

**FORMOSA CHEMICALS & FIBRE  
CORPORATION**  
**PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND REPORT OF INDEPENDENT  
ACCOUNTANTS**  
**DECEMBER 31, 2020 AND 2019**

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

## FORMOSA CHEMICALS & FIBRE CORPORATION

### INDEX

Items	Pages
Index	
Independent Auditors' Report	1-6
Parent Company Only Balance Sheets	7-8
Parent Company Only Statements of Comprehensive Income	9-10
Parent Company Only Statements of Changes in Equity	11
Parent Company Only Statements of Cash Flows	12-13
Notes to Parent Company Only Financial Statements	14-73

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000326

To the Board of Directors and Shareholders of FORMOSA CHEMICALS & FIBRE CORPORATION

### ***Opinion***

We have audited the accompanying parent company only balance sheets of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the *Other Matter – Audits of the Other Independent Auditors* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of FORMOSA CHEMICALS & FIBRE CORPORATION in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Key audit matters***

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

### **Assessment of loss allowance for accounts receivable**

#### **Description**

Refer to Note 4(9) of parent company only financial statements for accounting policy on accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, and Note 6(4) for details of loss allowance for accounts receivable. As of December 31, 2020, the Company's accounts receivable amounted to NT\$17,978,599 thousand, net of loss allowance in the amount of NT\$72,170 thousand.

The Company assesses expected credit impairment loss on accounts receivable based on historical experience, forward-looking information and known reason or existing objective evidences. For those accounts which are considered uncollectible, the Company recognises impairment with a credit to accounts receivable. Management evaluates the reasonableness of estimated provision periodically. As the estimation of loss allowance is subject to management's judgement and business indicators, the amount of provision is based on the collectability of accounts receivable, and considering that accounts receivable and loss allowance are material to the financial statements, we consider the loss allowance for accounts receivable a key audit matter.

#### **How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained the overdue aging report used when management assessed the expected credit impairment loss, assessed whether the logic of data source was consistently applied, and tested its accuracy with proper documents.
2. Assessed the reasonableness of estimates used by management in calculating expected credit impairment loss and obtained supporting documents, including forward-looking information, disputed accounts, overdue accounts, subsequent collection, and other indications that would show the customer would be unable to repay on schedule.

3. Performed subsequent collection test in order to verify the adequacy of loss allowance provided for accounts receivable.

## **Valuation of inventories**

### Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for detailed information on allowance for inventory valuation losses. As of December 31, 2020, the inventory and allowance for inventory valuation losses were NT\$13,809,971 thousand and NT\$566,426 thousand, respectively. The Company is primarily engaged in the manufacture and sales of petrochemical plastic products, fibers weaving and cords. Because the price of petrochemical plastic products is subject to the fluctuations in international crude oil prices, and the textile market is competitive, there is a higher risk of inventory valuation loss. The Company recognises inventories at the lower of cost and net realisable value, and the net realisable value is calculated based on average price less selling expenses. Since the net realisable value used in inventory valuation involves subjective judgement and high uncertainty in estimation, and the allowance for inventory valuation loss is material to the financial statements, we considered the valuation of inventory as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realisable value;
2. Understood the Company's warehousing control procedures, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the classification of inventory and internal control over inventory.
3. Checked the method in calculating the net realisable value of inventory and assessed the reasonableness of allowance for valuation loss.

***Other matter – audits of the other independent auditors***

We did not audit the financial statements of certain investments accounted for under the equity method. Investments accounted for under the equity method amounted to NT\$113,412,424 thousand and NT\$116,967,421 thousand, both constituting 25% of total assets as of December 31, 2020 and 2019, respectively and comprehensive income was NT\$1,916,061 thousand and NT\$ 7,912,093 thousand, constituting 19% and 35% of total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent auditors.

***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

***Auditors' responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Han-Chi

Chou, Chien-Hung

for and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2021

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report 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 CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	3,705,265	1	\$	685,005	-
1110	Financial assets at fair value through profit or loss - current	6(2)		3,888,510	1		4,043,968	1
1120	Current financial assets at fair value through other comprehensive income	6(3)		108,390,105	24		109,009,928	24
1150	Notes receivable, net	6(4)		266,891	-		216,389	-
1160	Notes receivable - related parties	6(4) and 7		127,610	-		44,999	-
1170	Accounts receivable, net	6(4)		5,796,622	1		5,635,861	1
1180	Accounts receivable - related parties	6(4) and 7		12,181,977	3		12,839,476	3
1200	Other receivables	7		722,920	-		1,059,415	-
1210	Other receivables - related parties	7		4,195,598	1		12,798,836	3
130X	Inventory	6(5)		13,243,545	3		19,046,036	4
1470	Other current assets	7		4,554,725	1		3,032,965	1
11XX	Total current assets			157,073,768	35		168,412,878	37
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		19,017,691	4		15,802,133	3
1550	Investments accounted for under equity method	6(6)		205,595,844	46		212,083,684	46
1600	Property, plant and equipment	6(7) and 8		54,560,182	12		53,342,392	12
1755	Right-of-use assets	6(8)		27,188	-		25,272	-
1840	Deferred income tax assets	6(24)		1,956,173	1		2,245,198	-
1900	Other non-current assets			7,065,392	2		7,607,343	2
15XX	Total non-current assets			288,222,470	65		291,106,022	63
1XXX	Total assets		\$	445,296,238	100	\$	459,518,900	100

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**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 13,763,200	3	\$ 21,057,000	5
2110	Short-term notes and bills payable	6(9)	15,596,755	4	14,396,370	3
2170	Accounts payable		1,838,945	-	2,111,358	1
2180	Accounts payable - related parties	7	11,083,977	3	10,027,809	2
2200	Other payables	7	5,227,252	1	5,982,156	1
2230	Current income tax liabilities		1,135,266	-	461,912	-
2280	Current lease liabilities		5,669	-	4,721	-
2320	Long-term liabilities, current portion	6(10)(11)	2,050,000	1	5,438,889	1
2399	Other current liabilities		5,109,713	1	3,912,922	1
21XX	Total current liabilities		55,810,777	13	63,393,137	14
Non-current liabilities						
2530	Corporate bonds payable	6(10)	40,050,000	9	32,100,000	7
2540	Long-term borrowings	6(11)	-	-	1,344,444	-
2570	Deferred income tax liabilities	6(24)	40,277	-	49,271	-
2580	Non-current lease liabilities		21,813	-	20,726	-
2600	Other non-current liabilities	6(12)	5,019,513	1	6,096,651	1
25XX	Total non-current liabilities		45,131,603	10	39,611,092	8
2XXX	Total liabilities		100,942,380	23	103,004,229	22
Equity						
	Share capital	6(13)				
3110	Common stock		58,611,863	13	58,611,863	13
	Capital surplus	6(14)				
3200	Capital surplus		9,167,637	2	9,138,869	2
	Retained earnings	6(15)				
3310	Legal reserve		64,335,076	14	61,364,852	14
3320	Special reserve		66,328,339	15	60,171,925	13
3350	Unappropriated retained earnings		53,380,101	12	64,990,184	14
	Other equity interest	6(16)				
3400	Other equity interest		92,854,794	21	102,560,930	22
3500	Treasury stocks	6(13)	( 323,952)	-	( 323,952)	-
3XXX	Total equity		344,353,858	77	356,514,671	78
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 445,296,238	100	\$ 459,518,900	100

The accompanying notes are an integral part of these parent company only financial statements.

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			For the years ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7		\$ 159,681,997	100	\$ 198,210,058	100
5000 Operating costs	6(5)(22)(23) and 7		( 147,711,667)	( 92)	( 181,514,346)	( 92)
5900 Net operating margin			11,970,330	8	16,695,712	8
5910 Unrealized profit from sales			( 47,243)	-	( 285,173)	-
5920 Realized profit from sales			285,173	-	539,952	-
5950 Net operating margin			12,208,260	8	16,950,491	8
Operating expenses	6(12)(22)(23) and 7					
6100 Selling expenses			( 4,725,799)	( 3)	( 4,834,267)	( 2)
6200 General and administrative expenses			( 3,301,210)	( 2)	( 3,908,145)	( 2)
6000 Total operating expenses			( 8,027,009)	( 5)	( 8,742,412)	( 4)
6900 Operating profit			4,181,251	3	8,208,079	4
Non-operating income and expenses						
7100 Interest income	6(18)		129,309	-	248,857	-
7010 Other income	6(19) and 7		5,174,466	3	8,539,109	4
7020 Other gains and losses	6(20)		( 1,167,811)	( 1)	15,227	-
7050 Finance costs	6(7)(21) and 7		( 808,895)	-	( 933,004)	-
7070 Share of profit of associates and joint ventures accounted for under equity method	6(6)		13,094,869	8	15,820,270	8
7000 Total non-operating income and expenses			16,421,938	10	23,690,459	12
7900 Profit before income tax			20,603,189	13	31,898,538	16
7950 Income tax expense	6(24)		( 1,059,048)	( 1)	( 2,196,296)	( 1)
8200 Profit for the year			\$ 19,544,141	12	\$ 29,702,242	15

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**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	For the years ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (net)</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Actuarial gains (losses) on defined benefit plans	6(12)	\$ 305,882	-	(\$ 354,337)	-
8316 Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)(16)	( 15,129,232)	( 10)	4,140,707	2
8330 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		6,087,983	4	( 7,884,276)	( 4)
8310 Other comprehensive loss that will not be reclassified to profit or loss		( 8,735,367)	( 6)	( 4,097,906)	( 2)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Exchange differences on translation	6(16)	278,998	-	( 2,616,345)	( 1)
8380 Share of other comprehensive loss of associates and joint ventures accounted for using equity method		( 855,477)	-	( 657,412)	-
8399 Income tax relating to the components of other comprehensive income	6(16)(24)	( 104,057)	-	542,926	-
8360 Other comprehensive loss that will be reclassified to profit or loss		( 680,536)	-	( 2,730,831)	( 1)
8300 <b>Other comprehensive loss for the year</b>		( \$ 9,415,903)	( 6)	( \$ 6,828,737)	( 3)
8500 <b>Total comprehensive income for the year</b>		<u>\$ 10,128,238</u>	<u>6</u>	<u>\$ 22,873,505</u>	<u>12</u>
<b>Basic earnings per share (in dollars)</b>	6(25)	Before Tax	After Tax	Before Tax	After Tax
9750 <b>Net income</b>		<u>\$ 3.52</u>	<u>\$ 3.34</u>	<u>\$ 5.47</u>	<u>\$ 5.09</u>
<b>Assuming shares held by subsidiary are not deemed as treasury stock:</b>					
<b>Basic earnings per share (in dollars)</b>					
<b>Net income</b>		<u>\$ 3.52</u>	<u>\$ 3.33</u>	<u>\$ 5.44</u>	<u>\$ 5.07</u>

The accompanying notes are an integral part of these parent company only financial statements.

