

**FORMOSA TAFFETA CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2018 AND 2017**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and subsidiaries (the “Group”) as at September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under equity method were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using equity method) of NT\$20,638,798 thousand and NT\$20,220,138 thousand, constituting 19% and 22% of the consolidated total assets, and total liabilities of NT\$5,233,598 thousand and NT\$4,669,512 thousand, constituting 28% and 22% of the consolidated total liabilities as at September 30, 2018 and 2017,

respectively, and total comprehensive income (including share of profit (loss) of associates accounted for using equity method and share of profit (loss) of associates and other comprehensive income of associates) amounted to NT\$116,632 thousand, NT\$222,613 thousand, NT\$314,780 thousand and NT\$372,152 thousand, constituting 1%, 11%, 2% and 17% of the total comprehensive income for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2018 and 2017, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

November 2, 2018

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Assets			September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 4,021,926	4	\$ 4,942,919	5	\$ 5,734,190	6
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		632,524	1	630,396	1	630,559	1
1120	Current financial assets at fair	6(3)						
	value through other							
	comprehensive income		4,339,283	4	-	-	-	-
1125	Available-for-sale financial							
	assets - current		-	-	3,649,141	4	3,146,958	4
1140	Current contract assets	6(19)	710,504	1	-	-	-	-
1150	Notes receivable, net	6(4)	125,885	-	164,311	-	116,517	-
1160	Notes receivable - related	7						
	parties		5,476	-	13,007	-	10,477	-
1170	Accounts receivable, net	6(4)	4,612,261	4	3,567,731	4	3,830,318	4
1180	Accounts receivable - related	7						
	parties		1,301,937	1	1,168,315	1	1,087,782	1
1200	Other receivables	7	400,437	-	449,044	-	310,976	-
130X	Inventory	6(5) and 8	8,192,345	8	8,452,053	9	7,902,860	9
1410	Prepayments		511,469	-	519,506	1	571,017	1
1470	Other current assets		423,810	-	425,720	-	262,586	-
11XX	Total current assets		25,277,857	23	23,982,143	25	23,604,240	26
Non-current assets								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income		60,549,400	56	-	-	-	-
1523	Available-for-sale financial							
	assets - non-current		-	-	43,994,286	47	40,956,228	45
1543	Financial assets carried at cost							
	- non-current		-	-	5,786,870	6	5,672,867	6
1550	Investments accounted for	6(6)						
	under equity method		3,173,235	3	3,123,456	3	3,324,910	4
1600	Property, plant and equipment	6(7) and 8	18,441,314	17	17,022,278	18	16,355,982	18
1840	Deferred income tax assets		137,544	-	140,445	-	202,428	-
1900	Other non-current assets		702,629	1	653,557	1	774,787	1
15XX	Total non-current assets		83,004,122	77	70,720,892	75	67,287,202	74
1XXX	Total assets		\$ 108,281,979	100	\$ 94,703,035	100	\$ 90,891,442	100

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9) and 8	\$ 3,591,555	4	\$ 2,805,690	3	\$ 2,758,251	3
2110	Short-term notes and bills payable	6(10)	-	-	1,299,806	2	1,399,655	2
2120	Financial liabilities at fair value through profit or loss - current	6(11)	196	-	-	-	-	-
2150	Notes payable		180,782	-	199,518	-	196,975	-
2160	Notes payable - related parties	7	360,539	1	239,553	-	164,170	-
2170	Accounts payable		1,366,938	1	1,446,070	2	1,446,047	2
2180	Accounts payable - related parties	7	1,054,305	1	1,147,976	1	965,230	1
2200	Other payables	6(12) and 7	1,839,854	2	1,811,607	2	1,654,388	2
2230	Current income tax liabilities		351,678	-	198,319	-	180,299	-
2300	Other current liabilities		213,303	-	265,356	-	136,487	-
21XX	Total current liabilities		<u>8,959,150</u>	<u>9</u>	<u>9,413,895</u>	<u>10</u>	<u>8,901,502</u>	<u>10</u>
	Non-current liabilities							
2540	Long-term borrowings	6(13)	8,989,909	8	11,083,572	12	11,568,735	13
2570	Deferred income tax liabilities		253,326	-	170,798	-	170,174	-
2600	Other non-current liabilities		771,679	1	852,200	1	574,258	-
25XX	Total non-current liabilities		<u>10,014,914</u>	<u>9</u>	<u>12,106,570</u>	<u>13</u>	<u>12,313,167</u>	<u>13</u>
2XXX	Total liabilities		<u>18,974,064</u>	<u>18</u>	<u>21,520,465</u>	<u>23</u>	<u>21,214,669</u>	<u>23</u>
	Equity attributable to owners of parent							
	Share capital	6(15)						
3110	Share capital - common stock		16,846,646	16	16,846,646	18	16,846,646	19
	Capital surplus	6(16)						
3200	Capital surplus		1,261,773	1	274,323	-	269,349	-
	Retained earnings	6(17)						
3310	Legal reserve		7,567,594	7	7,139,607	7	7,139,607	8
3320	Special reserve		2,214,578	2	2,214,578	2	2,214,578	2
3350	Unappropriated retained earnings		9,427,290	9	5,398,225	6	5,297,477	6
	Other equity interest	6(18)						
3400	Other equity interest		45,841,685	42	37,525,951	40	34,255,809	38
3500	Treasury stocks	6(15)	(19,500)	-	(19,935)	-	(19,935)	-
31XX	Equity attributable to owners of the parent		<u>83,140,066</u>	<u>77</u>	<u>69,379,395</u>	<u>73</u>	<u>66,003,531</u>	<u>73</u>
36XX	Non-controlling interest	6(18)	<u>6,167,849</u>	<u>5</u>	<u>3,803,175</u>	<u>4</u>	<u>3,673,242</u>	<u>4</u>
3XXX	Total equity		<u>89,307,915</u>	<u>82</u>	<u>73,182,570</u>	<u>77</u>	<u>69,676,773</u>	<u>77</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant event after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 108,281,979</u>	<u>100</u>	<u>\$ 94,703,035</u>	<u>100</u>	<u>\$ 90,891,442</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 as otherwise indicated)
(REVIEWED, NOT AUDITED)

Items			Three months ended September 30				Nine months ended September 30			
			2018		2017		2018		2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(19) and 7	\$ 11,336,698	100	\$ 9,829,248	100	\$ 33,804,379	100	\$ 30,929,414	100
5000	Operating costs	6(5)(22)(23) and 7	(9,962,754)	(88)	(8,678,830)	(88)	(29,569,355)	(88)	(27,098,065)	(88)
5900	Net operating margin		1,373,944	12	1,150,418	12	4,235,024	12	3,831,349	12
	Operating expenses	6(22)(23) and 7								
6100	Selling expenses		(447,297)	(4)	(431,777)	(4)	(1,327,397)	(4)	(1,291,551)	(4)
6200	General and administrative expenses		(259,340)	(3)	(246,459)	(3)	(729,250)	(2)	(681,903)	(2)
6300	Research and development expenses		(20,237)	-	(14,246)	-	(58,191)	-	(43,259)	-
6000	Total operating expenses		(726,874)	(7)	(692,482)	(7)	(2,114,838)	(6)	(2,016,713)	(6)
6900	Operating profit		647,070	5	457,936	5	2,120,186	6	1,814,636	6
	Non-operating income and expenses									
7010	Other income	6(20) and 7	2,610,277	23	267,451	3	2,808,539	8	2,688,039	9
7020	Other gains and losses	6(21)	(16,208)	-	164,102	2	864,556	3	29,734	-
7050	Finance costs	6(24)	(54,648)	-	(46,838)	(1)	(161,199)	(1)	(140,506)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	157,021	1	131,972	1	222,158	1	181,344	1
7000	Total non-operating income and expenses		2,696,442	24	516,687	5	3,734,054	11	2,758,611	9
7900	Profit before income tax		3,343,512	29	974,623	10	5,854,240	17	4,573,247	15
7950	Income tax expense	6(25)	(105,812)	(1)	(57,881)	(1)	(826,037)	(2)	(381,763)	(2)
8200	Profit for the period		\$ 3,237,700	28	\$ 916,742	9	\$ 5,028,203	15	\$ 4,191,484	13

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income	6(18)								
Components of other comprehensive income that will not be reclassified to profit or loss	6(3)								
8316 Unrealized gain on valuation of financial assets at fair value through other comprehensive income		\$ 7,920,342	70	\$ -	-	\$ 11,454,251	34	\$ -	-
8320 Share of other comprehensive income of associates and joint ventures accounted for under equity method that will not be reclassified to profit or loss		<u>381</u>	-	<u>-</u>	-	<u>2,243</u>	-	<u>-</u>	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>7,920,723</u>	70	<u>-</u>	-	<u>11,456,494</u>	34	<u>-</u>	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		(183,331)	(2)	18,156	-	38,380	-	(611,410)	(2)
8362 Unrealized gain (loss) on valuation of available-for-sale financial assets		-	-	1,100,956	12	-	-	(1,209,499)	(4)
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method that will be reclassified to profit or loss		<u>(41,434)</u>	-	<u>9,555</u>	-	<u>(10,563)</u>	-	<u>(139,920)</u>	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>(224,765)</u>	(2)	<u>1,128,667</u>	12	<u>27,817</u>	-	<u>(1,960,829)</u>	(6)
8300 Total other comprehensive income (loss) for the period		<u>\$ 7,695,958</u>	68	<u>\$ 1,128,667</u>	12	<u>\$ 11,484,311</u>	34	<u>(\$ 1,960,829)</u>	(6)
8500 Total comprehensive income for the period		<u>\$ 10,933,658</u>	96	<u>\$ 2,045,409</u>	21	<u>\$ 16,512,514</u>	49	<u>\$ 2,230,655</u>	7
Profit attributable to:									
8610 Owners of the parent		\$ 3,028,348	26	\$ 752,362	7	\$ 4,569,070	14	\$ 3,848,539	12
8620 Non-controlling interest		<u>209,352</u>	2	<u>164,380</u>	2	<u>459,133</u>	1	<u>342,945</u>	1
		<u>\$ 3,237,700</u>	28	<u>\$ 916,742</u>	9	<u>\$ 5,028,203</u>	15	<u>\$ 4,191,484</u>	13
Comprehensive income attributable to:									
8710 Owners of the parent		\$ 10,754,599	94	\$ 1,810,920	19	\$ 15,961,299	47	\$ 1,777,921	6
8720 Non-controlling interest		<u>179,059</u>	2	<u>234,489</u>	2	<u>551,215</u>	2	<u>452,734</u>	1
		<u>\$ 10,933,658</u>	96	<u>\$ 2,045,409</u>	21	<u>\$ 16,512,514</u>	49	<u>\$ 2,230,655</u>	7
		B e f o r e	A f t e r	B e f o r e	A f t e r	B e f o r e	A f t e r	B e f o r e	A f t e r
		T a x	T a x	T a x	T a x	T a x	T a x	T a x	T a x
Basic and diluted earnings per share (in dollars)	6(28)								
9710 Profit for the period from continuing operations		\$ 1.99	\$ 1.93	\$ 0.58	\$ 0.54	\$ 3.48	\$ 2.99	\$ 2.72	\$ 2.49
9720 Non-controlling interest		(0.18)	(0.12)	(0.13)	(0.10)	(0.51)	(0.27)	(0.35)	(0.20)
9750 Profit attributable to common shareholders of the parent		<u>\$ 1.81</u>	<u>\$ 1.81</u>	<u>\$ 0.45</u>	<u>\$ 0.44</u>	<u>\$ 2.97</u>	<u>\$ 2.72</u>	<u>\$ 2.37</u>	<u>\$ 2.29</u>
Assuming shares held by subsidiaries are not deemed as treasury stock:									
Profit for the period from continuing operations		\$ 1.99	\$ 1.92	\$ 0.58	\$ 0.54	\$ 3.48	\$ 2.98	\$ 2.71	\$ 2.49
Non-controlling interest		(0.19)	(0.12)	(0.13)	(0.10)	(0.52)	(0.27)	(0.35)	(0.20)
Profit attributable to common shareholders of the parent		<u>\$ 1.80</u>	<u>\$ 1.80</u>	<u>\$ 0.45</u>	<u>\$ 0.44</u>	<u>\$ 2.96</u>	<u>\$ 2.71</u>	<u>\$ 2.36</u>	<u>\$ 2.29</u>

