

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

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

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

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

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

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

FORMOSA TAFFETA CO., LTD.

Significant inter-company transactions during the reporting period  
For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 6

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	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	\$ 1,631,215	Draw promissory notes due in 2 months after inspection 3.66
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	409,615	Draw promissory notes due in 2 months after inspection 0.44
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	44,999	Draw promissory notes due in 2 months after inspection 0.05

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

FORMOSA TAFFETA CO., LTD.  
Information on investees

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019 \$	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value				
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	114,912	114,912	16,100,000	100.00	\$ 206,087	\$ 11,263	\$ 546		
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	135,686,472	30.68	4,867,814	1,262,495	579,267		
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (HONG KONG) CO., LTD.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	1,356,862	-	100.00	1,152,772	60,120	60,280		
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,135,684	211,388	211,388		
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and 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	1,247,694	857,014	183,911		

FORMOSA TAFFETA CO., LTD.  
Information on investees

For the year ended December 31, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019 \$	Balance as at December 31, 2018 \$	Number of shares	Ownership (%)	Book value \$			
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	2,958	2,958	-	50.00	3,354	1,593	862	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONGNAI CO., LTD.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100.00	2,312,412	45,844	45,844	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,010,642	570,320	37,580	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	6,241,670	-	100.00	3,775,536	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	16,651	1,262,495	1,375	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	9,994	4,834	4,834	

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

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

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company for the year ended December 31, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.



FORMOSA TAFFETA CO., LTD.

Information on investments in Mainland China

For the year ended December 31, 2019

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

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

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

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

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and December 31, 2019 are both US\$46,400,000 (remitted out US\$46,388,800 and equipment amounted to US\$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 and December 31, 2019 are both US\$570,000.

Note 5: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 is US\$42,000,000. Formosa Taiffeta (Changshu) Co., Ltd. reduced its capital amounting to US\$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2019 was US\$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 1,402,085	\$ 1,397,104	\$ 38,534,340
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,163	38,534,340
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	124,620	38,534,340

Note :

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

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

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

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

FORMOSA TAFFETA CO., LTD.

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

For the year ended December 31, 2019

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

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

Formosa Taffeta Co., Ltd.  
Chairman: Wong Wen-yuan

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