FORMOSA CHEMICALS & FIBRE CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

		Retained Earnings					Other Equity Interest				
								Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Treasury stocks	Total
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations				
For the year ended December 31, 2019											
Balance at January 1, 2019		\$ 58,611,863	\$ 9,084,142	\$ 56,487,920	\$ 53,131,385	\$ 84,098,904	(\$ 1,813,251 )	\$ 110,762,790	(\$ 15,865 )	(\$ 539,014 )	\$ 369,808,874
Profit for the year		-	-	-	-	29,702,242	-	-	-	-	29,702,242
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	( 454,682 )	( 2,747,355 )	( 3,643,224 )	16,524	-	( 6,828,737 )
Total comprehensive income (loss)		-	-	-	-	29,247,560	( 2,747,355 )	( 3,643,224 )	16,524	-	22,873,505
Appropriations of 2018 earnings											
Legal reserve	6(15)	-	-	4,876,932	-	( 4,876,932 )	-	-	-	-	-
Special reserve		-	-	-	7,040,540	( 7,040,540 )	-	-	-	-	-
Cash dividends		-	-	-	-	( 36,339,355 )	-	-	-	-	( 36,339,355 )
Dividends paid to subsidiaries to adjust capital surplus	6(14)	-	44,726	-	-	-	-	-	-	-	44,726
Changes in the net interest of associates recognised under the equity method	6(14)	-	( 4,649 )	-	-	-	-	-	-	-	( 4,649 )
Expired cash dividends reclassified to capital surplus	6(14)	-	6,869	-	-	-	-	-	-	-	6,869
Expired dividends paid from capital surplus	6(14)	-	( 156 )	-	-	-	-	-	-	-	( 156 )
Adjustments in treasury stocks due to changes in proportion to its ownership interests in subsidiaries		-	-	-	-	-	-	-	-	215,062	215,062
Changes in ownership interests in subsidiaries	6(14)	-	7,937	-	-	( 98,142 )	-	-	-	-	( 90,205 )
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	( 1,311 )	-	1,311	-	-	-
Balance at December 31, 2019		\$ 58,611,863	\$ 9,138,869	\$ 61,364,852	\$ 60,171,925	\$ 64,990,184	(\$ 4,560,606 )	\$ 107,120,877	\$ 659	(\$ 323,952 )	\$ 356,514,671
For the year ended December 31, 2020											
Balance at January 1, 2020		\$ 58,611,863	\$ 9,138,869	\$ 61,364,852	\$ 60,171,925	\$ 64,990,184	(\$ 4,560,606 )	\$ 107,120,877	\$ 659	(\$ 323,952 )	\$ 356,514,671
Profit for the year		-	-	-	-	19,544,141	-	-	-	-	19,544,141
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	404,543	( 712,000 )	( 9,139,910 )	31,464	-	( 9,415,903 )
Total comprehensive income (loss)		-	-	-	-	19,948,684	( 712,000 )	( 9,139,910 )	31,464	-	10,128,238
Appropriations of 2019 earnings											
Legal reserve	6(15)	-	-	2,970,224	-	( 2,970,224 )	-	-	-	-	-
Special reserve		-	-	-	6,156,414	( 6,156,414 )	-	-	-	-	-
Cash dividends		-	-	-	-	( 22,272,508 )	-	-	-	-	( 22,272,508 )
Dividends paid to subsidiaries to adjust capital surplus	6(14)	-	17,295	-	-	-	-	-	-	-	17,295
Changes in the net interest of associates recognised under the equity method	6(14)	-	4,568	-	-	( 88,768 )	-	84,386	-	-	186
Expired cash dividends reclassified to capital surplus	6(14)	-	4,420	-	-	-	-	-	-	-	4,420
Expired dividends paid from capital surplus	6(14)	-	( 304 )	-	-	-	-	-	-	-	( 304 )
Changes in ownership interests in subsidiaries	6(14)	-	2,789	-	-	( 40,929 )	-	-	-	-	( 38,140 )
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	( 29,924 )	-	29,924	-	-	-
Balance at December 31, 2020		\$ 58,611,863	\$ 9,167,637	\$ 64,335,076	\$ 66,328,339	\$ 53,380,101	(\$ 5,272,606 )	\$ 98,095,277	\$ 32,123	(\$ 323,952 )	\$ 344,353,858

The accompanying notes are an integral part of these parent company only financial statements.

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 20,603,189	\$ 31,898,538
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(22)	5,648,825	5,497,457
Amortization	6(22)	3,166,572	3,038,884
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(20)	155,458 (	27,104 )
Interest expense	6(21)	808,895	933,004
Interest income	6(18)	( 129,309 ) (	248,856 )
Dividend income	6(19)	( 3,955,134 ) (	7,935,339 )
Share of profit or loss of associates accounted for under the equity method		( 13,094,869 ) (	15,820,271 )
Loss (gain) on disposal and scrap of property, plant and equipment	6(20)	204,906 (	24,641 )
Realised gain from sales		( 237,930 ) (	254,779 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 50,502 )	174,313
Notes receivable-related parties		( 82,611 )	286,827
Accounts receivable		( 160,761 )	1,942,962
Accounts receivable-related parties		657,499	4,932,646
Other receivables		329,481	1,700,334
Inventory		5,802,491 (	827,914 )
Other current assets		( 1,522,214 ) (	1,031,171 )
Changes in operating liabilities			
Accounts payable		( 272,413 ) (	439,168 )
Accounts payable-related parties		1,056,168 (	3,312,296 )
Other payables		( 887,969 ) (	1,876,723 )
Other current liabilities		1,196,791 (	794,469 )
Accrued pension liabilities		( 793,963 ) (	531,098 )
Cash inflow generated from operations		18,442,600	17,281,136
Interest received		136,323	270,745
Dividends received		12,902,065	22,594,777
Interest paid		( 820,936 ) (	936,581 )
Income tax paid		( 209,720 ) (	4,999,175 )
Net cash flows from operating activities		30,450,332	34,210,902

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2020	2019
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease (increase) in other receivables-related parties		\$ 8,603,238	(\$ 1,545,394 )
Proceeds from disposal of financial assets at fair value through profit or loss		23,293	7,749
Acquisition of investments accounted for under the equity method		( 1,383,254 )	( 6,054,554 )
Acquisition of property, plant and equipment	6(26)	( 6,989,725 )	( 5,824,832 )
Proceeds from disposal of property, plant and equipment		65,876	46,830
Increase in non-current assets		( 2,621,654 )	( 4,522,873 )
Net cash flows used in investing activities		( 2,302,226 )	( 17,893,074 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
(Decrease) increase in short-term borrowings		( 7,293,800 )	11,419,700
Decrease in short-term notes and bills payable		1,200,385	1,905,827
Increase in long-term borrowings		-	700,000
Payment of long-term borrowings		( 4,033,333 )	( 7,188,889 )
Increase in corporate bonds payable		10,000,000	7,000,000
Payment of corporate bonds payable		( 2,750,000 )	( 6,200,000 )
Payment of lease liabilities		( 6,022 )	( 6,020 )
Increase (decrease) in other non-current liabilities		22,707	( 12,246 )
Payment of cash dividends	6(26)	( 22,267,479 )	( 36,329,900 )
Expired dividends paid from capital surplus		( 304 )	( 156 )
Net cash flows used in financing activities		( 25,127,846 )	( 28,711,684 )
Net increase (decrease) in cash and cash equivalents		3,020,260	( 12,393,856 )
Cash and cash equivalents at beginning of year		685,005	13,078,861
Cash and cash equivalents at end of year		<u>\$ 3,705,265</u>	<u>\$ 685,005</u>

The accompanying notes are an integral part of these parent company only financial statements.

FORMOSA CHEMICALS & FIBRE CORPORATION  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. History and Organization

Formosa Chemicals & Fibre Corporation (the Company) was founded on March 5, 1965. The Company now has eight business divisions, namely First Chemical Division, Petrochemicals Division, Third Chemical Division, Plastics Division, Textile Division, First Fiber Division, Second Fiber Division, and Engineering & Construction Division. The Company's major businesses are production and sales of petrochemical products, including PTA, PS, AN, Butadiene, SM polymer, SM, benzene, toluene, p-xylene (PX) and o-xylene (OX), as well as nylon fiber, and rayon staple fiber. The Company is also engaged in spinning, weaving, dyeing and finishing.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 12, 2021.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

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

Note: Earlier application from January 1, 2020 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Company's financial condition and operating results based on the Company's assessment.



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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and operating results based on the Company's assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

#### 4. Summary of Significant Accounting Policies

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

##### (1) Compliance statement

These parent company only financial statements are prepared by the Company in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

##### (2) Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognised 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 judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

##### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

**B. Translation of foreign operations**

- (a) The operating results and financial position of all associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, when the Company retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

**(4) Classification of current and non-current items**

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

**(5) Cash equivalents**

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
  - (a) The changes in fair value of equity investments that were recognised 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 recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
  - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred ; however, the Company has not retained control of the financial asset.

(11) Inventories

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

(12) Investments accounted for using equity method /subsidiaries and associates

- A. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to comply with the Company's accounting policies.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

- E. Upon loss of significant influence over a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. The amount previously recognised in other comprehensive income in relation to the subsidiary is reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. When the Company loses significant influence over the subsidiary, the profit or loss is reclassified from equity to profit or loss.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

- L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- M. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	15 ~ 50 years
Machinery and equipment	5 ~ 15 years
Transportation equipment	3 ~ 15 years
Other equipment	3 ~ 15 years

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

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

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

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Impairment of non-financial assets

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

(16) Borrowings

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



(17) 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.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(21) 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 recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised 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.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 recognised, 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology 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 utilised.

(23) Treasury shares

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

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells a variety of petrochemical products, including the spinning, weaving, dyeing and finishing of rayon and nylon fiber. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) The amount of sales revenue recognised is equal to the contract price net of volume discounts and sales discounts and allowances. Volume discounts and sales discounts and allowances are estimated based on historical information, and a refund liability is recognised for expected volume discounts and sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 to 120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of accounts receivable

In the process of assessing impairment of accounts receivable, the Company must use judgements and assumptions to determine the collectability of accounts receivable. The collectability is affected by various factors: customers' financial conditions, the Company's internal credit ratings, historical experience, etc. When sales are not expected to be collected, the Company recognises a specific allowance for doubtful receivables after the assessment. The assumptions and estimates of loss allowance provided for accounts receivable are based on concerning future events as that on the balance sheet date. Assumptions and estimates may differ from the actual results which may result in material adjustments.

B. Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$13,243,545.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 336	\$ 380
Checking accounts and demand deposits	2,849,334	684,625
Cash equivalents		
Time deposits	855,595	-
	<u>\$ 3,705,265</u>	<u>\$ 685,005</u>

A. The Company 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. Loss allowance is measured using 12-month expected credit losses. For the years ended December 31, 2019 and 2018, the Company did not recognise any loss allowance.

B. The Company has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current item:		
Financial assets mandatorily measured at fair value through profit or loss		
Fund	\$ 4,085,299	\$ 4,085,299
Valuation adjustment	( 196,789)	( 41,331)
	<u>\$ 3,888,510</u>	<u>\$ 4,043,968</u>

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

	For the years ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Fund	(\$ 155,458)	\$ 27,104

- B. The Company did not pledge financial assets at fair value through profit or loss to others as collateral.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

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

	December 31, 2020	December 31, 2019
Current items:		
Equity instruments		
Listed stocks	\$ 23,864,654	\$ 23,864,654
Unlisted stocks	725,839	725,839
Valuation adjustment	83,799,612	84,419,435
	<u>\$ 108,390,105</u>	<u>\$ 109,009,928</u>
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 20,188,503	\$ 2,463,536
Valuation adjustment	( 1,770,812)	13,338,597
	<u>\$ 18,417,691</u>	<u>\$ 15,802,133</u>

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

	For the years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 15,129,232)	\$ 4,140,707

- B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company were \$127,407,796 and \$124,812,061, respectively.
- C. The Company did not pledge financial assets at fair value through other comprehensive income to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 266,891	\$ 216,389
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 266,891</u>	<u>\$ 216,389</u>
Notes receivable - related parties	<u>\$ 127,610</u>	<u>\$ 44,999</u>
Accounts receivable	\$ 5,868,792	\$ 5,836,695
Less: Allowance for uncollectible accounts	( 72,170)	( 200,834)
	<u>\$ 5,796,622</u>	<u>\$ 5,635,861</u>
Accounts receivable - related parties	<u>\$ 12,181,977</u>	<u>\$ 12,839,476</u>

A. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$26,233,870.