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

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

Equity attributable to owners of the parent													
		Retained Earnings					Other equity interest						
							Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings							
<u>Nine months ended September 30, 2017</u>													
Balance at January 1, 2017		\$ 16,846,646	\$ 266,458	\$ 6,791,478	\$ 1,708,542	\$ 4,830,100	\$ 13,387	\$ -	\$ 36,313,040	(\$ 21,501)	\$ 66,748,150	\$ 3,531,750	\$ 70,279,900
Profit for the period		-	-	-	-	3,848,539	-	-	-	-	3,848,539	342,945	4,191,484
Other comprehensive income (loss) for the period	6(18)	-	-	-	-	-	(750,648)	-	(1,319,970)	-	(2,070,618)	109,789	(1,960,829)
Total comprehensive income (loss)		-	-	-	-	3,848,539	(750,648)	-	(1,319,970)	-	1,777,921	452,734	2,230,655
Appropriations of 2016 earnings□													
Legal reserve		-	-	348,129	-	(348,129)	-	-	-	-	-	-	-
Special reserve		-	-	-	506,036	(506,036)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,526,997)	-	-	-	-	(2,526,997)	-	(2,526,997)
Disposal of treasury stock	6(15)(16)	-	2,891	-	-	-	-	-	-	1,566	4,457	-	4,457
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(311,242)	(311,242)
Balance at September 30, 2017		\$ 16,846,646	\$ 269,349	\$ 7,139,607	\$ 2,214,578	\$ 5,297,477	(\$ 737,261)	\$ -	\$ 34,993,070	(\$ 19,935)	\$ 66,003,531	\$ 3,673,242	\$ 69,676,773
<u>Nine months ended September 30, 2018</u>													
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, 2018 after adjustments		16,846,646	274,323	7,139,607	2,214,578	10,289,142	(914,267)	33,680,146	-	(19,935)	69,510,240	3,837,114	73,347,354
Profit for the period		-	-	-	-	4,569,070	-	-	-	-	4,569,070	459,133	5,028,203
Other comprehensive income for the period		-	-	-	-	-	27,578	11,364,651	-	-	11,392,229	92,082	11,484,311
Total comprehensive income		-	-	-	-	4,569,070	27,578	11,364,651	-	-	15,961,299	551,215	16,512,514
Appropriations of 2017 earnings□													
Legal reserve		-	-	427,987	-	(427,987)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,200,863)	-	-	-	-	(3,200,863)	-	(3,200,863)
Disposal of treasury stock	6(15)(16)	-	1,041	-	-	(1,041)	-	-	-	435	435	-	435
Changes in the net interest of associates recognized under the equity method	6(18)	-	-	-	-	2,577	-	(2,577)	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired	6(16)	-	982,053	-	-	-	-	(118,806)	-	-	863,247	(1,105)	862,142
Paid expired cash dividends transferred to capital surplus	6(16)	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Adjustment of cash dividends paid to consolidated subsidiaries		-	4,357	-	-	-	-	-	-	-	4,357	-	4,357
Changes in share of consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(20,129)	(20,129)
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(380,089)	(380,089)
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	(1,803,608)	-	1,804,960	-	-	1,352	3,114	4,466
Increase in non-controlling interest	6(18)	-	-	-	-	-	-	-	-	-	-	2,177,729	2,177,729
Balance at September 30, 2018		\$ 16,846,646	\$ 1,261,773	\$ 7,567,594	\$ 2,214,578	\$ 9,427,290	(\$ 886,689)	\$ 46,728,374	\$ -	(\$ 19,500)	\$ 83,140,066	\$ 6,167,849	\$ 89,307,915

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

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

	Notes	Nine months ended September 30,	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 5,854,240	\$ 4,573,247
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense transferred to other income		-	(228)
Depreciation	6(7)(22)	1,666,209	1,672,469
Interest expense	6(24)	161,199	140,506
Interest income	6(20)	(19,627)	(18,998)
Dividend income	6(20)	(2,672,388)	(2,415,398)
Gain on disposal of investments	6(21)	-	(162,567)
Gain on valuation of financial assets	6(2)(21)	(2,128)	(2,938)
Gain (loss) on valuation of financial liabilities	6(11)(21)	196	(1,381)
Share of profit of associates and joint ventures accounted for under equity method	6(6)	(222,158)	(181,344)
Cash dividends from investments accounted for under equity method		191,350	143,508
Gain on disposal and scrap of property, plant and equipment	6(21)	(896,975)	(20,448)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(218,872)	-
Notes receivable, net		38,426	74,577
Notes receivable - related parties		7,531	1,166
Accounts receivable, net		(1,044,530)	(252,381)
Accounts receivable - related parties		(133,622)	105,387
Other receivables		19,873	144,454
Inventory		(132,512)	(46,433)
Prepayments		8,037	277,592
Other current assets		1,910	145,995
Changes in operating liabilities			
Notes payable		(18,736)	105
Notes payable - related parties		120,986	34,464
Accounts payable		(79,132)	(315,463)
Accounts payable - related parties		(93,671)	(162,536)
Other payables		(17,458)	83,289
Other current liabilities		15,649	(26,542)
Other non-current liabilities		(80,521)	(286,502)
Cash inflow generated from operations		2,453,276	3,503,600
Interest received		21,225	17,655
Cash dividends received		2,672,388	2,415,398
Interest paid		(167,597)	(150,768)
Income tax paid		(588,896)	(323,517)
Net cash flows from operating activities		<u>4,390,396</u>	<u>5,462,368</u>

(Continued)

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

	Notes	Nine months ended September 30,	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 594,950)	\$ -
Acquisition of available-for-sale financial assets		-	(753,071)
Proceeds from disposal of available-for-sale financial assets		-	328,854
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 financial assets carried at cost		-	(587,072)
Proceeds from capital reduction of financial assets carried at cost		-	23,549
Acquisition of property, plant and equipment	6(27)	(3,458,489)	(1,631,411)
Proceeds from disposal of property, plant and equipment		1,313,442	54,550
Increase in other non-current assets		(105,167)	(110,946)
Net cash flows used in investing activities		(2,069,775)	(2,675,547)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(28)	785,865	(231,132)
(Decrease) increase in short-term notes and bills payable	6(28)	(1,299,806)	399,828
Payment of long-term borrowings		(6,400,000)	(9,486,146)
Increase in long-term borrowings		4,234,949	9,483,043
Cash dividends paid-non-controlling interest		(380,089)	(311,242)
Cash dividends paid	6(17)	(3,200,864)	(2,526,997)
Change in share of consolidated subsidiaries		862,142	-
Change in non-controlling interest		2,177,729	-
Net cash flows used in financing activities		(3,220,074)	(2,672,646)
Effect of foreign exchange rate		(21,540)	(33,839)
Net (decrease) increase in cash and cash equivalents		(920,993)	80,336
Cash and cash equivalents at beginning of period	6(1)	4,942,919	5,653,854
Cash and cash equivalents at end of period	6(1)	<u>\$ 4,021,926</u>	<u>\$ 5,734,190</u>

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

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

(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

(3) As of September 30, 2018, the Company and its subsidiaries (collectively referred herein as the “Group”) had 10,175 employees.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 2, 2018.

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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Based on the Group's assessment, significant impacts to the Group's financial condition and financial performance of the above standards and interpretations are as follows:

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

B. IFRS 15, 'Revenue from contracts with customers' and amendments

- (a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of

goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

- (b) The Group has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarized below:

Consolidated balance sheet

<u>Affected items</u>	<u>Book value under previous revenue standard</u>	<u>Adjustment for initial application of IFRS 15</u>	<u>Adjusted amount after IFRS 15 adoption</u>	<u>Remark</u>
<u>January 1, 2018</u>				
Contract assets	\$ -	\$ 491,632	\$ 491,632	
Inventory	826,956	(392,220)	434,736	
Retained earnings	3,978,237	99,412	4,077,649	

Revenue recognition of customised products

Formosa Advanced Technologies Co., Ltd. provides assembly and testing services of various integrated circuits based on the specifications as required by the customers. The revenue is recognized when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon acceptance. Considering that the highly customised products have no alternative use to Formosa Advanced Technologies Co., Ltd. and Formosa Advanced Technologies Co., Ltd. has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized based on the percentage of completion under the new revenue standard. As a result, retained earnings and non-controlling interest was increased by \$65,924 and \$34,118, respectively, inventory decreased by \$392,220 and contract assets increased by \$491,632 with the application of the new standard.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

(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 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. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

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.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has no material impact to the Group.

The Group will adopt the modified retrospective transitional provisions of IFRS 16 'Leases', and classify the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(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/Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial

statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the nine months ended September 30, 2017 were not restated. The financial statements for the year ended December 31, 2017 and the nine months ended September 30, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of the consolidated financial statements is the same with the consolidated financial statements as of and for the year ended December 31, 2017.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	46.68	65.68	65.68	Note 3
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100.00	100.00	100.00	Note 1
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residences and buildings, and development of new community and specialised zones	100.00	100.00	100.00	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies	100.00	100.00	100.00	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, December 31, September 30,			
			2018	2017	2017	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100.00	100.00	100.00	Note 1
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	50.00	50.00	43.00	Notes 1 and 2
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100.00	100.00	100.00	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta Dong Nai Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	100.00	Note 1
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding company	100.00	100.00	100.00	Note 1
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	100.00	Note 1
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100.00	100.00	100.00	Note 1

Note 1: The financial statements of the entity as of and for the nine months ended September 30, 2018 and 2017 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

Note 2: Even though the Company did not directly or indirectly own more than 50% voting rights of Schoeller F.T.C. (Hong Kong) Co., Ltd. on September 30, 2017, the Company owns more than half of the seats in the Board of Directors of Schoeller F.T.C. (Hong Kong) Co., Ltd. and has substantive control over the company. Thus, Schoeller F.T.C. (Hong Kong) Co., Ltd. is included in the consolidated financial statements.

Note 3: The Company sold shares of Formosa Advanced Technologies Co., Ltd. to Nanya Technology Corp. in July, 2018. The Company owns more than half of the seats in the Board of Directors of Formosa Advanced Technologies Co., Ltd. and has substantive

control over the company.

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

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

E. Significant restrictions: None.

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

As of September 30, 2018, December 31, 2017 and September 30, 2017, the non-controlling interest amounted to \$6,167,849, \$3,803,175 and \$3,673,242, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		September 30, 2018		December 31, 2017	
		Amount	Ownership (%)	Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 6,168,127	53.32	\$ 3,803,168	34.32

Name of subsidiary	Principal place of business	Non-controlling interest	
		September 30, 2017	
		Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	\$ 3,674,230	34.32

Summarized financial information on the subsidiaries:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 7,305,931	\$ 8,283,373	\$ 8,151,611
Non-current assets	5,538,894	3,891,808	3,473,718
Current liabilities	(1,196,228)	(1,010,778)	(843,095)
Non-current liabilities	(80,466)	(82,910)	(76,436)
Total net assets	\$ 11,568,131	\$ 11,081,493	\$ 10,705,798

Statements of comprehensive income

	Formosa Advanced Technologies Co., Ltd.	
	Three months ended September 30,	
	2018	2017
Revenue	\$ 2,281,452	\$ 1,868,517
Profit before income tax	549,082	511,301
Income tax expense	(86,216)	(33,008)
Profit for the period	462,866	478,293
Other comprehensive (loss) income, net of tax	(56,861)	204,369
Total comprehensive income for the period	\$ 406,005	\$ 682,662
Comprehensive income attributable to non- controlling interest	\$ 202,390	\$ 234,289

	Formosa Advanced Technologies Co., Ltd.	
	Nine months ended September 30,	
	2018	2017
Revenue	\$ 6,556,523	\$ 5,978,529
Profit before income tax	1,465,436	1,129,924
Income tax expense	(277,163)	(133,258)
Profit for the period	1,188,273	996,666
Other comprehensive income, net of tax	305,002	322,906
Total comprehensive income for the period	\$ 1,493,275	\$ 1,319,572
Comprehensive income attributable to non- controlling interest	\$ 575,541	\$ 452,877

Statements of cash flows

	Formosa Advanced Technologies Co., Ltd.	
	Nine months ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 1,488,953	\$ 1,825,873
Net cash used in investing activities	(2,516,906)	(1,099,477)
Net cash used in financing activities	(1,105,556)	(884,444)
Decrease in cash and cash equivalents	(2,133,509)	(158,048)
Cash and cash equivalents, beginning of period	3,479,352	3,954,890
Cash and cash equivalents, end of period	\$ 1,345,843	\$ 3,796,842

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

Effective 2018

- 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.