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$394,501 and \$261,388 and accounts receivable were \$17,978,599 and \$18,475,337, respectively.

C. Information relating to credit risk is provided in Note 12(3).

(5) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,655,511	(\$ 1,373)	\$ 4,654,138
Materials	3,491,570	( 559,517)	2,932,053
Work in progress	1,552,918	( 1)	1,552,917
Finished goods	4,106,269	( 5,535)	4,100,734
Other inventory	3,703	-	3,703
	<u>\$ 13,809,971</u>	<u>(\$ 566,426)</u>	<u>\$ 13,243,545</u>
December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 7,274,806	(\$ 37,676)	\$ 7,237,130
Materials	3,695,338	( 553,878)	3,141,460
Work in progress	1,945,836	( 1,974)	1,943,862
Finished goods	6,819,216	( 98,106)	6,721,110
Other inventory	2,474	-	2,474
	<u>\$ 19,737,670</u>	<u>(\$ 691,634)</u>	<u>\$ 19,046,036</u>

Expense and loss incurred on inventories for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Cost of inventories sold	\$ 145,823,787	\$ 179,508,824
(Gain) loss on inventory valuation (Note)	( 125,208)	37,326
Idle capacity (including annual survey and work stoppage)	1,789,759	1,841,074
Others	223,329	127,122
	<u>\$ 147,711,667</u>	<u>\$ 181,514,346</u>

Note: For the year ended December 31, 2020, disposal of excess inventory resulted in gain from price recovery of inventory. As the market value of petroleum related products decreased for the year ended December 31, 2019, the Company recognised related allowance for inventory valuation losses after assessment.

(6) Investments accounted for using equity method

	December 31, 2020	December 31, 2019
<b>Subsidiaries</b>		
FCFC Investment Corp. (Cayman)	\$ 61,014,998	\$ 52,477,831
Formosa Taffeta Co., Ltd.	22,556,331	23,552,658
FCFC International Corp. (Cayman)	-	11,407,819
Formosa Industries Corp., Vietnam	8,011,716	8,156,669
Formosa Idemitsu Petrochemical Corp.	1,330,780	1,553,085
Formosa BP Chemicals Corp.	1,567,014	1,666,159
Formosa Biomedical Technology Corp.	1,885,663	1,146,295
Formosa Carpet Corp.	198,152	206,770
Tah Shin Spinning Corp.	738,754	32,508
Chia-Nan Enterprise Corp.	353,298	-
<b>Associates</b>		
Formosa Petrochemical Corp.	74,133,567	79,497,235
Mai Liao Power Corp.	12,414,449	11,049,766
Formosa Heavy Industries Corp.	7,102,774	7,168,024
Formosa Resourse Corp.	6,169,287	6,615,934
Formosa Synthetic Rubber Corp. (Hong Kong)	2,308,051	2,326,752
FG INC.	3,117,242	2,605,772
Formosa Plastics Transport Corp.	1,177,559	1,062,761
Formosa Group (CAYMAN) Corp.	549,229	653,576
Chia-Nan Enterprise Corp.	-	225,553
Formosa Synthetic Rubber Corp.	-	292,611
Formosa Environmental Technology Corp.	227,350	225,692
Formosa Fairway Corp.	68,247	82,161
Formosa Construction Corp.	568,354	75,523
Hwa Ya Science Park Management Consulting Co.	3,029	2,530
	<u>\$ 205,495,844</u>	<u>\$ 212,083,684</u>

- A. The related information on subsidiaries is provided in Note 4(3) of consolidated financial statements for 2020.
- B. After the Company acquired an additional equity interest in Chia-Nan Enterprise Corp. on September 24, 2020, Chia-Nan Enterprise Corp. became the Company's consolidated subsidiary. Details are provided in Note 4(3) of the Company's consolidated financial statements.
- C. On May 7, 2020, the Board of Directors of the Company resolved to dissolve and liquidate the subsidiary, FCFC International Limited (Cayman). The equity interest of Formosa Ha Tinh (Cayman) Limited which was formerly held by FCFC International Limited (Cayman) was transferred into non-current financial assets at fair value through other comprehensive income after the combination.
- D. The investments accounted for using equity method were based on the investees' audited financial statements for the years ended December 31, 2020 and 2019.
- E. The financial information of the associate that is material to the Company is as follows:

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2020</u>	<u>December 31, 2019</u>		
Formosa Petrochemical Corp.	Taiwan	24.15%	24.15%	Investments accounted for using equity method	Equity method

- F. The summarised financial information of the associate that is material to the Company is shown below:

Balance Sheet

	<u>Formosa Petrochemical Corp.</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 212,621,640	\$ 227,523,818
Non-current assets	157,332,180	159,513,535
Current liabilities	( 27,677,805)	( 35,694,376)
Non-current liabilities	( 34,174,656)	( 21,119,916)
Total net assets	<u>\$ 308,101,359</u>	<u>\$ 330,223,061</u>
Share in associate's net assets	\$ 74,406,478	\$ 79,748,869
Unrealised loss (gain) from sales of upstream transactions eliminations	( 162,192)	( 140,915)
Net differences in share capital	( 110,719)	( 110,719)
Carrying amount of the associate	<u>\$ 74,133,567</u>	<u>\$ 79,497,235</u>



## Statement of comprehensive income

Formosa Petrochemical Corp.		
	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	\$ 413,042,534	\$ 643,824,935
Profit for the year from continuing operations	\$ 7,429,610	\$ 36,798,213
Other comprehensive (loss) income, net of tax	( 1,926,787)	1,397,296
Total comprehensive income	\$ 5,502,823	\$ 38,195,509
Dividends received from associates	\$ 6,672,319	\$ 11,043,840
G. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below: As of December 31, 2020 and 2019, the carrying amount of the Company's individually immaterial associates amounted to \$33,805,571 and \$32,386,655, respectively.		
	Year ended December 31, 2020	Year ended December 31, 2019
Profit for the year from continuing operations	\$ 6,722,122	\$ 1,682,296
Other comprehensive loss, net of tax	( 3,835,199)	( 5,507,152)
Total comprehensive loss	\$ 2,886,923	(\$ 3,824,856)
H. The fair value of the Company's associate which has quoted market price is as follows:		
	December 31, 2020	December 31, 2019
Formosa Petrochemical Corp.	\$ 229,619,820	\$ 224,327,981
I. The Board of Directors resolved to invest USD 24,600 thousand and USD 22,500 thousand, equivalent to 30% ownership, in FG INC. on March 13, 2020 and March 15, 2019, respectively.		
J. On November 6, 2020, the Board of Directors of the Company resolved to increase its investment in Formosa Plastics Construction Corporation in the amount of \$500,000, and the shareholding ratio was 33.33%.		
K. The Board of Directors resolved to invest USD 81,250 thousand, equivalent to 25% ownership, in Formosa Resource Corp. on August 8, 2019. Actual investment amount was USD 50 million on August 19, 2019.		
L. On December 13, 2019, the Board of Directors resolved to increase its capital in Formosa Synthetic Rubber Corp. amounting to \$46,000, equivalent to a 33.33% equity interest. On April 10, 2020, the shareholders of Formosa Synthetic Rubber Corp. during their meeting resolved to go into liquidation, and the liquidation was completed on December 28, 2020.		
M. On August 25, 2020, the shareholders of Tah Shin Spinning Corporation resolved to dissolve the company. As of March 12, 2021, the dissolution has not yet been completed.		
N. The Company received cash dividends of \$8,946,930 and \$14,659,438 for the years ended December 31, 2020 and 2019, respectively, from its investments accounted for using equity method. The cash dividends are recorded as a deduction from the Company's investments accounted for using equity method.		
O. As of December 31, 2020 and 2019, no equity investment held by the Company was pledged to others.		

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2020</u>						
Cost	\$ 9,525,020	\$19,526,792	\$ 175,961,175	\$ 4,198,462	\$ 8,354,559	\$217,566,008
Accumulated depreciation and impairment	-	( 14,245,996)	( 146,647,605)	( 3,330,015)	-	( 164,223,616)
	<u>\$ 9,525,020</u>	<u>\$ 5,280,796</u>	<u>\$ 29,313,570</u>	<u>\$ 868,447</u>	<u>\$ 8,354,559</u>	<u>\$ 53,342,392</u>
<u>2020</u>						
Opening net book amount	\$ 9,525,020	\$ 5,280,796	\$ 29,313,570	\$ 868,447	\$ 8,354,559	\$ 53,342,392
Additions	-	-	177,127	46,533	6,910,913	7,134,573
Disposals	( 2,645)	( 52,862)	( 215,127)	( 148)	-	( 270,782)
Reclassifications	-	162,767	5,453,211	180,656	( 5,799,601)	( 2,967)
Depreciation charge	-	( 613,516)	( 4,858,152)	( 171,366)	-	( 5,643,034)
Closing net book amount	<u>\$ 9,522,375</u>	<u>\$ 4,777,185</u>	<u>\$ 29,870,629</u>	<u>\$ 924,122</u>	<u>\$ 9,465,871</u>	<u>\$ 54,560,182</u>
<u>At December 31, 2020</u>						
Cost	\$ 9,522,375	\$19,364,542	\$ 180,450,547	\$ 4,403,532	\$ 9,465,871	\$223,206,867
Accumulated depreciation and impairment	-	( 14,587,357)	( 150,579,918)	( 3,479,410)	-	( 168,646,685)
	<u>\$ 9,522,375</u>	<u>\$ 4,777,185</u>	<u>\$ 29,870,629</u>	<u>\$ 924,122</u>	<u>\$ 9,465,871</u>	<u>\$ 54,560,182</u>
	Land	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2019</u>						
Cost	\$ 9,518,978	\$19,405,014	\$ 172,506,642	\$ 4,113,365	\$ 7,002,181	\$212,546,180
Accumulated depreciation and impairment	-	( 13,644,325)	( 142,513,944)	( 3,246,247)	-	( 159,404,516)
	<u>\$ 9,518,978</u>	<u>\$ 5,760,689</u>	<u>\$ 29,992,698</u>	<u>\$ 867,118</u>	<u>\$ 7,002,181</u>	<u>\$ 53,141,664</u>
<u>2019</u>						
Opening net book amount	\$ 9,518,978	\$ 5,760,689	\$ 29,992,698	\$ 867,118	\$ 7,002,181	\$ 53,141,664
Additions	13,271	-	70,293	73,059	5,558,554	5,715,177
Disposals	( 7,229)	-	( 14,577)	( 383)	-	( 22,189)
Reclassifications	-	121,778	4,011,964	71,839	( 4,206,176)	( 595)
Depreciation charge	-	( 601,671)	( 4,746,808)	( 143,186)	-	( 5,491,665)
Closing net book amount	<u>\$ 9,525,020</u>	<u>\$ 5,280,796</u>	<u>\$ 29,313,570</u>	<u>\$ 868,447</u>	<u>\$ 8,354,559</u>	<u>\$ 53,342,392</u>
<u>At December 31, 2019</u>						
Cost	\$ 9,525,020	\$19,526,792	\$ 175,961,175	\$ 4,198,462	\$ 8,354,559	\$217,566,008
Accumulated depreciation and impairment	-	( 14,245,996)	( 146,647,605)	( 3,330,015)	-	( 164,223,616)
	<u>\$ 9,525,020</u>	<u>\$ 5,280,796</u>	<u>\$ 29,313,570</u>	<u>\$ 868,447</u>	<u>\$ 8,354,559</u>	<u>\$ 53,342,392</u>

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

	For the years ended December 31,	
	2020	2019
Amount capitalised	\$ 96,149	\$ 77,914
Interest rate	0.98~1.19	1.20~1.41

- B. Under the regulations, land may only be owned by individuals. Thus, the Company has already obtained ownership of the agricultural land for future plant expansion which was acquired by the Company under the name of a third party, who has pledged the full amount to the Company. As of December 31, 2020 and 2019, the pledged amount was both \$14,693.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements — lessee

- A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 2 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	\$ 20,442	\$ 22,376
Buildings	6,746	2,896
	<u>\$ 27,188</u>	<u>\$ 25,272</u>

	For the years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	\$ 1,931	\$ 1,930
Buildings	3,860	3,862
	<u>\$ 5,791</u>	<u>\$ 5,792</u>

- C. For the years ended December 31, 2020 and 2019, the additions to right-of use assets were \$7,710 and \$109, respectively.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 350	\$ 403
Expense on short-term lease contracts	4,872	5,176
Expense on variable lease payments	3,291	3,977

- E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$14,185 and \$15,173, respectively.

(9) Short-term loans and short-term notes and bills payable

<u>Type of loans</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured loans	\$ 13,763,200	0.75% ~ 0.86%	None
Short-term notes and bills payable	\$ 15,600,000	0.24% ~ 0.25%	None
Short-term notes and bills payable discount	( 3,245)		
Net short-term notes and bills payable	<u>\$ 15,596,755</u>		

<u>Type of loans</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured loans	\$ 21,057,000	0.85% ~ 0.91%	None
Short-term notes and bills payable	\$ 14,400,000	0.61% ~ 0.88%	None
Short-term notes and bills payable discount	( 3,630)		
Net short-term notes and bills payable	<u>\$ 14,396,370</u>		

(10) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic unsecured nonconvertible corporate bonds	\$ 42,100,000	\$ 34,850,000
Less: Current portion	( 2,050,000)	( 2,750,000)
	<u>\$ 40,050,000</u>	<u>\$ 32,100,000</u>

The terms of domestic unsecured nonconvertible corporate bonds were as follows:

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2020	December 31, 2019	Note
<u>2012</u>							
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7 ~ 2022.12.7	1.51	\$ 4,100,000	\$ 4,100,000	\$ 4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2019.1.22 ~ 2020.1.22	1.34	2,800,000	-	1,400,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22 ~ 2023.1.22	1.5	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%
<u>2013</u>							
First issued domestic unsecured nonconvertible corporate bonds - B	2013.7.8	2019.7.8 ~ 2020.7.8	1.38	2,700,000	-	1,350,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8 ~ 2023.7.8	1.52	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.1.17	2025.1.17 ~ 2026.1.17	2.03	10,000,000	10,000,000	10,000,000	Serial bonds, to be settled 50%, 50%
<u>2014</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	1,400,000	1,400,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2020	December 31, 2019	Note
<u>2014</u>							
First issued domestic unsecured nonconvertible corporate bonds - B	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	\$ 4,600,000	\$ 4,600,000	\$ 4,600,000	Serial bonds, to be settled 50%, 50%
<u>2019</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2019.5.13	2023.5.13 ~ 2024.5.13	0.75	3,300,000	3,300,000	3,300,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2019.5.13	2025.5.13 ~ 2026.5.13	0.83	3,000,000	3,000,000	3,000,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2019.5.13	2028.5.13 ~ 2029.5.13	0.93	700,000	700,000	700,000	Serial bonds, to be settled 50%, 50%
<u>2020</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2020.9.3	2024.9.3 ~ 2025.9.3	0.52	2,900,000	2,900,000	-	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2020.9.3	2026.9.3 ~ 2027.9.3	0.6	5,200,000	5,200,000	-	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2020.9.3	2029.9.3 ~ 2030.9.3	0.67	1,900,000	1,900,000	-	Serial bonds, to be settled 50%, 50%
Less: Current portion of bonds payable					42,100,000 (2,050,000)	34,850,000 (2,750,000)	
					<u>\$ 40,050,000</u>	<u>\$ 32,100,000</u>	

(11) Long-term bank loans and notes payable

For the year ended December 31, 2020: None.

	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank loans				
Secured loans				
Mega International	Apr. 21, 2014 ~	1.63%	Land	\$ 4,033,333
Commercial Bank	Apr. 21, 2021, principal payable semianually after three years; interest payable monthly			
Less: Current portion of long-term bank loans and notes payable				( 2,688,889)
				<u>\$ 1,344,444</u>

- A. The collaterals for long-term bank loans are described in Note 8.
- B. The Group has signed contracts for syndicated loans with Mega Bank and others on November 14, 2013 to finance plant construction for Formosa Ha Tinh Steel Corp. Information is as follows:
- (a) Total credit line: \$12,100,000
- (b) Interest rate: Based on the agreement with the banks
- (c) Period: 7 years
- (d) Collateral: Land in Six Naphtha Cracking Plant, Mailiao Township, Yunlin County
- The Company is required to meet certain financial covenants, namely liability ratio (liabilities/net equity) of less than 150% and current ratio (current assets/current liabilities) of above 100% at the end of each year. In the event the Company fails to meet the required covenants, a capital increase has to be completed by June of the following year.
- C. In the first half of 2020, the abovementioned long-term bank loans were settled before maturity.

(12) Pensions

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 7,566,690	\$ 8,559,491
Fair value of plan assets	( 2,738,052)	( 2,631,007)
Net defined benefit liability	<u>\$ 4,828,638</u>	<u>\$ 5,928,484</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 8,559,491	(\$ 2,631,007)	\$ 5,928,484
Current service cost	77,684	-	77,684
Interest expense (income)	<u>85,595</u>	<u>( 26,603)</u>	<u>58,992</u>
	<u>8,722,770</u>	<u>( 2,657,610)</u>	<u>6,065,160</u>
Remeasurements:			
Return on plan assets	-	( 82,930)	( 82,930)
Experience adjustments	<u>( 222,952)</u>	<u>-</u>	<u>( 222,952)</u>
	<u>( 222,952)</u>	<u>( 82,930)</u>	<u>( 305,882)</u>
Pension fund contribution	-	( 51,455)	( 51,455)
Paid pension	<u>( 933,128)</u>	<u>53,943</u>	<u>( 879,185)</u>
	<u>( 933,128)</u>	<u>2,488</u>	<u>( 930,640)</u>
Balance at December 31	<u>\$ 7,566,690</u>	<u>( \$ 2,738,052)</u>	<u>\$ 4,828,638</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 8,617,817	(\$ 2,512,572)	\$ 6,105,245
Current service cost	82,522	-	82,522
Interest expense (income)	<u>107,723</u>	<u>( 31,758)</u>	<u>75,965</u>
	<u>8,808,062</u>	<u>( 2,544,330)</u>	<u>6,263,732</u>
Remeasurements:			
Return on plan assets	-	( 81,832)	( 81,832)
Change in financial assumptions	145,975	-	145,975
Experience adjustments	<u>290,194</u>	<u>-</u>	<u>290,194</u>
	<u>436,169</u>	<u>( 81,832)</u>	<u>354,337</u>
Pension fund contribution	-	( 54,194)	( 54,194)
Paid pension	<u>( 684,740)</u>	<u>49,349</u>	<u>( 635,391)</u>
	<u>( 684,740)</u>	<u>( 4,845)</u>	<u>( 689,585)</u>
Balance at December 31	<u>\$ 8,559,491</u>	<u>( \$ 2,631,007)</u>	<u>\$ 5,928,484</u>



(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	1.00%	1.00%
Future salary increases	2.85%	2.85%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the Taiwan Annuity Table and experience.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.35%	Decrease 0.35%
<u>December 31, 2020</u>				
Effect on				
present value of				
defined benefit				
obligation	(\$ 117,947)	\$ 122,258	\$ 174,090	(\$ 166,875)
<u>December 31, 2019</u>				
Effect on				
present value of				
defined benefit				
obligation	(\$ 145,975)	\$ 151,657	\$ 215,533	(\$ 205,940)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumption of analysing sensitivity is the same with last year.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 are \$52,999.

B. (a) From July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were \$161,458 and \$162,617, respectively.

(13) Capital stock

A. As of December 31, 2020, the authorised and paid-in capital was \$58,611,863, consisting of 5,861,186 thousand shares with a par value of \$10 per share. All proceeds from shares issued have been collected.

B. Changes in the treasury stocks for the years ended December 31, 2020 and 2019 are set forth below:

For the year ended December 31, 2020					
Reason for reacquisition	Subsidiary	Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co., Ltd.	12,169,610	-	-	12,169,610

For the year ended December 31, 2019					
Reason for reacquisition	Subsidiary	Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co., Ltd.	12,169,610	-	-	12,169,610
	Formosa Advanced Technologies Co., Ltd.	15,249,000	1,563,000	( 16,812,000)	-
		27,418,610	1,563,000	( 16,812,000)	12,169,610

Note: The Company’s subsidiary, Formosa Taffeta Co., Ltd., lost its control over Formosa Advanced Technologies Co., Ltd. starting from December 16, 2019, and Formosa Advanced Technologies Co., Ltd. was not consolidated in the Company’s financial statements.

C. The market value of treasury stocks was \$84.7 and \$87.5 (in dollars) per share at December 31, 2020 and 2019, respectively.

D. The above treasury stocks of the parent company were acquired by subsidiaries.

(14) Capital surplus

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

	For the year ended December 31, 2020					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2020	\$ 2,710,554	\$ 5,514,032	\$ 316,688	\$ 372,847	\$ 163	\$ 224,585
Dividends allocated to subsidiaries	-	-	17,295	-	-	-
Effect from disposal of net stockholding of associates recognised under the equity method	-	-	-	4,568	-	-
Changes in ownership interests in subsidiaries	-	-	2,051	738	-	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	( 304)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	4,420
At December 31, 2020	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 336,034</u>	<u>\$ 378,153</u>	<u>\$ 163</u>	<u>\$ 228,701</u>

For the year ended December 31, 2019						
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2019	\$ 2,710,554	\$ 5,514,032	\$ 269,792	\$ 371,892	\$ -	\$ 217,872
Dividends allocated to subsidiaries	-	-	44,726	-	-	-
Effect from disposal of net stockholding of associates recognised under the equity method	-	-	-	( 4,649)	-	-
Changes in ownership interests in subsidiaries	-	-	2,170	5,604	163	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	( 156)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	6,869
At December 31, 2019	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 316,688</u>	<u>\$ 372,847</u>	<u>\$ 163</u>	<u>\$ 224,585</u>

(15) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remaining balance is to be set aside as special reserve if necessary; and distributed to shareholders as interest on capital. The remaining balance for current year, after allocating for interest on capital, shall be accumulated with remaining balance of previous year. Bonus distributed shall be proposed by the Board of Directors and resolved by the stockholders.

The special reserve includes:

- i. Reserve for a special purpose;
- ii. Investment income recognised under equity method and deferred income tax assets arising from unused investment tax credits which are deemed unrealised and transferred to special reserve. Such investment income and deferred income tax assets are reclassified to unappropriated earnings only when they are realised;
- iii. Net unrealised gains from financial instruments transactions. The special reserve for unrealised gains from financial instruments is reduced when the accumulated value of the unrealised gains also decreases; and
- iv. Other special reserves as stipulated by other laws.