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

Effective 2018

- 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

(13) 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 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be 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 realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(14) Revenue recognition

The Group manufactures and sells various fabrics and renders services as an oil distributor. Fabrics and oil 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 Group's activities. Revenue arising from the sales of goods is recognized

when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

Formosa Advanced Technologies Co., Ltd. renders IC packaging and testing services. Considering that the highly customised 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.

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

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements as of and for the year ended December 31, 2017 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash on hand and petty cash	\$ 154,930	\$ 131,912	\$ 56,191
Checking accounts and demand deposits	2,027,728	1,524,572	1,453,009
Time deposits	202,219	318,588	671,496
Commercial paper	1,637,049	2,967,847	3,553,494
	<u>\$ 4,021,926</u>	<u>\$ 4,942,919</u>	<u>\$ 5,734,190</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The rate range of time deposit on September 30, 2018, December 31, 2017 and September 30, 2017 are 1.72%~5.43%, 1.55%~7.40% and 1.10%~7.40%, respectively.
- C. The Group has no cash and cash equivalents pledged to others.

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

Items	September 30, 2018	December 31, 2017	September 30, 2017
Current items:			
Beneficiary certificates	\$ 619,504	\$ 619,504	\$ 619,504
Forward foreign exchange contracts	452	398	1,244
	619,956	619,902	620,748
Valuation adjustment	12,568	10,494	9,811
	<u>\$ 632,524</u>	<u>\$ 630,396</u>	<u>\$ 630,559</u>

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

	Three months ended September 30,	
	2018	2017
Beneficiary certificates	\$ 695	\$ 652
Forward foreign exchange contracts	(25)	470
	<u>\$ 670</u>	<u>\$ 1,122</u>
	Nine months ended September 30,	
	2018	2017
Beneficiary certificates	\$ 2,073	\$ 1,693
Forward foreign exchange contracts	55	1,245
	<u>\$ 2,128</u>	<u>\$ 2,938</u>

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

Derivative Instruments	September 30, 2018			December 31, 2017		
	Contract Amount (Notional Principal)	Contract Period		Contract Amount (Notional Principal)	Contract Period	
Current items:						
Forward foreign exchange contracts						
Taipei Fubon Bank	JPY 50,000	107.08~107.10		JPY 192,020	2017.11~2018.02	
	September 30, 2017					
	Contract Amount (Notional Principal)	Contract Period				
Current items:						
Forward foreign exchange contracts						
Taipei Fubon Bank	JPY 201,980	2017.07~2017.11				
Taipei Fubon Bank	USD 939	2017.09~2017.10				

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

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

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

Effective 2018

<u>Items</u>	<u>September 30, 2018</u>
Current items:	
Equity instruments	
Listed stocks	\$ 2,311,395
Unlisted stocks	100,000
	<u>2,411,395</u>
Valuation adjustment	1,927,888
	<u>\$ 4,339,283</u>
Non-current items:	
Equity instruments	
Listed stocks	\$ 8,739,607
Unlisted stocks	6,710,723
	<u>15,450,330</u>
Valuation adjustment	45,099,070
	<u>\$ 60,549,400</u>

- A. The Group has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$64,888,683 as at September 30, 2018.
- B. Aiming to satisfy the operating capital needs, the Group sold its equity investment in Nanya 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 nine months ended September 30, 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:

	<u>Three months ended September 30, 2018</u>	<u>Nine months ended September 30, 2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ <u>7,920,723</u>	\$ <u>11,456,494</u>
Cumulative losses reclassified to retained earnings due to derecognition (including the portion attributable to non-controlling interest)	(\$ <u>5,666</u>)	\$ <u>1,799,042</u>

D. As at September 30, 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 was \$64,888,683.

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

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 and September 30, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Notes receivable	\$ 125,885	\$ 164,311	\$ 116,517
Accounts receivable	\$ 4,688,080	\$ 3,644,252	\$ 3,908,957
Less: Allowance for uncollectible accounts	(75,819)	(76,521)	(78,639)
	<u>\$ 4,612,261</u>	<u>\$ 3,567,731</u>	<u>\$ 3,830,318</u>

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Not past due	\$ 4,613,812	\$ 3,618,474	\$ 3,807,870
Up to 30 days	120,386	146,964	154,853
31 to 90 days	62,494	32,878	49,342
Over 90 days	17,273	10,247	13,409
	<u>\$ 4,813,965</u>	<u>\$ 3,808,563</u>	<u>\$ 4,025,474</u>

The above ageing analysis was based on past due date.

B. As at September 30, 2018, December 31, 2017 and September 30, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$4,813,965, \$3,808,563 and \$4,025,474, respectively.

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

(5) Inventories

September 30, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,686,523	(\$ 42,253)	\$ 1,644,270
Supplies	263,491	(4,074)	259,417
Work in process	2,545,213	(6,587)	2,538,626
Finished goods	3,323,436	(470,826)	2,852,610
Merchandise inventory	338,229	-	338,229
Materials in transit	281,722	-	281,722
Outsourced processed materials	228,332	(80)	228,252
Construction in progress	26,995	-	26,995
Land for construction	22,224	-	22,224
	<u>\$ 8,716,165</u>	<u>(\$ 523,820)</u>	<u>\$ 8,192,345</u>
December 31, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,595,346	(\$ 92,680)	\$ 1,502,666
Supplies	230,935	(8,023)	222,912
Work in process	2,581,319	(6,731)	2,574,588
Finished goods	3,629,029	(413,191)	3,215,838
Merchandise inventory	286,276	-	286,276
Materials in transit	414,289	-	414,289
Outsourced processed materials	190,085	(109)	189,976
Construction in progress	23,284	-	23,284
Land for construction	22,224	-	22,224
	<u>\$ 8,972,787</u>	<u>(\$ 520,734)</u>	<u>\$ 8,452,053</u>
September 30, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,541,734	(\$ 94,832)	\$ 1,446,902
Supplies	245,168	(8,556)	236,612
Work in process	2,417,036	(7,852)	2,409,184
Finished goods	3,218,898	(339,107)	2,879,791
Merchandise inventory	304,170	-	304,170
Materials in transit	386,126	-	386,126
Outsourced processed materials	194,904	(152)	194,752
Construction in progress	23,099	-	23,099
Land for construction	22,224	-	22,224
	<u>\$ 8,353,359</u>	<u>(\$ 450,499)</u>	<u>\$ 7,902,860</u>

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

The cost of inventories recognized as expense for the year:

	Three months ended September 30,	
	2018	2017
Cost of goods sold	\$ 10,019,663	\$ 8,664,063
Inventory valuation loss (gain) (Note 1)	(28,450)	14,222
Others (Note 2)	(28,459)	545
	<u>\$ 9,962,754</u>	<u>\$ 8,678,830</u>
	Nine months ended September 30,	
	2018	2017
Cost of goods sold	\$ 29,624,036	\$ 27,162,308
Inventory valuation loss (gain) (Note 1)	3,087 (	53,423)
Others (Note 2)	(57,768) (	10,820)
	<u>\$ 29,569,355</u>	<u>\$ 27,098,065</u>

Note 1: Gain on inventory for the three months ended September 30, 2018 and the nine months ended September 30, 2017 arose from inventories which were previously provided with allowance but were subsequently sold.

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

(6) Investments accounted for using equity method

	September 30, 2018	December 31, 2017	September 30, 2017
Formosa Industries Co., Ltd.	\$ 1,968,686	\$ 1,938,483	\$ 2,142,051
Quang Viet Enterprise Co., Ltd.	1,188,101	1,149,965	1,153,095
Changshu Yu Yuan Development Co., Ltd.	16,448	35,008	29,764
	<u>\$ 3,173,235</u>	<u>\$ 3,123,456</u>	<u>\$ 3,324,910</u>

A. Associates

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		September 30, 2018	December 31, 2017		
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	17.92%	17.92%	Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%	40.78%	Associate	Equity method

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		September 30, 2017			
Formosa Industries Co., Ltd.	Vietnam	10.00%		Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	17.92%		Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%		Associate	Equity method

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

Balance sheets

	Formosa Industries Co., Ltd.		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 20,227,561	\$ 9,291,100	\$ 19,468,063
Non-current assets	22,525,120	20,614,037	21,447,090
Current liabilities	(16,943,776)	(5,965,869)	(14,482,551)
Non-current liabilities	(6,903,804)	(5,439,066)	(7,739,771)
Total net assets	<u>\$ 18,905,101</u>	<u>\$ 18,500,202</u>	<u>\$ 18,692,831</u>
Share in associate's net assets	\$ 1,890,510	\$ 1,850,020	\$ 1,869,283
Dividends receivable	62,211	-	182,633
Difference	15,965	88,463	90,135
Carrying amount of the associate	<u>\$ 1,968,686</u>	<u>\$ 1,938,483</u>	<u>\$ 2,142,051</u>

	Quang Viet Enterprise Co., Ltd.		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 9,772,490	\$ 5,987,697	\$ 7,887,409
Non-current assets	3,023,810	2,705,609	2,625,373
Current liabilities	(5,355,506)	(2,064,121)	(3,830,078)
Non-current liabilities	(85,834)	(52,152)	(52,814)
Total net assets	<u>\$ 7,354,960</u>	<u>\$ 6,577,033</u>	<u>\$ 6,629,890</u>
Share in associate's net assets	\$ 1,318,009	\$ 1,178,604	\$ 1,188,076
Difference	(129,908)	(28,639)	(34,981)
Carrying amount of the associate	<u>\$ 1,188,101</u>	<u>\$ 1,149,965</u>	<u>\$ 1,153,095</u>

	Changshu Yu Yuan Development Co., Ltd.		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 96,391	\$ 157,599	\$ 169,996
Non-current assets	147	280	322
Current liabilities	(26,576)	(54,986)	(79,379)
Total net assets	<u>\$ 69,962</u>	<u>\$ 102,893</u>	<u>\$ 90,939</u>
Share in associate's net assets	\$ 28,530	\$ 41,960	\$ 37,085
Difference	(12,082)	(6,952)	(7,321)
Carrying amount of the associate	<u>\$ 16,448</u>	<u>\$ 35,008</u>	<u>\$ 29,764</u>

Statements of comprehensive income

	Formosa Industries Co., Ltd.	
	Three months ended September 30,	
	2018	2017
Revenue	\$ 7,774,882	\$ 6,445,680
Profit for the period from continuing operations		
(Total comprehensive income)	\$ 234,123	\$ 232,612
	Formosa Industries Co., Ltd.	
	Nine months ended September 30,	
	2018	2017
Revenue	\$ 23,662,787	\$ 18,717,854
Profit for the period from continuing operations		
(Total comprehensive income)	\$ 1,006,924	\$ 734,350
	Quang Viet Enterprise Co., Ltd.	
	Three months ended September 30,	
	2018	2017
Revenue	\$ 6,142,645	\$ 4,886,883
Profit for the period from continuing operations	\$ 640,304	\$ 620,079
Other comprehensive income, net of tax	-	15,757
Total comprehensive income	\$ 640,304	\$ 635,836
	Quang Viet Enterprise Co., Ltd.	
	Nine months ended September 30,	
	2018	2017
Revenue	\$ 10,245,050	\$ 7,597,892
Profit for the period from continuing operations	\$ 806,537	\$ 567,570
Other comprehensive income (loss), net of tax	9	(86,504)
Total comprehensive loss	\$ 806,546	\$ 481,066

	Changshu Yu Yuan Development Co., Ltd.	
	Three months ended September 30,	
	2018	2017
Revenue	\$ -	\$ 210
Loss for the period from continuing operations (Total comprehensive loss)	(\$ 1,224)	(\$ 6,763)

	Changshu Yu Yuan Development Co., Ltd.	
	Nine months ended September 30,	
	2018	2017
Revenue	\$ -	\$ 34,640
Profit (loss) for the period from continuing operations (Total comprehensive income (loss))	\$ 210	(\$ 1,515)

- B. The investment income of \$157,021, \$131,972, \$222,158 and \$181,344 for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, respectively, were accounted for under the equity method based on the unreviewed financial statements of the investee companies.
- C. The Group is the director of Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. and has significant impact to its operations, thus, Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. are accounted for under the equity method.
- D. The Group's material associate, Quang Viet Enterprise Co., Ltd., has quoted market prices. As of September 30, 2018, December 31, 2017 and September 30, 2017, the fair value was \$2,556,861, \$2,426,693 and \$3,031,042, respectively.

(7) Property, plant and equipment

<u>At January 1, 2018</u>	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment and other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
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>

Nine months ended September 30, 2018

Opening net book amount	\$ 2,375,450	\$ 5,182,905	\$ 6,800,537	\$ 687,372	\$ 1,976,014	\$ 17,022,278
Additions	-	-	-	5	3,510,587	3,510,592
Disposals	(342,670)	-	(58,268)	(563)	(14,966)	(416,467)
Transfers (Note)	-	367,874	3,740,385	79,167	(4,131,331)	56,095
Depreciation charge	(222)	(273,793)	(1,242,315)	(149,879)	-	(1,666,209)
Net exchange differences	(44)	(32,837)	(25,178)	(2,712)	(4,204)	(64,975)
Closing net book amount	<u>\$ 2,032,514</u>	<u>\$ 5,244,149</u>	<u>\$ 9,215,161</u>	<u>\$ 613,390</u>	<u>\$ 1,336,100</u>	<u>\$ 18,441,314</u>

At September 30, 2018

Cost	\$ 2,202,683	\$ 11,347,229	\$ 43,772,960	\$ 8,960,278	\$ 1,336,100	\$ 67,619,250
Accumulated depreciation	(14,431)	(6,103,080)	(34,557,682)	(8,346,888)	-	(49,022,081)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	<u>\$ 2,032,514</u>	<u>\$ 5,244,149</u>	<u>\$ 9,215,161</u>	<u>\$ 613,390</u>	<u>\$ 1,336,100</u>	<u>\$ 18,441,314</u>

Note: Transferred from prepayments.

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2017</u>						
Cost	\$ 2,545,968	\$ 10,676,232	\$ 41,715,725	\$ 9,183,608	\$ 1,475,773	\$ 65,597,306
Accumulated depreciation	(14,554)	(5,528,770)	(34,857,645)	(8,396,115)	-	(48,797,084)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	<u>\$ 2,375,676</u>	<u>\$ 5,147,462</u>	<u>\$ 6,857,809</u>	<u>\$ 787,493</u>	<u>\$ 1,475,773</u>	<u>\$ 16,644,213</u>

Nine months ended September 30, 2017

Opening net book amount	\$ 2,375,676	\$ 5,147,462	\$ 6,857,809	\$ 787,493	\$ 1,475,773	\$ 16,644,213
Additions	-	-	-	5	1,648,056	1,648,061
Disposals	-	(32)	(29,838)	(4,232)	-	(34,102)
Transfers (Note)	108	518,369	1,231,536	95,170	(1,787,861)	57,322
Depreciation charge	(217)	(284,211)	(1,233,987)	(154,054)	-	(1,672,469)
Net exchange differences	(44)	(89,762)	(117,940)	(12,124)	(67,173)	(287,043)
Closing net book amount	<u>\$ 2,375,523</u>	<u>\$ 5,291,826</u>	<u>\$ 6,707,580</u>	<u>\$ 712,258</u>	<u>\$ 1,268,795</u>	<u>\$ 16,355,982</u>

At September 30, 2017

Cost	\$ 2,545,780	\$ 11,066,906	\$ 41,677,056	\$ 9,099,344	\$ 1,268,795	\$ 65,657,881
Accumulated depreciation	(14,519)	(5,775,080)	(34,969,205)	(8,387,086)	-	(49,145,890)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	<u>\$ 2,375,523</u>	<u>\$ 5,291,826</u>	<u>\$ 6,707,580</u>	<u>\$ 712,258</u>	<u>\$ 1,268,795</u>	<u>\$ 16,355,982</u>

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

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

	Three months ended September 30,	
	2018	2017
Amount capitalized	\$ 5,909	\$ 3,963
	Nine months ended September 30,	
	2018	2017
Amount capitalized	\$ 9,920	\$ 12,081
Range of the interest rates for capitalisation	0.94%~4.5%	0.98%~3.03%

- 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 is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of September 30, 2018, December 31, 2017 and September 30, 2017, the land mortgaged to the Company was \$808,300.

(8) Long-term prepaid rent (shown as 'Other non-current assets')

	September 30, 2018	December 31, 2017	September 30, 2017
Land use right - Formosa Taffeta Co., Ltd.	\$ 148	\$ 269	\$ 309
Land use right - Formosa Taffeta (Zhong Shan) Co., Ltd.	28,552	30,278	30,570
Land use right - Formosa Taffeta Dong Nai Co., Ltd.	122,607	125,868	128,601
Land use right - Formosa Taffeta (Changshu) Co., Ltd.	108,909	114,212	114,897
	<u>\$ 260,216</u>	<u>\$ 270,627</u>	<u>\$ 274,377</u>

- A. Land use right of Formosa Taffeta Co., Ltd. pertains to the payment for the right to establish a petrol station and title transfer of land leasing right and is amortized over the land lease period under the contract. The Group recognized rental expense for the three months ended September

- 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, amounting to \$41, \$40, \$121 and \$130, respectively.
- B. Formosa Taffeta (Zhong Shan) Co., Ltd. has leased land of Xijiangbian Dingxi Village, Shenwan Town, Zhengshan, Guangdong amounting to 508 acres from Shenwan Town People's Government of Zhongshan City in Guangdong Province, Mainland China and paid land use right of HK 12,599 thousand. The effective period is 50 years from the date of issuance of certificate of land use right, and the lease period is from November 20, 1991 to November 20, 2041. The Group recognized rental expense for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, amounting to RMB 66 thousand, RMB 66 thousand, RMB 199 thousand and RMB 199 thousand, respectively.
- C. Formosa Taffeta Dong Nai Co., Ltd. has paid land use right of VND75,655,550 thousand and VND48,134,338 thousand for the leased land of 273,661.1 square meters and 65,086 square meters in Nhon Trach 3 Industrial Zone in Nhon Trach District, Dong Nai Province, Vietnam from Formosa Industries Corporation in September 2004 and December 2012, respectively. The lease period started from September 1, 2004 and December 1, 2012, respectively, and the effective periods both end on April 1, 2051. The Group recognized rental expense of VND 684,733 thousand, VND 684,733 thousand, VND 2,054,199 thousand and VND 2,054,199 thousand for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, respectively.
- D. Formosa Taffeta (Changshu) Co., Ltd. has leased 3 parcels of land amounting to 277,172 square meters in the Economic Development Zone from Changshu City Land and Resources Bureau in Jiangsu Province, Mainland China. The effective period of land use right started from the date of issuance of certificate of land use right and the lease period ends in December 2056 to December 2076. Furthermore, partial land was not used until November 18, 2011, so the government has taken back the land. Proceeds of land amounted to RMB 12,738 thousand in February 2012 and impairment loss in 2011 was RMB 4,726 thousand. Otherwise, the Economic Development Zone refunded a part of money and reissued the land use right for resumption of 794 square meters of land in December, 2012. In March 2015, Formosa Taffeta (Changshu) Co., Ltd. divided some part of housing land and established a new company, Changshu Fushun Enterprise Management Co., Ltd. (details are provided in Note 6(8)E). As of September 30, 2018, the area of the Company's 2 leased parcels of land was 166,509 square meters, and the effective period of land use right ends in December 2056. The Group recognized rental expense for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, amounting to RMB 160 thousand, RMB 160 thousand, RMB 480 thousand and RMB 480 thousand, respectively.
- E. In order to effectively utilize Formosa Taffeta (Changshu) Co., Ltd.'s partial residential land, the Company has reduced capital and split land of 9,206 square meters in development zone to Changshu Fushun Enterprise Management Co., Ltd. The acquisition cost is RMB 6,400 thousand

and the effective period starts from the approval of certificate of land use right and ends in December 2076. However, Changshu Fushun Enterprise Management Co., Ltd. merged with Changshu Yu Yuan Development Co., Ltd. and was deconsolidated in July 2015.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 3,586,830	1.40%~3.31%	Property, plant and equipment and inventories
Purchase loans	4,725	0.31%~0.37%	-
	<u>\$ 3,591,555</u>		

<u>Type of borrowings</u>	<u>December 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 2,798,304	1.40%~4.79%	Property, plant and equipment and inventories
Purchase loans	7,386	0.32%~0.36%	-
	<u>\$ 2,805,690</u>		

<u>Type of borrowings</u>	<u>September 30, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 2,752,890	1.40%~2.50%	Property, plant and equipment and inventories
Purchase loans	5,361	0.34%~2.09%	-
	<u>\$ 2,758,251</u>		

(10) Short-term notes and bills payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Commercial paper payable	\$ -	\$ 1,300,000	\$ 1,400,000
Less: Commercial paper payable discount	-	(194)	(345)
	<u>\$ -</u>	<u>\$ 1,299,806</u>	<u>\$ 1,399,655</u>
Interest rate	<u>-</u>	<u>0.56%</u>	<u>0.61%</u>

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

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

<u>Items</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current items:			
Financial liabilities held for trading			
Forward foreign exchange contracts	<u>\$ 196</u>	<u>\$ -</u>	<u>\$ -</u>

A. The Group recognized net gain (loss) of (\$196), \$894, (\$196) and \$1,381 on financial liabilities

held for trading for the three months ended September 30, 2018 and 2017 and nine months ended September 30, 2018 and 2017, respectively.

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

Derivative Financial Liabilities	September 30, 2018	
	Contract Amount (Notional Principal)	Contract Period
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	USD 477	2018.09~2018.10

The Group had no financial liabilities held for trading on December 31, 2017 and September 30, 2017.

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

	September 30, 2018	December 31, 2017	September 30, 2017
Salaries and year-end bonus payable	\$ 674,040	\$ 791,135	\$ 704,012
Accrued utilities expenses	152,455	139,213	164,594
Commission payable	69,066	56,485	65,223
Others	944,293	824,774	720,559
	<u>\$ 1,839,854</u>	<u>\$ 1,811,607</u>	<u>\$ 1,654,388</u>

(13) Long-term borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
Credit borrowings	\$ 9,060,706	\$ 11,222,071	\$ 11,598,862
Less: Current portion	(70,797)	(138,499)	(30,127)
	<u>\$ 8,989,909</u>	<u>\$ 11,083,572</u>	<u>\$ 11,568,735</u>
Interest rate	<u>0.95%~4.50%</u>	<u>1.00%~3.36%</u>	<u>1.00%~3.08%</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) For the aforementioned pension plan, the Group recognized pension costs of \$9,869, \$10,458, \$29,607 and \$38,354 for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2019 amount to \$99,943.
- 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 regulation.

(f) The pension costs under the defined contribution pension plans of the Group for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017 were \$37,105, \$35,533, \$110,044 and \$107,226, respectively.

(15) Share capital

A. As of September 30, 2018, 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 nine months ended September 30, 2018 and 2017, changes in the number of treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	Investee company	Nine months ended September 30, 2018			
		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.	2,293	-	(50)	2,243

Reason for reacquisition	Investee company	Nine months ended September 30, 2017			
		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.	2,473	-	(180)	2,293

Note : The capital surplus amounting to \$1,041 and \$2,891 resulted from the subsidiary, Formosa Development Co., Ltd.'s disposal of 50,000 and 180,000 shares of the parent company during the nine months ended September 30, 2018 and 2017, respectively.