- B. The Company is in the mature stage and the profit is stable. The Board of Directors shall establish the cash dividend or stock dividend percentage. At least 50% of the distributable earnings after deducting the legal reserve, directors' and supervisors' remuneration, employee compensation and special reserves shall be distributed to stockholders. The Company would prefer cash dividend. If the Company requires funds for significant investments or needs to improve its financial structure, part of the dividend will be in the form of stocks which shall not 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. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 5, 2020 and June 5, 2019, respectively. Details are as follows:

	For the years ended December 31,			
	2020		2019	
	Amount	Dividends per share (in dollar)	Amount	Dividends per share (in dollar)
Legal reserve	\$ 2,970,224		\$ 4,876,932	
Special reserve	6,156,414		7,040,540	
Cash dividends	22,272,508	\$ 3.80	36,339,355	\$ 6.20
	<u>\$ 31,399,146</u>		<u>\$ 48,256,827</u>	

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

- F. The resolution of the appropriations of the 2020 net income was approved during the Board of Directors' meeting on March 12, 2021 as follows:

	For the year ended December 31, 2020	
	Amount	Dividends per share (in dollar)
Legal reserve	\$ 1,978,906	
Special reserve	3,704,582	
Cash dividends	14,652,966	\$ 2.50
	<u>\$ 20,336,454</u>	

(16) Other equity items

	<u>Hedging reserve</u>	<u>Unrealised gain (loss)</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2020	\$ 659	\$ 107,120,877	(\$ 4,560,606)	\$ 102,560,930
Revaluation:				
–Parent company	-	( 15,129,232)	-	( 15,129,232)
–Subsidiaries	-	6,863,880	-	6,863,880
–Associates	-	( 874,558)	-	( 874,558)
Revaluation transferred to retained earnings:				
–Subsidiaries	-	29,924	-	29,924
–Associates	-	84,386	-	84,386
Cash flow hedges:				
–Associates	31,464	-	-	31,464
Currency translation differences:				
–Parent company	-	-	278,998	278,998
–Tax of parent company	-	-	( 104,057)	( 104,057)
–Subsidiaries	-	-	( 71,356)	( 71,356)
–Associates	-	-	( 815,585)	( 815,585)
At December 31, 2020	<u>\$ 32,123</u>	<u>\$ 98,095,277</u>	<u>(\$ 5,272,606)</u>	<u>\$ 92,854,794</u>
	<u>Hedging reserve</u>	<u>Unrealised gain (loss)</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2019	(\$ 15,865)	\$ 110,762,790	(\$ 1,813,251)	\$ 108,933,674
Revaluation:				
–Parent company	-	4,140,707	-	4,140,707
–Subsidiaries	-	( 7,085,301)	-	( 7,085,301)
–Associates	-	( 698,630)	-	( 698,630)
Revaluation transferred to retained earnings:				
–Subsidiaries	-	1,311	-	1,311
–Associates	-	-	-	-
Cash flow hedges:				
–Associates	16,524	-	-	16,524
Currency translation differences:				
–Parent company	-	-	( 2,616,345)	( 2,616,345)
–Tax of parent company	-	-	542,926	542,926
–Subsidiaries	-	-	( 116,193)	( 116,193)
–Associates	-	-	( 557,743)	( 557,743)
At December 31, 2019	<u>\$ 659</u>	<u>\$ 107,120,877</u>	<u>(\$ 4,560,606)</u>	<u>\$ 102,560,930</u>

(17) Operating revenue

	For the years ended December 31,	
	2020	2019
Revenue from contracts with customers	\$ 159,546,461	\$ 198,078,006
Other operating revenue	135,536	132,052
	<u>\$ 159,681,997</u>	<u>\$ 198,210,058</u>

The Company derives revenue from the transfer of goods and services at a point in time.

(18) Interest income

	For the years ended December 31,	
	2020	2019
Interest income:		
Interest income from bank deposits	\$ 24,817	\$ 101,252
Interest from current account with others	104,492	147,540
Other interest income	-	65
	<u>\$ 129,309</u>	<u>\$ 248,857</u>

(19) Other income

	For the years ended December 31,	
	2020	2019
Rental revenue	\$ 154,271	\$ 155,559
Dividend income	3,955,134	7,935,339
Other revenue	1,065,061	448,211
	<u>\$ 5,174,466</u>	<u>\$ 8,539,109</u>

(20) Other gains and losses

	For the years ended December 31,	
	2020	2019
Net currency exchange (loss) gain	(\$ 717,765)	\$ 75,649
(Loss) gain on disposal of property, plant and equipment	( 204,906)	24,641
Net (loss) gain on financial assets at fair value through profit or loss	( 155,458)	27,104
Other losses	( 89,682)	( 112,167)
	<u>(\$ 1,167,811)</u>	<u>\$ 15,227</u>

(21) Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense:		
Bank loans	\$ 204,421	\$ 191,259
Corporate bond	546,415	579,479
Current account with others	48	523
Discount	44,920	136,260
Other interest expenses	109,240	103,397
	905,044	1,010,918
Less: Capitalisation of qualifying assets	( 96,149)	( 77,914)
Finance costs	\$ 808,895	\$ 933,004

(22) Expenses by nature

	For the years ended December 31,	
	2020	2019
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 5,648,825	\$ 5,497,457
Employee benefit expense	7,088,232	7,463,211
Amortisation	3,166,572	3,038,884
	\$ 15,903,629	\$ 15,999,552

(23) Employee benefit expense

	For the years ended December 31,	
	2020	2019
Wages and salaries	\$ 6,084,527	\$ 6,385,431
Labor and health insurance fees	416,442	437,149
Pension costs	298,134	321,104
Other personnel expenses	289,129	319,527
	\$ 7,088,232	\$ 7,463,211

- A. In accordance with the Articles of Incorporation of the Company, a ratio of profit before income tax of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation. The ratio shall not be lower than 0.05% and shall not be higher than 0.5% for employees' compensation.
- B. For the years ended December 31, 2020 and 2019, employees' remuneration was accrued at \$20,624 and \$31,930, respectively. The aforementioned amount was recognised in salary expenses.

For the years ended December 31, 2020 and 2019, the employees' compensation was estimated and accrued based on approximately 0.1% of the retained earnings.

Employees' compensation for 2019 as resolved by the Board of Directors was in agreement with the amount of \$31,930 recognised in profit or loss for 2019. Employees' compensation for 2019 had been distributed.



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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 526,926	\$ 1,185,170
Tax on undistributed surplus earnings	200,241	590,173
Adjustments in respect of prior years	155,907	(40,272)
Total current tax	883,074	1,735,071
Deferred tax:		
Origination and reversal of temporary differences	175,974	461,225
Total deferred tax	175,974	461,225
Income tax expense	\$ 1,059,048	\$ 2,196,296

(b) The income tax charge relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2020	2019
Currency translation differences	(\$ 104,057)	\$ 542,926

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 4,120,638	\$ 6,379,708
Effect from items disallowed by tax regulation	(3,417,738)	(4,728,123)
Effect from five-year exemption	-	(5,190)
Tax on undistributed surplus earnings	200,241	590,173
Prior year income tax under (over) estimation	155,907	(40,272)
Income tax expense	\$ 1,059,048	\$ 2,196,296

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

For the year ended December 31, 2020				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	\$ 138,327	(\$ 25,042)	\$ -	\$ 113,285
Currency translation differences	957,598	-	( 104,057)	853,541
Unrealised gain from downstream transactions	57,035	( 47,586)	-	9,449
Unfunded pension expense	846,362	( 158,793)	-	687,569
Impairment loss	194,146	( 26,353)	-	167,793
Unrealised exchange loss	33,239	( 9,995)	-	23,244
Others	18,491	82,801	-	101,292
	<u>2,245,198</u>	<u>( 184,968)</u>	<u>( 104,057)</u>	<u>1,956,173</u>
Deferred tax liabilities:				
Difference in useful life for depreciation	( 49,271)	8,994	-	( 40,277)
	<u>( 49,271)</u>	<u>8,994</u>	<u>-</u>	<u>( 40,277)</u>
	<u>\$ 2,195,927</u>	<u>(\$ 175,974)</u>	<u>(\$ 104,057)</u>	<u>\$ 1,915,896</u>

For the year ended December 31, 2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	\$ 130,862	\$ 7,465	\$ -	\$ 138,327
Currency translation differences	414,672	-	542,926	957,598
Unrealised gain from downstream transactions	107,991	( 50,956)	-	57,035
Unfunded pension expense	948,784	( 102,422)	-	846,362
Impairment loss	221,987	( 27,841)	-	194,146
Unrealised exchange loss	3,244	29,995	-	33,239
Others	345,543	( 327,052)	-	18,491
	<u>2,173,083</u>	<u>( 470,811)</u>	<u>542,926</u>	<u>2,245,198</u>
Deferred tax liabilities:				
Difference in useful life for depreciation	( 58,857)	9,586	-	( 49,271)
	<u>( 58,857)</u>	<u>9,586</u>	<u>-</u>	<u>( 49,271)</u>
	<u>\$ 2,114,226</u>	<u>(\$ 461,225)</u>	<u>\$ 542,926</u>	<u>\$ 2,195,927</u>

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(25) Earnings per share

A. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period. For the years ended December 31, 2020 and 2019, the earnings per share are calculated as follows:

For the year ended December 31, 2020					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	<u>\$ 20,603,189</u>	<u>\$ 19,544,141</u>	<u>5,849,017</u>	<u>\$ 3.52</u>	<u>\$ 3.34</u>

For the year ended December 31, 2019					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 31,898,538	\$ 29,702,242	5,832,942	\$ 5.47	\$ 5.09

- B. Employees' compensation could be distributed in the form of stock. Since there is no significant impact when calculating diluted earnings per share, basic earnings per share equals diluted earnings per share.
- C. If stocks of the parent company held by subsidiaries are not treated as treasury stocks, the calculation of basic earnings per share is as follows:

For the year ended December 31, 2020					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 20,603,189	\$ 19,544,141	5,861,186	\$ 3.52	\$ 3.33

For the year ended December 31, 2019					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 31,898,538	\$ 29,702,242	5,861,186	\$ 5.44	\$ 5.07

(26) Supplemental cash flow information

- A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2020	2019
Purchase of fixed assets	\$ 7,134,573	\$ 5,715,177
Add: Opening balance of payable on equipment	1,422,790	1,532,445
Less: Ending balance of payable on equipment	(1,567,638)	(1,422,790)
Cash paid during the year	\$ 6,989,725	\$ 5,824,832

- B. Financing activities with partial cash payments:

	For the years ended December 31,	
	2020	2019
Distribution of cash dividends	\$ 22,272,508	\$ 36,339,355
Add: Opening balance of dividends payable	71,884	62,429
Less: Ending balance of dividends payable	(76,913)	(71,884)
Cash dividends paid during the year	\$ 22,267,479	\$ 36,329,900

(27) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Bonds payable (including current portion)</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financial activities-gross</u>
At January 1, 2020	\$21,057,000	\$14,396,370	\$34,850,000	\$ 4,033,333	\$ 74,336,703
Changes in cash flow from financing activities	( 7,293,800)	1,200,385	7,250,000	( 4,033,333)	( 2,876,748)
At December 31, 2020	<u>\$13,763,200</u>	<u>\$15,596,755</u>	<u>\$42,100,000</u>	<u>\$ -</u>	<u>\$ 71,459,955</u>
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Bonds payable (including current portion)</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financial activities-gross</u>
At January 1, 2019	\$ 9,637,300	\$12,490,543	\$34,050,000	\$10,522,222	\$ 66,700,065
Changes in cash flow from financing activities	11,419,700	1,905,827	800,000	( 6,488,889)	7,636,638
At December 31, 2019	<u>\$21,057,000</u>	<u>\$14,396,370</u>	<u>\$34,850,000</u>	<u>\$ 4,033,333</u>	<u>\$ 74,336,703</u>

## 7. Related Party Transactions

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary
Formosa Power (Ningbo) Co., Ltd.	"
Formosa Industries Corp., Vietnam	"
Formosa Biomedical Technology Corp.	"
Hong Jing Resources Corp.	"
Formosa Idemitsu Petrochemical Corp.	"
Formosa BP Chemicals Corp.	"
Formosa Carpet Corp.	"
Chia-Nan Enterprise Corp. (Note 1)	"
Formosa Taffeta Co., Ltd.	"
Tah Shin Spinning Corp. (Liquidated on August 25, 2020)	"
Formosa Taffeta (Zhongshan) Co., Ltd.	"
Formosa Taffeta (Dong Nai) Co., Ltd.	"
Formosa Taffeta (Long An) Corp.	"
Formosa Petrochemical Corp.	Associate
Formosa Heavy Industries Corp.	"
Formosa Plastics Transport Corp.	"
Formosa Synthetic Rubber Corp. (Liquidation completed on December 28, 2020)	"
Formosa Synthetic Rubber (Hong Kong) Corp.	"
Mai-Liao Power Corp.	"
Formosa Group Corp. (Cayman)	"
Formosa Environmental Technology Co.	"
Hwa Ya Science Park Management Consulting Co, Ltd.	"
Formosa Construction Corp.	"
Formosa Resources Corporation	"
FG INC.	"
Formosa Plastics Corp.	Other related party
Nan Ya Plastics Corp.	"
Nan Ya Plastics (Hui Zhou) Corp.	"
Nan Ya Plastics (Ningbo) Corp.	"
Formosa Lithium Iron Oxide Corp.	"
Ming Chi University Of Technology	"
Chang Gung University	"
Yue Chi Development Corp	"
PFG Fiber Glass Corp.	"
Formosa Plastics Marine Corp.	"
Formosa Plastics Marine Co., Ltd.	"
Mai Liao Harbor Administration Corp.	"

Names of related parties	Relationship with the Company
Formosa Plastics Building Parking Lot	Other related party
Formosa Network Technology Corp.	"
FPG Travel Service Co., Ltd.	"
Formosa Sumco Technology Corporation	"
Formosa Asahi Spandex Co., Ltd.	"
Formosa Plastics Logistics Corp.	"
Formosa Daikin Advanced Chemicals Co., Ltd.	"
Inteplast Taiwan Corporation	"
Formosa Oil (Asia Pacific) Corporation	"
Asia Pacific Development Corp.	"
Ya Tai Development Corp.	"
Bio Trust International Corp.	"
Formosa Ha Tinh (Cayman) Limited	"
Formosa Ha Tinh Steel Corp.	"

Note 1: On September 24, 2020, the Company acquired an additional 21% equity interest in Chia-Nan Enterprise Corp. for a total cash consideration of \$145,527. The Company's shareholding ratio reached 51% and obtained control over it. Consequently, it became a subsidiary of the Company.

(2) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,	
	2020	2019
Sales of goods:		
— Subsidiaries		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	\$ 22,194,973	\$ 30,215,362
Others	13,995,765	16,484,535
— Associates		
Formosa Petrochemical Corp.	14,939,627	15,972,584
Others	568	1,593
— Other related parties		
Nan Ya Plastics Corp.	20,526,039	24,442,785
Others	3,270,230	2,534,117
	<u>\$ 74,927,202</u>	<u>\$ 89,650,976</u>

The selling prices and terms for related parties are the same with non-related parties. The collection terms for overseas related parties are described in Note 13(1).

B. Purchases of goods:

	For the years ended December 31,	
	2020	2019
Purchases of goods:		
— Subsidiaries	\$ 2,614,522	\$ 2,932,675
— Associates		
Formosa Petrochemical Corp.	84,047,613	100,365,621
— Other related parties	11,220,051	13,559,639
	<u>\$ 97,882,186</u>	<u>\$ 116,857,935</u>

The payment terms for related parties are within 30~60 days of purchase. The purchase prices and terms for related parties are the same with non-related parties.

C. Receivables from related parties:

	December 31, 2020	December 31, 2019
Receivables from related parties:		
— Subsidiaries		
Formosa Chemicals Industries (Ningbo) Co.,	\$ 5,505,134	\$ 7,585,976
Others	2,574,647	1,949,011
— Associates		
Formosa Petrochemical Corp.	1,684,297	1,187,616
Others	39	39
— Other related parties		
Nan Ya Plastics Corp.	2,134,838	1,923,275
Others	410,632	238,558
	<u>\$ 12,309,587</u>	<u>\$ 12,884,475</u>

The receivables from related parties are mainly from sales of goods and receivables for payments on behalf of others for construction design services. Receivables for sales are due 30~120 days from the date of sales.

D. Payables to related parties:

	December 31, 2020	December 31, 2019
Payables to related parties:		
— Subsidiaries	\$ 493,360	\$ 316,600
— Associates		
Formosa Petrochemical Corp.	8,902,181	8,539,956
— Other related parties	1,688,436	1,171,253
	<u>\$ 11,083,977</u>	<u>\$ 10,027,809</u>

The payables to related parties arise mainly from purchase transactions and are due 30~60 days after the date of purchase. The payables bear no interest.



E. Expansion and repair project

(a) Expansion and repair project:

	For the years ended December 31,	
	2020	2019
Expansion and repair works of factory sites:		
— Associates	\$ 388,787	\$ 385,576
— Other related parties	367,340	301,754
	<u>\$ 756,127</u>	<u>\$ 687,330</u>

(b) Ending balance of payables for expansion and repair project:

	December 31, 2020	December 31, 2019
Payables to related parties:		
— Associates	\$ 95	\$ 250
— Other related parties	41,945	13,070
	<u>\$ 42,040</u>	<u>\$ 13,320</u>

The Company contracted the expansion and repair works of the factory sites to related parties. The payment terms are in accordance with the industry practice with payment due within a month after inspection.

F. Financing

(a) Loans to related parties

	December 31, 2020	December 31, 2019
— Associates		
Formosa Petrochemical Corp.	\$ -	\$ 7,150,000
— Other related parties		
Formosa Plastics Marine Co., Ltd.	4,195,598	5,648,836
	<u>\$ 4,195,598</u>	<u>\$ 12,798,836</u>

(b) Interest income

	For the years ended December 31,	
	2020	2019
— Subsidiaries	\$ 45	\$ 482
— Associates		
Formosa Petrochemical Corp.	41,986	63,193
Others	-	1,554
	<u>41,986</u>	<u>64,747</u>
— Other related parties		
Formosa Plastics Marine Co., Ltd.	62,461	81,476
Others	-	835
	<u>62,461</u>	<u>82,311</u>
	<u>\$ 104,492</u>	<u>\$ 147,540</u>

The loan terms to related parties are in accordance with the contract's repayment schedule after the loan was made; interest were collected at 1.23%~ 1.42% and 1.41%~ 1.42% per annum for the years ended December 31, 2020 and 2019, respectively.

G. Receivables for payment on behalf of others

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	(\$ 27)	\$ 27

The amount for equipment for resale that the Company paid on behalf of associates is recorded as other current assets.

H. Operating expenses

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Transportation charges		
— Other related parties	\$ 1,505,927	\$ 1,357,610
Formosa Plastics Marine Corp.	39,095	64,820
Others	<u>\$ 1,545,022</u>	<u>\$ 1,422,430</u>

I. Rental revenue

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
— Subsidiaries		
Formosa BP Chemicals Corp.	\$ 16,164	\$ 15,618
Others	7,763	8,024
	<u>23,927</u>	<u>23,642</u>
— Associates		
Formosa Petrochemical Corp.	21,215	21,215
Others	12,022	12,346
	<u>33,237</u>	<u>33,561</u>
— Other related parties		
Nan Ya Plastics Corp.	25,791	26,391
Formosa Plastics Building Parking Lot	16,064	15,130
Formosa Network Technology Corp.	15,400	15,400
Others	29,682	30,028
	<u>86,937</u>	<u>86,949</u>
	<u>\$ 144,101</u>	<u>\$ 144,152</u>

The rental prices charged to related parties are determined considering the local rental prices and payments, and are collected monthly.

J. Property transactions:

(a) Purchase of property, plant and equipment

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Associates	<u>\$ 278,560</u>	<u>\$ 276,397</u>

(b) Acquisition of financial assets

			<u>2020</u>	
	<u>Items</u>	<u>Number of shares</u>	<u>Name of the securities</u>	<u>Additional amount</u>
Formosa Construction Corp.	Investments accounted for using equity method	50,000,000	Shares of Formosa Construction Corp.	\$ 500,000
FG INC.	Investments accounted for using equity method	-	Shares of FG INC.	
				<u>737,727</u>
				<u>\$ 1,237,727</u>
			<u>2019</u>	
	<u>Items</u>	<u>Number of shares</u>	<u>Name of the securities</u>	<u>Additional amount</u>
Formosa Synthetic Rubber (Taiwan) Corp.	Investments accounted for using equity method	4,600,000	Shares of Formosa Synthetic Rubber (Taiwan) Corp.	\$ 46,000
Formosa Resources Corporation	Investments accounted for using equity method	157,000,000	Shares of Formosa Resources Corporation	1,570,000
FG INC.	Investments accounted for using equity method	-	Shares of FG INC.	
				694,710
FCFC Investment Corp.	Investments accounted for using equity method	-	Shares of FCFC - Investment Corp. (Cayman)	3,743,844
				<u>\$ 6,054,554</u>

K. Sales of materials:

The amounts of raw materials sold and the accounts receivable at the period-end from the investees located in China and Vietnam are listed below:

		<u>For the years ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
Sales of materials:			
— Subsidiaries		<u>\$ 497,591</u>	<u>\$ 429,103</u>
		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Receivable from sales of materials:			
— Subsidiaries		<u>\$ 51,113</u>	<u>\$ 66,631</u>

L. Donation

	For the years ended December 31,	
	2020	2019
Other related parties	\$ 6,121	\$ 14,839

M. Details of the Company providing endorsements / guarantees and issuing promissory note for related parties are provided in Notes 9(3) and (4).

(3) Key management compensation

	For the years ended December 31,	
	2020	2019
Salaries	\$ 111,845	\$ 124,975
Post-employment benefits	1,505	1,605
	<u>\$ 113,350</u>	<u>\$ 126,580</u>

8. Pledged Assets

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

	Book value		
Pledged assets	December 31, 2020	December 31, 2019	Purpose
Property, plant and equipment	\$ 5,749,952	\$ 5,750,695	Collaterals for bank loans

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

The details of commitments and contingencies as of December 31, 2020 were as follows:

- (1) Capital expenditures contracted for property, plant and equipment at the balance sheet date but not yet incurred amounted to \$6,437,331 thousand.
- (2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 6,720 thousand, JPY 46,000 and EUR 1,190 thousand.
- (3) The endorsements and guarantees to others are as follows:

	December 31, 2020	December 31, 2019
Formosa Industries Corp., Vietnam	\$ -	\$ 602,120
Formosa Resources Corporation	3,064,610	3,236,395
Formosa Group Corp. (Cayman)	7,127,000	7,526,500
Formosa Ha Tinh (Cayman) Limited	18,967,581	20,753,559
	<u>\$ 29,159,191</u>	<u>\$ 32,118,574</u>

- (4) The promissory notes issued for others are as follows:

- A. The Company's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided a bank loan facility of USD 2.22 billion to meet its operating needs. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower has fulfilled its obligation for repayment.
- B. The Company's consolidated entity, Formosa Chemicals Industries (Ningbo) Co., entered into a syndicated loan contract with several banks including Mega International Commercial Bank, as the lead bank, for a credit facility of USD 155 million to meet the capital needs of building the plant. The Company is required to issue a promissory note and is obliged to facilitate the repayment of the borrower whenever necessary. Abovementioned syndicated loan has been repaid by Formosa Chemicals Industries (Ningbo) Limited Co. in October 2020.

#### 10. Significant Disaster Loss

None.

#### 11. Significant Events after the Balance Sheet Date

The Board of Directors has resolved the appropriations of 2020 earnings on March 12, 2021. Details are provided in Note 6(15) F.