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 capitalised mentioned above should not exceed 10% of the paid-

in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

Nine months ended September 30, 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	-	982,053	-	-	-	
Paid expired cash dividends transferred to capital surplus	-	-	-	-	(1)	
At September 30, 2018	<u>\$ 25,297</u>	<u>\$ 982,598</u>	<u>\$ 2,032</u>	<u>\$ 250,345</u>	<u>\$ 1,501</u>	

Nine months ended September 30, 2017						
	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, 2017	\$ 13,569	\$ 545	\$ 2,032	\$ 250,312	\$ -	
Disposal of treasury shares	2,891	-	-	-	-	
At September 30, 2017	<u>\$ 16,460</u>	<u>\$ 545</u>	<u>\$ 2,032</u>	<u>\$ 250,312</u>	<u>\$ -</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 2017 and 2016 earnings had been resolved at the stockholders' meeting on June 22, 2018 and June 23, 2017, respectively. Details are summarized below:

	2017 earnings		2016 earnings	
	Amount	Dividends	Amount	Dividends
	(in thousands)	per share	(in thousands)	per share
		(in dollars)		(in dollars)
Legal reserve	\$ 427,987		\$ 348,129	
Special reserve	-		506,036	
Cash dividends	3,200,863	\$ 1.90	2,526,997	\$ 1.50
	<u>\$ 3,628,850</u>		<u>\$ 3,381,162</u>	

The estimated appropriations of 2017 and 2016 earnings proposed by the Board of Directors were the same as the actual appropriations approved by the shareholders. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange Corporation.

- E. As of September 30, 2018, December 31, 2017 and September 30, 2017, unpaid stock dividends amounted to \$11,305, \$9,092 and \$11,324, respectively.
- F. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(23).

(18) Other equity items

	Unrealized gains (losses) on valuation	Currency translation	Non-controlling interest
January 1, 2018	\$ 38,440,218	(\$ 914,267)	\$ 3,803,175
Retrospective adjustments	(4,760,072)	-	33,939
January 1, 2018 after adjustments	33,680,146	(914,267)	3,837,114
Revaluation			
— Group	11,362,408	-	-
— Associates	2,243	-	-
— Non-controlling interest	-	-	91,843
Revaluation transferred to retained earnings			
— Group	1,804,960	-	-
— Non-controlling interest	-	-	3,114
Difference of currency translation			
— Group	-	38,141	-
— Associates	-	(10,563)	-
— Non-controlling interest	-	-	239
Net income of non-controlling interest	-	-	459,133
Difference between consideration and carrying amount of subsidiaries acquired	(118,806)	-	(1,105)
Change of net share under equity method	(2,577)	-	-
Changes in share of consolidated subsidiaries	-	-	(20,129)
Cash dividends paid by consolidated subsidiaries	-	-	(380,089)
Change of non controlling interest	-	-	2,177,729
September 30, 2018	<u>\$ 46,728,374</u>	<u>(\$ 886,689)</u>	<u>\$ 6,167,849</u>

	Available-for-sale investments	Currency translation	Non-controlling interest
January 1, 2017	\$ 36,313,040	\$ 13,387	\$ 3,531,750
Change in unrealized gain or loss on available-for- sale financial assets			
— Group	(1,320,320)	-	-
— Associates	350	-	-
— Non-controlling interest	-	-	110,821
Difference of long-term equity investment from cumulative translation differences of foreign operations			
— Group	- (610,378)	-	-
— Associates	- (140,270)	-	-
— Non-controlling interest	-	- (1,032)	-
Net income of non-controlling interest	-	-	342,945
Cash dividends paid by consolidated subsidiaries	-	- (311,242)	-
September 30, 2017	<u>\$ 34,993,070</u>	<u>(\$ 737,261)</u>	<u>\$ 3,673,242</u>

(19) Operating revenue

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Sales revenue	\$ 11,256,873	\$ 33,583,030
Service revenue	79,825	221,349
	<u>\$ 11,336,698</u>	<u>\$ 33,804,379</u>

A. Contract assets

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

	September 30, 2018
Contract assets:	
Contract assets relating to IC revenue	<u>\$ 710,504</u>

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

C. Related disclosures on operating revenue for 2017 are provided in Note 12(5) B.

(20) Other income

	Three months ended September 30,	
	2018	2017
Interest income from bank deposits	\$ 6,979	\$ 6,213
Dividend income	2,607,533	171,145
Other income	(4,235)	90,093
	<u>\$ 2,610,277</u>	<u>\$ 267,451</u>
	Nine months ended September 30,	
	2018	2017
Interest income from bank deposits	\$ 19,627	\$ 18,998
Dividend income	2,672,388	2,415,398
Other income	116,524	253,643
	<u>\$ 2,808,539</u>	<u>\$ 2,688,039</u>

(21) Other gains and losses

	Three months ended September 30,	
	2018	2017
Gains on disposals of property, plant and equipment	\$ 57,062	\$ 11,285
Gains on disposals of investments	-	162,567
Foreign exchange gains (losses)	(50,575)	2,606
Gains on financial (liabilities) assets at fair value through profit or loss	474	2,016
Bank charges	(9,980)	(8,342)
Other gains and losses	(13,189)	(6,030)
	<u>(\$ 16,208)</u>	<u>\$ 164,102</u>
	Nine months ended September 30,	
	2018	2017
Gains on disposals of property, plant and equipment	\$ 896,975	\$ 20,448
Gains on disposals of investments	-	162,567
Foreign exchange gains (losses)	29,387	(110,729)
Gains on financial (liabilities) assets at fair value through profit or loss	1,932	4,319
Bank charges	(28,255)	(25,115)
Other gains and losses	(35,483)	(21,756)
	<u>\$ 864,556</u>	<u>\$ 29,734</u>

(22) Expenses by nature

	Three months ended September 30,	
	2018	2017
Employee benefit expense	\$ 1,241,832	\$ 1,193,535
Depreciation charges on property, plant and equipment	604,119	536,003
	<u>\$ 1,845,951</u>	<u>\$ 1,729,538</u>
	Nine months ended September 30,	
	2018	2017
Employee benefit expense	\$ 3,784,967	\$ 3,691,041
Depreciation charges on property, plant and equipment	1,666,209	1,672,469
	<u>\$ 5,451,176</u>	<u>\$ 5,363,510</u>

(23) Employee benefit expense

	Three months ended September 30,	
	2018	2017
Wages and salaries	\$ 1,038,548	\$ 972,541
Labor and health insurance fees	111,884	120,378
Pension costs	46,974	52,970
Other personnel expenses	44,426	47,646
	<u>\$ 1,241,832</u>	<u>\$ 1,193,535</u>
	Nine months ended September 30,	
	2018	2017
Wages and salaries	\$ 3,177,082	\$ 3,093,548
Labor and health insurance fees	340,508	332,033
Pension costs	139,651	145,580
Other personnel expenses	127,726	119,880
	<u>\$ 3,784,967</u>	<u>\$ 3,691,041</u>

- A. In accordance with the Company's Articles of Incorporation, a ratio of distributable profit of the current year after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.05%-0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.
- B. For the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, employees' compensation was accrued at \$500, \$500, \$1,333 and \$1,500, respectively; while directors' and supervisors' remuneration was accrued at \$250, \$250, \$667 and \$750, respectively. The aforementioned amounts were recognized in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the Company's Articles of Incorporation of profit of current year distributable for the nine months ended September 30, 2018.

The employees' bonus and directors' and supervisors' remuneration for 2017 approved by shareholders were the same as the amounts shown in the 2017 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both \$8,994 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

	Three months ended September 30,	
	2018	2017
Interest expense:		
Bank borrowings	\$ 60,557	\$ 50,801
Less: Capitalization of qualifying assets	(5,909)	(3,963)
	<u>\$ 54,648</u>	<u>\$ 46,838</u>
	Nine months ended September 30,	
	2018	2017
Interest expense:		
Bank borrowings	\$ 171,119	\$ 152,587
Less: Capitalization of qualifying assets	(9,920)	(12,081)
	<u>\$ 161,199</u>	<u>\$ 140,506</u>

(25) Income tax

A. Components of income tax expense

	Three months ended September 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 116,355	(\$ 101,115)
Prior year income tax (overstatement) underestimation	(65)	50,066
Prepayment of taxes	39,858	104,593
Effect of foreign exchange rate	(218)	94
Total current tax	<u>155,930</u>	<u>53,638</u>
Deferred tax:		
Origination and reversal of temporary differences	(50,118)	4,243
Total deferred tax	<u>(50,118)</u>	<u>4,243</u>
Income tax expense	<u>\$ 105,812</u>	<u>\$ 57,881</u>

		Nine months ended September 30,	
		2018	2017
Current tax:			
Current tax on profits for the period	\$	391,112	\$ 96,966
Land value increment tax		129,638	-
Tax on undistributed surplus earnings		46,659	78,983
Prior year income tax underestimation		134,949	33,124
Prepayment of taxes		40,809	105,422
Effect of foreign exchange rate	(	912)	352
Total current tax		<u>742,255</u>	<u>314,847</u>
Deferred tax:			
Origination and reversal of temporary differences		91,513	66,916
Impact of change in tax rate	(	7,731)	-
Total deferred tax		<u>83,782</u>	<u>66,916</u>
Income tax expense	\$	<u>826,037</u>	\$ <u>381,763</u>

- B. The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd. and Formosa Development Co., Ltd. all through 2016 have been assessed and approved by the Tax Authority.
- C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.
- D. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. is based on 25% of income generated within and outside Mainland China.
- E. The income tax rate of Formosa Taffeta Vietnam Co., Ltd. was approved by the Vietnam government to be 10% for 15 years from the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit-making year and 20% income tax exemption for the next 4 years.
- F. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by the Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 20% after 12 years. The Company was granted income tax exemption for 3 years from the first profit-making year and income tax reduction of 15% or 20% for the next 4 to 10 years.
- G. In accordance with local tax regulations, the applicable income tax rate of Schoeller F.T.C. (Hong Kong) Co., Ltd. and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

(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.

Three months ended September 30, 2018					
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 3,343,512	\$ 3,237,700	<u>1,682,373</u>	\$ 1.99	\$ 1.93
Profit attributable to the non-controlling interest	(307,550)	(209,352)		(0.18)	(0.12)
Profit attributable to the parent	<u>\$ 3,035,962</u>	<u>\$ 3,028,348</u>		<u>\$ 1.81</u>	<u>\$ 1.81</u>
Three months ended September 30, 2017					
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 974,623	\$ 916,742	<u>1,682,329</u>	\$ 0.58	\$ 0.54
Profit attributable to the non-controlling interest	(217,186)	(164,380)		(0.13)	(0.10)
Profit attributable to the parent	<u>\$ 757,437</u>	<u>\$ 752,362</u>		<u>\$ 0.45</u>	<u>\$ 0.44</u>

Nine months ended September 30, 2018					
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 5,854,240	\$ 5,028,203	<u>1,682,373</u>	\$ 3.48	\$ 2.99
Profit attributable to the non-controlling interest	(860,535)	(459,133)		(0.51)	(0.27)
Profit attributable to the parent	<u>\$ 4,993,705</u>	<u>\$ 4,569,070</u>		<u>\$ 2.97</u>	<u>\$ 2.72</u>

Nine months ended September 30, 2017					
	Amount		Weighted-average common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 4,573,247	\$ 4,191,484	<u>1,682,329</u>	\$ 2.72	\$ 2.49
Profit attributable to the non-controlling interest	(584,153)	(342,945)		(0.35)	(0.20)
Profit attributable to the parent	<u>\$ 3,989,094</u>	<u>\$ 3,848,539</u>		<u>\$ 2.37</u>	<u>\$ 2.29</u>

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

Three months ended September 30, 2018					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 3,343,512	\$ 3,237,700	<u>1,684,665</u>	\$ 1.99	\$ 1.92
Profit attributable to the non-controlling interest	(307,550)	(209,352)		(0.19)	(0.12)
Profit attributable to the parent	<u>\$ 3,035,962</u>	<u>\$ 3,028,348</u>		<u>\$ 1.80</u>	<u>\$ 1.80</u>

Three months ended September 30, 2017					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 974,623	\$ 916,742	<u>1,684,665</u>	\$ 0.58	\$ 0.54
Profit attributable to the non-controlling interest	(217,186)	(164,380)		(0.13)	(0.10)
Profit attributable to the parent	<u>\$ 757,437</u>	<u>\$ 752,362</u>		<u>\$ 0.45</u>	<u>\$ 0.44</u>
Nine months ended September 30, 2018					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 5,854,240	\$ 5,028,203	<u>1,684,665</u>	\$ 3.48	\$ 2.98
Profit attributable to the non-controlling interest	(860,535)	(459,133)		(0.52)	(0.27)
Profit attributable to the parent	<u>\$ 4,993,705</u>	<u>\$ 4,569,070</u>		<u>\$ 2.96</u>	<u>\$ 2.71</u>
Nine months ended September 30, 2017					
	Amount		Common shares outstanding (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Net income	\$ 4,573,247	\$ 4,191,484	<u>1,684,665</u>	\$ 2.71	\$ 2.49
Profit attributable to the non-controlling interest	(584,153)	(342,945)		(0.35)	(0.20)
Profit attributable to the parent	<u>\$ 3,989,094</u>	<u>\$ 3,848,539</u>		<u>\$ 2.36</u>	<u>\$ 2.29</u>

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and diluted earnings per share for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017.