#### 12. Others

(1) Due to the impact of COVID-19, there was a significant loss of momentum in the consumption market as a result of restrictions on people's movement and social contact in many countries, and the spread of petrochemical products, being the difference between the product prices and cost of raw materials, gradually deviated from its historical norm because of fluctuations in international crude oil prices. Consequently, the Company's operating revenue of 2020 decreased by nearly 19% than 2019, resulting in a decrease in profit before tax of almost 35%. Although the Company has profit before tax and turned its losses into profits in the second and third quarter of 2020 compared to the first quarter, and the operating revenue in the fourth quarter also increased by 26% compared to the third quarter, the overall impact of the pandemic on the financial position and performance of the Company in 2021 relies on the subsequent control of the pandemic and recovery momentum in the consumption market.

(2) The Company's operating permit and bituminous coal usage permit for co-generation equipment, M16, M17 and M22, have expired on September 28, 2016. The Company has applied for permit extension in June, 2016, however, after months of investigation and review, the Changhua County Government stated that improvements were not satisfactory and decided to revoke the extension application on September 29, 2016. The Company filed a suspension application with Taichung High Administrative Court on September 30, 2016 and asked for continued operations until judgement on the administrative lawsuit has been rendered. Meanwhile, the Company filed an administrative appeal with the Executive Yuan.

Under the Taichung High Administrative Court judgement, the suspension application filed before November 1, 2016 regarding discontinued operations of M16, M17, and M22 had been denied. The loss or dangerous status of discontinued operations of co-generation equipment that are claimed by the Company was considered as 'possible' but not 'certain', and the discontinued operation has not resulted in plant shutdown and industry hazard.

The Company's Changhua plant was forced to shut down and consequently, incurred losses due to the lack of vapor power. The Company will explore all available legal remedies in filing a claim for indemnity and protect stockholders' and the Company's interest.

Because of the Changhua plant shutdown, the Company assessed that part of idle production equipment may not be recoverable. Accordingly, the Company recognised impairment loss on property, plant and equipment amounting to \$466,785 for the year ended December 31, 2016. On November 16, 2017, the Company received a violation decision from Changhua County Government of an enhanced fine amounting to \$1.244 billion pursuant to Article 7 of Environmental Impact Assessment Act. The fine was levied on the ground that the indigenous coal used in the combined heat and power system is contrary to that indicated in the Environmental Impact Statement. The lawyers have appealed in Environmental Protection Administration (EPA) on behalf of the

Company on November 22, 2017. On December 19, 2017, Changhua Country Government consented to suspend the fine until the appeal was decided as stated in Letter No. Fu-Sho-HuanZong-Zi-1060429733. On December 11, 2017, the Company stated its opinion in EPA to dispute the fine. On February 14, 2018, the Company was informed that the decision on the appeal was postponed for two months in EPA's Letter No. Huan-Shu-Zi-1070014111. On March 8, 2018, EPA ruled to revoke the violation decision of Changhua County Government.

(3) Capital management

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

During the years ended December 31, 2020 and 2019, the Company's strategy, which was unchanged from 2019, was to maintain the gearing ratio at 16% and 17%, respectively.

(4) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 3,888,510	\$ 4,043,968
Financial assets at fair value through other comprehensive income	127,407,796	124,812,061
Financial assets at amortised cost	<u>27,116,928</u>	<u>33,382,610</u>
	<u>\$ 158,413,234</u>	<u>\$ 162,238,639</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 89,716,734	\$ 92,541,809
Lease liabilities	<u>27,482</u>	<u>25,447</u>
	<u>\$ 89,744,216</u>	<u>\$ 92,567,256</u>

Note: Financial assets measured at amortised cost include cash, contract assets, accounts and notes receivable, other receivables, and refundable deposits. Financial liabilities measured at amortised cost include short-term borrowings, short-term notes and bill payable, accounts and notes payable, other payables, long-term borrowings (including those maturing within one year or one business cycle), corporate bonds payable (including those maturing within one year or one business cycle), and guarantee deposits received.

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investment in foreign operations.
- ii. Management has set up a policy to manage its foreign exchange risk against its functional currency. Each entity hedges its entire foreign exchange risk exposure.
- iii. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, VND and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020			
	Foreign Currency			
	<u>Amount (In Thousands)</u>	<u>Exchange Rate</u>	<u>Book Value (NTD)</u>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 426,306	28.51	\$	12,153,984
JPY : NTD	4,360	0.27		1,177
EUR : NTD	33	34.56		1,140
<u>Non-monetary items</u>				
RMB : NTD	\$ 13,962,242	4.37	\$	61,014,998
USD : NTD	190,294	28.51		5,425,283
VND : NTD	6,676,430,000	0.0012		8,011,716
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 43,237	28.51	\$	1,232,687
JPY : NTD	98,204	0.27		26,515
EUR : NTD	83	34.56		2,868

December 31, 2019

Foreign Currency				
	<u>Amount (In Thousands)</u>	<u>Exchange Rate</u>	<u>Book Value (NTD)</u>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 395,597	30.11	\$	11,911,426
JPY : NTD	2,162	0.28		605
EUR : NTD	139	33.69		4,683
<u>Non-monetary items</u>				
RMB : NTD	\$ 12,147,646	4.32	\$	52,477,831
USD : NTD	536,477	30.11		16,153,322
VND : NTD	6,274,360,769	0.0013		8,156,669
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 42,257	30.11	\$	1,272,358
JPY : NTD	92,696	0.28		25,955
EUR : NTD	187	33.69		6,300

- iv. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to (\$717,765) and \$75,649, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2020				
Sensitivity analysis				
	Degree of variation		Effect on	Effect on other
			profit or loss	comprehensive
				income
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	121,540	\$ -
JPY : NTD	1%		12	-
EUR : NTD	1%		11	-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$	-	\$ 610,150
USD : NTD	1%		-	54,253
VND : NTD	1%		-	80,117
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	12,327	\$ -
JPY : NTD	1%		265	-
EUR : NTD	1%		29	-



For the year ended December 31, 2019

Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 119,114	\$ -	
JPY : NTD	1%	6	-	
EUR : NTD	1%	47	-	
<u>Non-monetary items</u>				
RMB : NTD	1%	\$ -	\$ 524,778	
USD : NTD	1%	-	161,533	
VND : NTD	1%	-	81,567	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 12,724	\$ -	
JPY : NTD	1%	260	-	
EUR : NTD	1%	63	-	

Price risk

- i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise domestic listed and unlisted stocks. 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, components of equity for the years ended December 31, 2020 and 2019 would have increased/decreased by \$31,108 and \$32,352, 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 \$1,274,078 and \$1,248,121, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2020 and 2019, the Company's borrowings at variable rate were denominated in the NTD and USD.

- ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
  - iii. For the years ended December 31, 2020 and 2019, if interest rates on denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years then ended would have been \$0 and \$32,267 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of instruments stated at fair value through other comprehensive income.
  - ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
  - iii. The Company adopts assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.
  - iv. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2020 and 2019, the Company's written-off financial assets that are still under recourse procedures amounted to \$128,664 and \$0, respectively.

- v. The Company used the forecastability of Taiwan Directorate General of Budget, Accounting and Statistics and Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~60 days past due	61~90 days past due	Over 91 days past due
<u>At December 31, 2020</u>					
Expected loss rate	0.15%	0.03%	0.03%	-	53.36%
Total book value	\$ 18,187,475	\$ 161,744	\$ 11,038	\$ -	\$ 85,013
Loss allowance	\$ 26,806	\$ 3	\$ -	\$ -	\$ 45,361

At December 31, 2019

Expected loss rate	0.03%	5.49%	100.00%	-	100.00%
Total book value	\$ 18,654,013	\$ 98,189	\$ 11,331	\$ -	\$ 174,026
Loss allowance	\$ 12,754	\$ 5,393	\$ 11,331	\$ -	\$ 174,026

- vi. Movements in relation to the Company applying the simplified approach to provide loss allowance for notes and accounts receivable and contract assets are as follows:

For the year ended December 31, 2020

	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 200,834	\$ -	\$ -
Write-offs	( 128,664)	-	-
Effect of foreign exchange	-	-	-
At December 31	\$ 72,170	\$ -	\$ -

For the year ended December 31, 2019

	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 160,397	\$ -	\$ -
Impairment loss	40,437	-	-
Effect of foreign exchange	-	-	-
At December 31	\$ 200,834	\$ -	\$ -

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

	December 31, 2020	December 31, 2019
Not past due	\$ 18,187,475	\$ 18,654,013
Up to 30 days	161,744	98,189
31 to 60 days	11,038	11,331
61 to 90 days	-	-
Over 91 days	85,013	174,026
	<u>\$ 18,445,270</u>	<u>\$ 18,937,559</u>

The above ageing analysis was based on past due date.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, loans to related parties, time deposits and cash equivalents, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
December 31, 2020				
Lease liability	\$ 6,033	\$ 5,022	\$ 6,251	\$ 12,063
Bonds payable	2,050,000	4,550,000	16,600,000	18,900,000
	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
December 31, 2019				
Lease liability	\$ 5,045	\$ 2,111	\$ 6,224	\$ 14,109
Bonds payable	2,750,000	-	13,800,000	18,300,000
Long-term borrowings	2,688,889	1,344,444	-	-

Except for the aforementioned liabilities, the Company's non-derivative financial liabilities will mature within one year.

- iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(5) Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments 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 for the asset or liability, either directly or indirectly. The fair value of the Company's investment in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data

- 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 (including related parties), short-term borrowings, short-term notes and bills payable, notes payable (including related parties), accounts payable (including related parties) and other payables (including related parties) are approximate to their fair values. The carrying amounts of long-term borrowings (including current portion) and lease liabilities are reasonable basis for fair value estimate given that their interest rates are approximate to market rates.

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

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value				
through profit or loss				
Fund	\$ -	\$ 3,888,510	\$ -	\$ 3,888,510
Financial assets at fair value				
through other comprehensive				
Equity securities	<u>105,954,674</u>	<u>2,435,431</u>	<u>19,017,691</u>	<u>127,407,796</u>
	<u>\$105,954,674</u>	<u>\$ 6,323,941</u>	<u>\$ 19,017,691</u>	<u>\$131,296,306</u>

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Fund	\$ -	\$ 4,043,968	\$ -	\$ 4,043,968
Financial assets at fair value through other comprehensive				
Equity securities	<u>106,803,535</u>	<u>2,206,394</u>	<u>15,802,132</u>	<u>124,812,061</u>
	<u>\$106,803,535</u>	<u>\$ 6,250,362</u>	<u>\$ 15,802,132</u>	<u>\$128,856,029</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

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

	<u>Listed shares</u>
Market quoted price	Closing price
ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.	
iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants, the inputs used in the valuation method to measure these financial instruments are normally observable in the market.	
iv. 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. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.	
v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment or valuation is necessary in order to reasonably represent the fair value if financial and non-financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.	
vi. The Company takes into account adjustments for credit risks of the counterparty and the Company's credit quality.	

- E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	<u>For the year ended December 31, 2020</u>	
	<u>Non-derivative equity instrument</u>	
At January 1	\$	15,802,132
Gain or loss recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	14,509,408)
Acquired by consolidation in the period		17,739,777
Others	(	14,810)
At December 31	\$	<u>19,017,691</u>
	<u>For the year ended December 31, 2019</u>	
	<u>Non-derivative equity instrument</u>	
At January 1	\$	19,076,660
Gain or loss recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	3,274,528)
At December 31	\$	<u>15,802,132</u>

- G. For the years ended December 31, 2020 and 2019, there was no transfer from Level 3.
- H. The Company Treasury is in charge of valuation procedures for fair value measurements being categorised 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, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. The Treasury sets 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 Accounting Division monthly. Accounting Division is responsible for managing and reviewing valuation processes.