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine months ended September 30,	
	2018	2017
Purchase of property, plant and equipment	\$ 3,510,592	\$ 1,648,061
Add: Opening balance of payable on equipment	86,955	43,229
Less: Ending balance of payable on equipment (	139,058)	(59,879)
Cash paid during the period	<u>\$ 3,458,489</u>	<u>\$ 1,631,411</u>

(28) Changes in liabilities from financing activities

For the nine months ended September 30, 2018, the change of short-term borrowings, short-term notes and bills payable, long-term borrowings and effect of foreign exchange rate are \$785,865, (\$1,299,806), (\$2,165,051) and \$3,686, 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 also the ultimate controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Formosa Chemicals & Fibre Corp.	Parent company
Kuang Yueh Co. Corp.	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

Names of related parties	Relationship with the Group
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nanya Plastic (Guangzhou) Co.,Ltd.	Other related party
Nan Ya (Kunshan) Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
Piecemakers Technology, Inc. (Note)	Other related party
Kong You Industrial Co., Ltd.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party

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

(3) Significant related party transactions and balances

A. Operating revenue

	Three months ended September 30,	
	2018	2017
Sales of goods:		
— Ultimate parent	\$ 125	\$ 174
— Associates	65,179	-
— Other related party		
Nan Ya Technology Corp.	1,587,386	1,235,376
Others	213,906	231,368
	<u>\$ 1,866,596</u>	<u>\$ 1,466,918</u>
	Nine months ended September 30,	
	2018	2017
Sales of goods:		
— Ultimate parent	\$ 421	\$ 17,483
— Associates	346,174	-
— Other related party		
Nan Ya Technology Corp.	4,560,496	3,989,535
Others	775,084	984,863
	<u>\$ 5,682,175</u>	<u>\$ 4,991,881</u>

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

B. Purchases of goods

	Three months ended September 30,	
	2018	2017
Purchases of goods:		
— Ultimate parent	\$ 659,810	\$ 533,848
— Associates	246,685	-
— Other related party		
Formosa Petrochemical Corp.	3,041,352	2,443,591
Others	354,746	629,321
	<u>\$ 4,302,593</u>	<u>\$ 3,606,760</u>
	Nine months ended September 30,	
	2018	2017
Purchases of goods:		
— Ultimate parent	\$ 1,758,269	\$ 1,489,867
— Associates	654,651	-
— Other related party		
Formosa Petrochemical Corp.	8,293,801	7,093,320
Others	1,305,239	1,925,800
	<u>\$ 12,011,960</u>	<u>\$ 10,508,987</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>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Notes and accounts receivable:			
— Ultimate parent	\$ 38	\$ 75	\$ 81
— Associates	46,007	50,477	-
— Other related party			
Nan Ya Technology Corp.	1,036,274	953,005	873,701
Others	<u>225,094</u>	<u>177,765</u>	<u>224,477</u>
	1,307,413	1,181,322	1,098,259
Other receivables - dividends			
— Associates			
Formosa Industries Corp.	<u>63,211</u>	<u>90,347</u>	<u>-</u>
	<u>\$ 1,370,624</u>	<u>\$ 1,271,669</u>	<u>\$ 1,098,259</u>

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

D. Notes and accounts payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Notes and accounts payable:			
— Ultimate parent	\$ 651,332	\$ 573,447	\$ 462,673
— Associates	72,484	118,943	-
— Other related party			
Formosa Petrochemical Corp.	554,434	542,953	460,990
Others	136,594	152,186	205,737
	<u>\$ 1,414,844</u>	<u>\$ 1,387,529</u>	<u>\$ 1,129,400</u>

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

E. Property transactions

(a) Disposal of property, plant and equipment:

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Other related party	\$ 14,966	\$ -	\$ -	\$ -

(b) Acquisition of financial assets:

	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Nine months ended September 30, 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>
	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Nine months ended September 30, 2017 Consideration</u>
Other related party	Non-current available-for-sale financial assets	19,000,970	Formosa Ha Tinh (Cayman) Limited	<u>\$ 587,072</u>

F. Others

Formosa Taffeta Dong Nai Co., Ltd. was engaged by the related party, Formosa Industry, to provide management services to Nhon Trach 3 Industrial Zone. In accordance with the yearly service consignment contract signed by Formosa Taffeta Dong Nai Co., Ltd. and Nhon Trach 3 Industrial Zone, Formosa Taffeta Dong Nai Co., Ltd. is responsible for managing land that is available for rent, meter reading and payment collection of water, electricity, steam and other utilities sold to

lessees in investment district, repairing and performing services on various public facilities of power plant. Under the contract, Formosa Taffeta Dong Nai Co., Ltd. shall collect a service fee as follows:

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

For the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, Formosa Taffeta Dong Nai Co., Ltd. has recognized lease service fee income in investment district of \$9,047, \$7,919, \$25,275 and \$22,980, respectively, for rendering the abovementioned consigned services. As of September 30, 2018, December 31, 2017 and September 30, 2017, the uncollected amount of \$4,804, \$2,877 and \$4,286, respectively, was recognized under 'other receivables'.

For the above land leasing, as of September 30, 2018, December 31, 2017 and September 30, 2017, 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 \$33,225, \$23,285 and \$24,168, respectively, and was recognized under 'other payables'.

(4) Key management compensation

	Three months ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 7,988	\$ 6,179
Post-employment benefits	27	-
	<u>\$ 8,015</u>	<u>\$ 6,179</u>
	Nine months ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 37,674	\$ 37,017
Post-employment benefits	78	-
	<u>\$ 37,752</u>	<u>\$ 37,017</u>

8. PLEDGED ASSETS

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

Item	Book Value			Purpose
	September 30, 2018	December 31, 2017	September 30, 2017	
Property, plant and equipment	\$ 138,137	\$ 138,662	\$ 138,637	Security for short-term borrowings
Inventories				Security for short-term borrowings
(Held-to-maturity land)	21,264	21,264	21,264	
	<u>\$ 159,401</u>	<u>\$ 159,926</u>	<u>\$ 159,901</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Formosa Advanced Technologies Co., Ltd. is engaged in the processing of various integrated circuits packaging test and is responsible for custody for which the subsidiary needs to be compensated if lost. As of September 30, 2018, the items in custody are as follows:

September 30, 2018								
	Quantity	Market value	Quantity	Market value	Quantity	Market value	Quantity	Market value
	(Unit : PC)	(per PC)	(Unit : piece)	(per piece)	(Unit : bar)	(per bar)	(Unit : stick)	(stick)
A. Work in process								
LED	8,925,367	NTD 0.018~0.955	-	-	-	-	-	-
FBGA	57,913,325	USD 1.45~14.5	-	-	-	-	-	-
TSOP	3,770,665	USD 0.35~0.35	-	-	-	-	-	-
LED assembly	2,982,712	NTD 0.41~12.57	-	-	-	-	485	NTD 28.9~600.5
Module	1,183,579	USD 0.35~14.5	-	-	74,124	USD 14.84~262.08	-	-
MICRO-SD	128	USD 2.13~7.115	-	-	-	-	-	-
Other	6,610	USD 2.1~5.6	585	USD 1,650	-	-	-	-
	<u>74,782,386</u>		<u>585</u>		<u>74,124</u>		<u>485</u>	
B. Finished goods								
LED	3,645,479	NTD 0.018~0.955	-	-	-	-	-	-
FBGA	113,627,547	USD 1.45~14.5	-	-	-	-	-	-
TSOP	6,935,647	USD 0.35~0.35	-	-	-	-	-	-
LED assembly	7,293,159	NTD 0.41~12.57	-	-	-	-	602	NTD 28.9~600.5
Module	485,240	USD 0.35~14.5	-	-	47,646	USD 14.84~262.08	-	-
MICRO-SD	44	USD 2.13~7.115	-	-	-	-	-	-
Other	58,503	USD 2.1~5.6	205	USD 1,650	-	-	-	-
	<u>132,045,619</u>		<u>205</u>		<u>47,646</u>		<u>602</u>	

- (2) As of September 30, 2018, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

Currency	Amount
USD	\$ 3,478
JPY	467,908
EUR	336

- (3) Endorsements and guarantees

As of September 30, 2018, in order to assist the subsidiaries in obtaining credit line, the Company has guaranteed the following amounts for subsidiaries:

Name of company	September 30, 2018
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 1,007,325
Formosa Taffeta Vietnam Co., Ltd.	1,526,250
Formosa Taffeta (Changshu) Co., Ltd.	1,678,875
Formosa Taffeta Dong Nai Co., Ltd.	4,639,800
Formosa Ha Tinh (Cayman) Limited	5,319,564
Public More International Company Ltd.	3,000

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2017 for related information.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss	\$ 632,524	\$ 630,396	\$ 630,559
Financial assets measured at fair value through other comprehensive profit or loss	64,888,683	-	-
Available-for-sale financial assets	-	47,643,427	44,103,186
Financial assets at cost	-	5,786,870	5,672,867
Financial assets at amortized cost	10,467,922	10,305,327	11,090,260
	<u>\$ 75,989,129</u>	<u>\$ 64,366,020</u>	<u>\$ 61,496,872</u>
<u>Financial liabilities</u>			
Financial liabilities measured at fair value through profit or loss	\$ 196	\$ -	\$ -
Financial liabilities at amortized cost	17,454,679	20,172,291	20,183,578
	<u>\$ 17,454,875</u>	<u>\$ 20,172,291</u>	<u>\$ 20,183,578</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

There was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2017 for related information.

C. Significant financial risks and degrees of financial risks

Except for the following items, there was no significant change during this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2017 for related information.

(a) Market risk

i. Foreign exchange risk

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

September 30, 2018			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 121,541	30.55	\$ 3,713,078
USD:RMB	9,306	6.88	284,298
JPY:NTD	488,476	0.28	136,773
<u>Non-monetary items</u>			
VND:NTD	4,646,629,205	0.0013	6,040,618
HKD:NTD	286,631	3.91	1,120,727
RMB:NTD	589,031	4.44	2,615,298
USD:NTD	171,396	30.55	5,236,148
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	17,267	6.88	527,507
December 31, 2017			
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 105,965	29.85	\$ 3,163,055
USD:RMB	5,856	6.53	174,802
JPY:NTD	443,701	0.26	115,362
<u>Non-monetary items</u>			
VND:NTD	4,545,840,640	0.0013	5,909,593
HKD:NTD	287,387	3.82	1,097,818
RMB:NTD	406,178	4.57	1,856,233
USD:NTD	190,780	29.85	5,694,783
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,819	29.85	113,997
USD:RMB	21,882	6.53	653,178

September 30, 2017			
Foreign Currency			
	Amount		Book Value
	(In Thousands)	Exchange Rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 100,737	30.31	\$ 3,053,338
USD:RMB	6,536	6.64	198,106
JPY:NTD	549,330	0.27	148,319
<u>Non-monetary items</u>			
VND:NTD	4,641,555,889	0.0013	6,034,023
HKD:NTD	280,187	3.88	1,087,126
RMB:NTD	412,316	4.57	1,884,284
USD:NTD	191,113	30.31	5,792,635
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	11,569	6.64	350,656

The total exchange income (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, amounted to (\$50,575), \$2,606, \$29,387 and (\$110,729), respectively.

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

Nine months ended September 30, 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%	\$ 37,131	\$ -
USD:RMB	1%	2,843	-
JPY:NTD	1%	1,368	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	60,406
HKD:NTD	1%	-	11,207
RMB:NTD	1%	-	26,153
USD:NTD	1%	-	52,361
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	1%	5,275	-

Nine months ended September 30, 2017			
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%	\$ 30,533	\$ -
USD:RMB	1%	1,981	-
JPY:NTD	1%	1,483	-
<u>Non-monetary items</u>			
VND:NTD	1%	-	60,340
HKD:NTD	1%	-	10,871
RMB:NTD	1%	-	18,843
USD:NTD	1%	-	57,926
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	1%	3,507	-

ii. Price risk

- (i) The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- (ii) The Group's investments in equity securities comprise shares, open-end funds and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the nine months ended September 30, 2018 and 2017 would have increased/decreased by \$5,060 and \$5,234, 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 \$648,887 and \$441,032, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income and available-for sale equity investment.

iii. Cash flow and fair value interest rate risk

- (i) The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the nine months ended September 30, 2018 and 2017, 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) At September 30, 2018 and 2017, if interest rates on NTD-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the nine months ended September 30, 2018 and 2017 would have been \$69,600 and \$92,130 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.
- (iv) At September 30, 2018 and 2017, if interest rates on USD-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the nine months ended September 30, 2018 and 2017 would have been \$2,319 and \$3,750 lower, respectively, mainly as a result of higher interest expense on 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 September 30, 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 September 30, 2018</u>					
Expected loss rate	0%	17%	37%	82%	
Total book value	\$ 4,613,812	\$ 120,386	\$ 62,494	\$ 17,273	\$ 4,813,965
Loss allowance	17,761	20,419	23,411	14,228	75,819

- 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:

	<u>Nine months ended September 30, 2018</u>		
	Notes receivable	Accounts receivable	Contract assets
At January 1	\$ -	(\$ 76,521)	\$ -
Effect of foreign exchange	-	702	-
At September 30	<u>\$ -</u>	<u>(\$ 75,819)</u>	<u>\$ -</u>

(c) Liquidity risk

- i. The Group'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 Group's investments in equity financial instruments without active markets are exposed to liquidity risk.
- ii. Due to well-managed operations, the Group 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 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. The amounts of contracted cash flow disclosed below are without discount.

Non-derivative financial liabilities:

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Long-term borrowings (including current portion)			
September 30, 2018	\$ 70,797	\$ 8,668,569	\$ 321,340
December 31, 2017	143,153	7,680,107	3,557,061
September 30, 2017	31,055	11,363,726	332,441

(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 nature of the assets and liabilities is as follows:

<u>September 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 452	\$ -	\$ 452
Beneficiary certificates	632,072	-	-	632,072
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	58,725,152	550,300	5,613,231	64,888,683
	<u>\$ 59,357,224</u>	<u>\$ 550,752</u>	<u>\$ 5,613,231</u>	<u>\$ 65,521,207</u>
Financial liabilities:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 196	\$ -	\$ 196
	<u>\$ -</u>	<u>\$ 196</u>	<u>\$ -</u>	<u>\$ 196</u>
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 398	\$ -	\$ 398
Beneficiary certificates	629,998	-	-	629,998
Available-for-sale financial				
assets				
Equity securities	47,023,027	620,400	-	47,643,427
	<u>\$ 47,653,025</u>	<u>\$ 620,798</u>	<u>\$ -</u>	<u>\$ 48,273,823</u>

<u>September 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 1,244	\$ -	\$ 1,244
Beneficiary certificates	629,315	-	-	629,315
Available-for-sale financial				
assets				
Equity securities	43,489,986	613,200	-	44,103,186
	<u>\$ 44,119,301</u>	<u>\$ 614,444</u>	<u>\$ -</u>	<u>\$ 44,733,745</u>

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

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

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

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

D. For the nine months ended September 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the nine months ended September 30, 2018:

	Nine months ended September 30, 2018	
	Non-derivative equity instruments	
At January 1	\$	5,786,870
Retrospective adjustments		65,372
At January 1 after adjustments		5,852,242
Acquired in the period		566,417
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	(	936,821)
Effect of exchange rate changes		131,393
At September 30	\$	5,613,231

For the nine months ended September 30, 2017, there was no movement of Level 3.

F. For the nine months ended September 30, 2018 and 2017, 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 September 30, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted shares	\$ 377,000	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
	5,236,231	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:

		September 30, 2018		
		Recognized in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	±1%	\$ 3,770	\$ 3,770

There is no effect of other comprehensive income from financial assets and liabilities categorized within Level 3 for the nine months ended September 30, 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the nine months ended September 30, 2017:

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

- i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- ii. 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.
- iii. They are initially recognized at fair value. Related transaction costs are expensed in profit or loss. They are subsequently remeasured and stated at fair value, and any changes in the fair value are recognized in profit or loss.

(b) Available for sale financial assets

- i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- iii. They are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Loans and receivables receivable are originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (v) The disappearance of an active market for that financial asset because of financial difficulties;
 - (vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
 - (i) Financial assets at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(e) 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. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Available-for-sale-current	Available-for-sale-non-current			Effects		
	Measured at fair value through other comprehensive income-current	Measured at fair value through other comprehensive income-non-current	Measured at cost	Total	Retained earnings	Other equity	Non-controlling interest
IAS 39	\$ 3,649,141	\$ 43,994,286	\$ 5,786,870	\$ 53,430,297	\$ -	\$ -	\$ -
Transferred into and measured at fair value through other comprehensive income-non-current	-	5,786,870	(5,786,870)	-	-	-	-
Fair value adjustment	-	65,372	-	65,372	4,825,623	(4,760,072)	(179)
IFRS 9	<u>\$ 3,649,141</u>	<u>\$ 49,846,528</u>	<u>\$ -</u>	<u>\$ 53,495,669</u>	<u>\$ 4,825,623</u>	<u>(\$ 4,760,072)</u>	<u>(\$ 179)</u>

Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets and financial assets at cost, amounting to \$47,643,427 and \$5,786,870, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to \$53,495,669, which resulted to an increase in retained earnings in the amount of \$4,825,623, decrease in other equity interest and non-controlling interest in the amounts of \$4,760,072 and \$179, respectively, on initial application of IFRS 9.

C. The significant accounts as of December 31, 2017, September 30, 2017, and for the nine months ended September 30, 2017 are as follows:

(a) Available-for-sale financial assets

Items	December 31, 2017	September 30, 2017
Current items:		
Listed stocks	\$ 2,282,862	\$ 2,101,506
Unlisted stocks	100,000	100,000
Valuation adjustment	1,266,279	945,452
	<u>\$ 3,649,141</u>	<u>\$ 3,146,958</u>
Non-current items:		
Listed stocks	\$ 11,317,003	\$ 9,251,979
Valuation adjustment	37,437,306	34,317,334
	48,754,309	43,569,313
Accumulated impairment	(4,760,023)	(2,613,085)
	<u>\$ 43,994,286</u>	<u>\$ 40,956,228</u>

- i. The Group recognized \$1,100,280 and (\$1,210,247) in other comprehensive income (loss) for fair value change for the three months ended September 30, 2017, and nine months ended September 30, 2017, respectively.
- ii. As of December 31, 2017 and September 30, 2017, no available-for-sale financial assets held by the Group were pledged as collateral.

(b) Financial assets at cost

Items	December 31, 2017	September 30, 2017
Unlisted stocks	<u>\$ 5,786,870</u>	<u>\$ 5,672,867</u>

- i. According to the Group's intention, its investment should be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in active market, and no sufficient industry information of companies similar to the corporations or the corporation's financial information cannot be obtained, the fair value of the investment in the stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets measured at cost'.
- ii. As of December 31, 2017 and September 30, 2017, no financial assets measured at cost held by the Group were pledged to others.

D. Credit risk information for the nine months ended September 30, 2017 is as follows:

- (a) The equity financial instruments have active markets and are transacted through a stock exchange market or over-the counter market, or with financial institutions which are all in good credit standing. Therefore, the credit risk is low. Besides, the Group's policy requires that transactions for financial assets carried at cost be conducted with counterparties that meet the specified credit rating requirement; thus, the possibility that credit risk will arise is remote.

- (b) The Group's policy requires that wholesale sales of products are made to clients with an appropriate credit review procedures. Therefore, the possibility of credit risk is low, and the maximum loss arising from credit risk is equal to the book value of accounts receivable.
- (c) Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50% ownership. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.
- (d) No credit limits were exceeded during the nine months ended September 30, 2017, and management does not expect any significant losses from non-performance by these counterparties.
- (e) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Group 1	\$ 3,023,454	\$ 3,236,303
Group 2	289,231	267,555
Group 3	141,478	187,495
	<u>\$ 3,454,163</u>	<u>\$ 3,691,353</u>

Note:

Group 1: Transnational customers, brand customers or credit customers that have applied for collateralised mortgage.

Group 2: Non-transnational customers, non-brand customers or credit customers that have not applied for collateralised mortgage with 2 or more years of transaction history with the Group.

Group 3: Non-transnational customers, non-brand customers or credit customers that have not applied for collateralised mortgage with less than 2 years of transaction history with the Group.

- (f) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Up to 30 days	\$ 146,964	\$ 154,853
31 to 90 days	32,878	49,342
91 to 180 days	3,172	8,312
Over 180 days	7,075	5,097
	<u>\$ 190,089</u>	<u>\$ 217,604</u>

(g) Movement analysis of financial assets that were impaired - allowance for bad debts is as follows:

i. As of December 31, 2017 and September 30, 2017, the Group's accounts receivable that were impaired were both \$0.

ii. Movements on the Group's provision for impairment of accounts receivable are as follows:

	Nine months ended September 30, 2017		
	Individual provision	Group provision	Total
At January 1	\$ 13,443	\$ 79,909	\$ 93,352
Transferred to other income	- (	228) (	228)
Write-offs during the period	(13,443)	- (	13,443)
Effect of exchange rate	- (	1,042) (	1,042)
At September 30	<u>\$ -</u>	<u>\$ 78,639</u>	<u>\$ 78,639</u>

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the nine months ended September 30, 2017 are set out below.

The Group manufactures and sells various fabrics and renders services as an oil distributor. 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 Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognized by using above accounting policies for the nine months ended September 30, 2017 are as follows:

	Three months ended	Nine months ended
	September 30, 2017	September 30, 2017
Sales revenue	\$ 9,734,874	\$ 30,666,412
Service revenue	94,374	263,002
	<u>\$ 9,829,248</u>	<u>\$ 30,929,414</u>

C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

		September 30, 2018		
Balance sheet items	Description	Balance by using		
		Balance by using	previous	Effects from
		IFRS 15	accounting	changes in
			policies	accounting policy
Contract assets		\$ 710,504	\$ -	\$ 710,504
Inventory		8,192,345	8,882,762	(690,417)
Retained earnings		9,427,290	9,447,377	(20,087)
Nine months ended September 30, 2018				
Comprehensive income statement items	Description	Balance by using		
		Balance by using	previous accounting	Effects from
		IFRS 15	policies	changes in
				accounting policy
Sales revenue		\$ 33,804,379	\$ 33,586,968	\$ 217,411
Operating costs		(29,569,355)	(29,272,618)	(296,737)
Net operating margin		4,235,024	4,314,350	(79,326)

Explanation:

Formosa Advanced Technologies Co., Ltd. provides assembly and testing services of various integrated circuits based on the specifications as required by the customers. The revenue is recognized when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon acceptance. Considering that the highly customised products have no alternative use to Formosa Advanced Technologies Co., Ltd. and Formosa Advanced Technologies Co., Ltd. has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized based on the percentage of completion under the new revenue standard.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the nine months ended September 30, 2018 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(12) 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.

(3) Information about segment profit or loss and assets

Nine months ended September 30, 2018							
	Second business group						
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 11,105,059	\$ 5,677,085	\$ 9,080,440	\$ 1,385,272	\$ 6,556,523	\$ -	\$ 33,804,379
Inter-segment revenue	<u>1,029,822</u>	<u>240,754</u>	<u>-</u>	<u>118,447</u>	<u>-</u>	<u>(1,389,023)</u>	<u>-</u>
Total segment							
revenue	<u>\$ 12,134,881</u>	<u>\$ 5,917,839</u>	<u>\$ 9,080,440</u>	<u>\$ 1,503,719</u>	<u>\$ 6,556,523</u>	<u>(\$ 1,389,023)</u>	<u>\$ 33,804,379</u>
Segment income	<u>\$ 4,675,763</u>	<u>\$ 201,022</u>	<u>\$ 310,336</u>	<u>\$ 104,205</u>	<u>\$ 1,465,436</u>	<u>(\$ 902,522)</u>	<u>\$ 5,854,240</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 14,078,061</u>	<u>\$ 6,623,534</u>	<u>\$ 1,407,920</u>	<u>\$ 3,586,550</u>	<u>\$ 7,086,513</u>	<u>(\$ 103,360)</u>	<u>\$ 32,679,218</u>
Investments accounted for using equity method							3,173,235
General assets							<u>72,429,526</u>
							<u>\$ 108,281,979</u>

Nine months ended September 30, 2017

	Second business group						
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
<u>Segment revenue</u>							
Revenue from							
external customers	\$ 9,822,684	\$ 5,993,423	\$ 7,871,154	\$ 1,263,624	\$ 5,978,529	\$ -	\$ 30,929,414
Inter-segment revenue	<u>999,000</u>	<u>415,233</u>	<u>-</u>	<u>71,538</u>	<u>-</u>	<u>(1,485,771)</u>	<u>-</u>
Total segment revenue	<u>\$ 10,821,684</u>	<u>\$ 6,408,656</u>	<u>\$ 7,871,154</u>	<u>\$ 1,335,162</u>	<u>\$ 5,978,529</u>	<u>(\$ 1,485,771)</u>	<u>\$ 30,929,414</u>
Segment income	<u>\$ 3,871,498</u>	<u>\$ 183,571</u>	<u>\$ 342,096</u>	<u>\$ 52,177</u>	<u>\$ 1,129,924</u>	<u>(\$ 1,006,019)</u>	<u>\$ 4,573,247</u>
<u>Segment assets</u>							
Identifiable assets	<u>\$ 13,605,615</u>	<u>\$ 5,882,531</u>	<u>\$ 1,348,984</u>	<u>\$ 4,250,313</u>	<u>\$ 4,717,955</u>	<u>(\$ 501,462)</u>	\$ 29,303,936
Investments accounted for using equity method							3,324,910
General assets							<u>58,262,596</u>
							<u>\$ 90,891,442</u>

(4) Reconciliation for segment income (loss)

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Nine months ended September 30, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2018 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	\$ 54,041,042	\$ 1,410,525	\$ 1,007,325	\$ 228,938	\$ -	1.21	\$ 108,082,085	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	54,041,042	1,567,250	1,526,250	384,260	-	1.84	108,082,085	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2	54,041,042	2,037,425	1,678,875	262,515	-	2.02	108,082,085	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	54,041,042	4,668,680	4,639,800	3,053,040	-	5.58	108,082,085	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	54,041,042	5,352,675	5,319,564	5,319,564	-	6.40	108,082,085	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	182,401	3,000	3,000	3,000	-	1.07	364,803	Y	N	N	

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

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

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

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

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

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

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

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

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

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

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

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

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Nine months ended September 30, 2018

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

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2018				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	12,169,610	\$ 1,557,710	0.21	\$ 1,557,710	
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	75	0.00	75	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	482,194	40,890	0.01	40,890	
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	550,300	2.35	550,300	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,711,010	448,010	0.25	448,010	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Non-current financial assets at fair value through other comprehensive income	365,267,576	54,059,601	3.83	54,059,601	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	174,441	4,026	0.45	4,026	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	14,400	40,946	10.00	40,946	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	676,441	14,860	1.20	14,860	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Nine months ended September 30, 2018

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

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2018				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Non-current financial assets at fair value through other comprehensive income	1,348,731	\$ 8,768	3.17	\$ 8,768	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	4,261,443	70,399	9.53	70,399	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Non-current financial assets at fair value through other comprehensive income	600	201,465	3.00	201,465	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Non-current financial assets at fair value through other comprehensive income	209,010,676	5,236,098	3.85	5,236,098	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Non-current financial assets at fair value through other comprehensive income	2,243,228	83,560	0.13	83,560	
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Association of R.O.C.	-	Non-current financial assets at fair value through other comprehensive income	-	133	0.11	133	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	146,388	17,127	0.00	17,127	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Current financial assets at fair value through other comprehensive income	672,512	57,029	0.01	57,029	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Current financial assets at fair value through other comprehensive income	15,249,000	1,951,872	0.26	1,951,872	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Current financial assets at fair value through other comprehensive income	1,110,000	164,280	0.01	164,280	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

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

Nine months ended September 30, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2018				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Non-current financial assets at fair value through other comprehensive income	7,376,215	\$ 428,558	0.24	\$ 428,558	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Non-current financial assets at fair value through other comprehensive income	2,130,721	35,194	4.77	35,194	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	SYNTRONIX CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	59,945	1,342	0.15	1,342	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	25,512,583	376,964	-	376,964	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	20,396,748	255,108	-	255,108	

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

Nine months ended September 30, 2018

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, 2018		Addition (Note 3)(Note 4)		Disposal (Note 3)			Gain (loss) on disposal	Balance as at September 30, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Non-current financial assets at fair value through other comprehensive income	-	-	15,421,010	\$ 1,175,081	-	\$ -	7,710,000	\$ 693,199	\$ 696,277	note 5	7,711,010	\$ 448,010
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Investments accounted for under equity method	NAN YA TECHNOLOGY CORPORATION	Other related party	290,464,472	7,412,797	-	-	84,022,000	3,039,857	2,177,715	note 6	206,442,472	5,449,224
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Non-current financial assets at fair value through other comprehensive income	-	-	190,009,706	5,490,371	19,000,970	566,417	-	-	- -		209,010,676	5,236,098

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: Beginning balance plus addition amount is not equal to balance at June 30, 2018 because of valuation in exchange rate.

Note 5: The loss on disposal (including the portion attributable to non-controlling interests) of (\$1,804,708) was reclassified to retained earnings.

Note 6: The gain on disposal (including the portion attributable to non-controlling interests) of \$980,948 was reclassified to capital surplus.

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

Nine months ended September 30, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions					
			Transaction				(Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(\$ 346,174)	(1.66)	Pay by mail transfer 60 days after delivery	\$ -	-	Accounts receivable	\$ 46,007	1.77	
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(256,349)	(1.23)	Pay 120 days after delivery	-	-	Accounts receivable	85,763	3.31	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	8,293,801	47.56	Pay every 15 days by mail transfer	-	-	Accounts payable	(554,434)	(34.40)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,407,146	8.07	Draw promissory notes due in 2 months after inspection	-	-	Notes payable	(359,346)	(22.29)	
									Accounts payable	(257,558)	(15.98)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	591,251	3.39	Pay every 15 days by mail transfer	-	-	Accounts payable	(50,291)	(3.12)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	255,710	1.47	Pay every 15 days by mail transfer	-	-	Accounts payable	(19,265)	(1.20)	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Sales	(4,560,496)	69.56	60 days after monthly billings	-	-	Accounts receivable	1,036,274	60.32	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	(317,581)	(24.55)	60 days after monthly billings	-	-	Accounts receivable	187,958	59.31	
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	175,605	11.71	60 days after monthly billings	-	-	Accounts payable	(35,105)	(24.77)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(210,054)	(6.54)	60 days after monthly billings	-	-	Accounts receivable	36,206	3.50	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(286,876)	(8.94)	60 days after monthly billings	-	-	Accounts receivable	109,517	10.60	

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

Nine months ended September 30, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Credit term	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)		Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)	
FORMOSA TAFFETA DONG NAI CO., LTD.	DONG NAI CO., LTD.	KWANG VIET GARMENT CO., LTD.	Other related party	Sales	(\$ 125,901) (3.92)	60 days after monthly billings	\$ -	-	Accounts receivable	\$ 31,488	3.05	
FORMOSA TAFFETA DONG NAI CO., LTD.	DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	449,914 14.86	60 days after monthly billings	-	-	Accounts payable	(33,660) (10.48)		
FORMOSA TAFFETA DONG NAI CO., LTD.	DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	334,415 11.04	60 days after monthly billings	-	-	Accounts payable	(34,427) (10.72)		
FORMOSA TAFFETA DONG NAI CO., LTD.	DONG NAI CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	121,658 4.02	60 days after monthly billings	-	-	Accounts payable	(1,216) (0.38)		
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	JIAXING QUANG VIET GARMENT CO., LTD.	Associate	Sales	(126,907) (11.57)		Pay by mail transfer 60 days after delivery	-	-	Accounts receivable	9,763 4.74		

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
Nine months ended September 30, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2018 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	\$1,036,274	6.11	\$ -	-	\$ 531,238	\$ -
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associate	187,958	2.75	-	-	37,227	-
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	109,517	1.77	-	-	91,112	-

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
Nine months ended September 30, 2018

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	\$ 1,407,146	Draw promissory notes due in 2 months after inspection	4.16
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	(359,346)	Draw promissory notes due in 2 months after inspection	0.33
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	(257,558)	Draw promissory notes due in 2 months after inspection	0.24

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

Nine months ended September 30, 2018

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 September 30, 2018			Net profit (loss) of the investee for the nine months ended September 30, 2018 (Note 2(2))	Investment income (loss) recognized by the company for the nine months ended September 30, 2018 (Note 2(3))	Footnote
				Balance as at September 30, 2018	Balance as at December 31, 2017	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	\$ 232,430	\$ 26,739	\$ 22,382	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	206,442,472	46.68	5,449,224	1,188,273	730,286	
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	1,114,453	50,357	50,357	
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	1,916,051	116,968	116,968	
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	17.92	1,188,101	806,537	117,999	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

Nine months ended September 30, 2018

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 September 30, 2018			Net profit (loss) of the investee for the nine months ended September 30, 2018 (Note 2(2))	Investment income (loss) recognized by the company for the nine months ended September 30, 2018 (Note 2(3))	Footnote
				Balance as at September 30, 2018	Balance as at December 31, 2017	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	\$ 4,926	\$ 4,816	\$ 2,408	
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	2,193,054	(51,691)	(51,691)	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	1,968,686	1,006,924	104,046	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	6,241,670	5,675,253	171,028,736	100.00	5,236,149	-	-	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	24,135	1,188,273	1,262	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	5,000	-	100.00	8,502	3,341	3,341	

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

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

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at September 30, 2018' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the three months ended September 30, 2018' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the three months ended September 30, 2018' 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

Nine months ended September 30, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee for the nine months ended September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2018 (Note 2)	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	(1)	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	\$ 23,472	100.00	\$ 23,472	\$ 1,612,806	\$ -	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	(619)	100.00	(619)	5,436	-	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	50,530	100.00	50,530	997,681	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	210	40.78	113	16,448	-	Note 6

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

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

Note 2: The amount of 'Investment income (loss) recognised by the Company for the nine months ended September 30, 2018 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, 2018 and September 30, 2018 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, 2018 and September 30, 2018 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, 2018 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, 2017 was US\$41,100,000.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	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	\$ 1,417,520	\$ 53,584,749
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,414	53,584,749
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,283,100	53,584,749

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 = 1:30.55

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
Nine months ended September 30, 2018

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				
	Balance at		Balance at		Maximum balance during		Interest during the						
	Amount	%	Amount	%	September 30, 2018	%	September 30, 2018	Purpose	the nine months ended September 30, 2018	Balance at September 30, 2018	Interest rate	September 30, 2018	Others
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	\$ 28,762	0.14	\$ -	-	\$ 2,095	0.08	\$ 1,007,325	For short-tem loans from financial institutions	\$ -	\$ -	-	\$ -	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	43,277	0.21	-	-	12,265	0.47	1,678,875	For short-tem loans from financial institutions	-	-	-	-	