- I. 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:

	<u>December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 9,556,575	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	The higher the multiple, the higher the fair value
	998,799	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value
	8,462,317	Net asset value	Not applicable	Not applicable



	<u>December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 14,290,717	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	The higher the multiple, the higher the fair value
	1,199,049	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

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

			December 31, 2020	
			Recognised 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 operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	±1%	\$ 95,566	\$ 95,566
Equity instrument	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	±1%	\$ 9,988	\$ 9,988
			December 31, 2019	
			Recognised 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 operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	±1%	\$ 142,907	\$ 142,907
Equity instrument	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	±1%	\$ 11,990	\$ 11,990

### 13. Supplementary Disclosures

#### (1) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the year ended December 31, 2020 are stated as follows.

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- 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 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 6.
- 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 7.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 8.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant intragroup transactions during the reporting periods: Please refer to table 9.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 10.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 11.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 12.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 13.

### 14. Segment Information

None.

## Formosa Chemicals and Fibre Corporation

## Loans to others

For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	The Company	Formosa Plastics Corp.	Other receivables-related parties	Yes	\$ 8,500,000	\$ 4,500,000	\$ -	1.23~1.42	1	2	Additional operating capital	\$ -	-	\$ -	\$ 86,088,465	\$ 172,176,930	-
0	The Company	Formosa Idemitsu Petrochemical Corp.	Other receivables-related parties	Yes	800,000	800,000	-	1.23~1.42	1	2	Additional operating capital	-	-	-	86,088,465	172,176,930	-
0	The Company	Nan Ya Plastics Corp.	Other receivables-related parties	Yes	8,500,000	4,500,000	-	1.23~1.42	1	2	Additional operating capital	-	-	-	86,088,465	172,176,930	-
0	The Company	Formosa Biomedical Technology Corp.	Other receivables-related parties	Yes	600,000	600,000	-	1.23~1.42	2	1	Additional operating capital	-	-	-	68,870,772	137,741,544	-
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	15,800,000	5,700,000	-	1.23~1.42	2	1	Additional operating capital	-	-	-	68,870,772	137,741,544	-
0	The Company	Formosa Plastics Marine Co., Ltd.	Other receivables-related parties	Yes	8,063,567	5,115,598	4,195,598	1.23~1.42	2	1	Additional operating capital	-	-	-	68,870,772	137,741,544	-
0	The Company	Formosa FCFC Carpet Corp.	Other receivables-related parties	Yes	100,000	100,000	-	1.23~1.42	2	1	Additional operating capital	-	-	-	68,870,772	137,741,544	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	The Company	Hong Jing Resources Corp.	Other receivables- related parties	Yes	\$ 1,600,000	\$ 1,600,000	\$ -	1.23~1.42	2	1	Additional operating capital	\$ -	-	\$ -	\$ 68,870,772	\$ 137,741,544	-
0	The Company	Tah Shin Spinning Corp.	Other receivables- related parties	Yes	100,000	100,000	-	1.23~1.42	2	1	Additional operating capital	-	-	-	68,870,772	137,741,544	-
0	The Company	Formosa Petrochemical Corp.	Other receivables- related parties	Yes	13,500,000	4,500,000	-	1.23~1.42	1	2	Additional operating capital	-	-	-	86,088,465	172,176,930	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Receivables from related party	Yes	7,637,303	7,200,277	7,200,277	3.08~3.48	1	2	Additional operating capital	-	-	-	8,340,344	16,680,687	-

Note 1: The numbers filled in for the loans 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: Name of account in which the loans are recognised including but not limited to accounts receivables-related parties, other receivables-related parties and, current account with stockholders, prepayments, and temporary payments, etc.

Note 3: Maximum outstanding balance of loans to others during the year ended December 31, 2020.

Note 4: The nature of loans:

(1) Related to business transactions is "1".

(2) Short-term financing is "2".

Note 5: Amount of business transactions with the borrower:

(1) No business transactions is "1".

(2) Business transactions amount is provided in Note 13 (1) G.

Note 6: Provided that loans to others are for necessary short-term financing by nature, shall specifically note necessary reasons for the loans and purposes of the borrowers, for example, repayment of loans, acquisition of equipment, and financing for operation, etc.

Note 7: The calculation of line of credit:

The limit on loans granted by the Company to a single party, related party and party with business transactions shall not be more than 25% of the Company's net assets, and limit to others is 20% of the Company's net assets.

The ceiling on loans granted by the Company to others shall not be more than 50% of the Company's net assets, and ceiling on loans granted a short-term financing borrower with no business transactions shall not be more than 40% of the Company's net assets.

The limit on loans granted by a subsidiary to a single party, related party and party with business transactions shall not be more than 50% of the subsidiary's net assets, and limit to others is 40% of the subsidiary's net assets.

The ceiling on loans granted by a subsidiary to others shall not be more than 100% of the Company's net assets, and limit on loans granted by a subsidiary to a single party, related party and party with business transactions shall not be more than 50% of the subsidiary's net assets, and limit to others is 40% of the subsidiary's net assets.

Note 8: The amount was resolved by the Board of Directors.

Formosa Chemicals and Fibre Corporation  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number ( Note 1 )	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor ( Note 2 )	Limit on endorsements/ guarantees provided for a single party ( Note 3 )	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 ( Note 4 )	Outstanding endorsement/ guarantee amount at December 31, 2020 ( 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 )	Provision of endorsements/ guarantees by parent company to subsidiary ( Note 7 )	Provision of endorsements/ guarantees by subsidiary to parent company ( Note 7 )	Provision of endorsements/ guarantees to the party in Mainland China ( Note 7 )	Footnote
0	The Company	Formosa Industries Corp., Vietnam	1	\$ 13,691,818	\$ 454,950	\$ -	\$ -	\$ -	-	\$ 447,660,017	Y	N	N	-
0	The Company	Formosa Group (Cayman) Limited	6	223,830,009	7,582,500	7,127,000	7,127,000	-	2.07	447,660,017	N	N	N	-
0	The Company	Formosa Ha Tinh (Cayman) Limited	6	223,830,009	20,907,973	18,967,581	18,967,581	-	5.51	447,660,017	N	N	N	-
0	The Company	Formosa Resources Corporation	6	223,830,009	3,260,475	3,064,610	3,064,610	-	0.89	447,660,017	N	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhongshan) Co., Ltd.	2	39,964,332	998,250	939,840	14,240	-	1.53	79,928,664	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	2	39,964,332	1,603,250	1,509,440	323,530	-	2.46	79,928,664	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	2	39,964,332	1,663,750	1,566,400	321,972	-	2.55	79,928,664	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	2	39,964,332	4,295,500	4,044,160	2,604,882	-	6.58	79,928,664	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Ha Tinh (Cayman) Co., Ltd.	6	39,964,332	7,017,217	6,376,541	6,376,541	-	10.37	79,928,664	N	N	N	-
2	Formosa Development Co., Ltd.	Public More Internation Company Co., Ltd.	2	195,326	3,000	-	-	-	-	390,652	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 six categories:

(1) Having business relationship.

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

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

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

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides 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: In accordance with Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 130% of the Company's net assets, the limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount. For companies having business relationship with the Company and thus being provided endorsements/guarantees, the limit on endorsements to a single party is the higher value of purchasing or selling.

Note 4: 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 Co.

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

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

Formosa Chemicals and Fibre Corporation  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
For the year ended December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks_Formosa Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	486,978,693	\$ 46,944,746	7.65	\$ 46,944,746	-
The Company	Stocks_Asia Pacific Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	63,621,500	2,435,431	14.97	2,435,431	-
The Company	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	413,327,750	29,718,265	5.21	29,718,265	-
The Company	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	334,815,409	29,061,978	10.82	29,061,978	-
The Company	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	14,723,422	229,685	3.09	229,685	-
The Company	Mega Private US Dollar Money Market Funds	-	Financial assets at fair value through profit or loss - current	12,477,992	3,888,510	-	3,888,510	-
The Company	Stocks_Mai-Liao Harbor Administration Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	39,562,740	780,968	17.98	780,968	-
The Company	Stocks_Formosa Plastic Corp. U.S.A.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	8,999	1,653,423	2.92	1,653,423	-
The Company	Stocks_Taiwan Stock Exchange Corp.	-	Financial assets at fair value through other comprehensive income - non-current	15,002,811	1,738,826	2.00	1,738,826	-
The Company	Stocks_Taiwan Aerospace Corp.	-	Financial assets at fair value through other comprehensive income - non-current	1,070,151	14,415	0.79	14,415	-
The Company	Stocks_Yi-Jih Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	63,174	14,809	1.51	14,809	-

Securities held by	Marketable securities ( Note 1 )	Relationship with the securities issuer ( Note 2 )	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks_Chinese Television System Corp.	-	Financial assets at fair value through other comprehensive income - non-current	2,376,202	\$ 50,067	1.41	\$ 50,067	-
The Company	Stocks_Formosa Plastics Maritime Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	355,880	217,831	18.22	217,831	-
The Company	Stocks_Formosa Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	18,255,356	266,711	18.00	266,711	-
The Company	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	2,925,000	93,746	12.50	93,746	-
The Company	Stocks_Formosa Plastics Marine Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	2,428,500	313,956	15.00	313,956	-
The Company	Stocks_Formosa Ocean Group Marine Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	2,622	5,685,107	19.00	5,685,107	-
The Company	Stocks_Guangyuan Investment Corp.	-	Financial assets at fair value through other comprehensive income - non-current	3,750,000	21,450	3.91	21,450	-
The Company	Stocks_Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,500,000	20,450	1.97	20,450	-
The Company	Stocks_Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets at fair value through other comprehensive income - non-current	621,178,219	8,145,932	11.43	8,145,932	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	865,373	13,500	0.18	13,500	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Lithium Iron Oxide Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	5,300,000	-	15.14	-	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	251,120	8,048	1.07	8,048	-
Formosa Biomedical Technology Corp.	Stocks_Taiwan Leader Biotech Corp.	-	Financial assets at fair value through other comprehensive income - non-current	2,100,000	21,000	4.67	21,000	-



Securities held by	Marketable securities ( Note 1 )	Relationship with the securities issuer ( Note 2 )	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Biomedical Technology Corp.	Stocks_United Performance Materials Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	423,720	\$ 4,386	0.46	\$ 4,386	-
Formosa Biomedical Technology Corp.	Stocks_United Biopharma (Cayman), Inc.	-	Financial assets at fair value through other comprehensive income - non-current	23,559,814	953,701	13.42	953,701	-
Formosa Biomedical Technology Corp.	Stocks_UBI Pharma Inc.	-	Financial assets at fair value through other comprehensive income - non-current	15,958,753	142,352	17.47	142,352	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Chemicals & Fibre Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income - current	12,169,610	1,030,765	0.21	1,030,765	3
Formosa Taffeta Co., Ltd.	Stocks_Pacific Electric Wire & Cable Corp., Ltd.	-	Financial assets at fair value through other comprehensive income - current	35	-	-	-	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	640	62	-	62	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	482,194	34,670	0.01	34,670	-
Formosa Taffeta Co., Ltd.	Stocks_Asia Pacific Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	10,000,000	344,320	2.35	344,320	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	7,711,010	669,316	0.25	669,316	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Petrochemical Corp.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	365,267,576	36,453,704	3.83	36,453,704	-
Formosa Taffeta Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - non-current	191,885	7,412	0.45	7,412	-
Formosa Taffeta Co., Ltd.	Stocks_Toa Resin Corp., Ltd.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	14,400	37,757	10.00	37,757	-
Formosa Taffeta Co., Ltd.	Stocks_Shin Yun Natural Gas Corp.	-	Financial assets at fair value through other comprehensive income - non-current	789,000	23,642	1.20	23,642	-

Securities held by	Marketable securities ( Note 1 )	Relationship with the securities issuer ( Note 2 )	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Taffeta Co., Ltd.	Stocks_Wk Technology Fund IV Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,348,731	\$ 13,168	3.17	\$ 13,168	-
Formosa Taffeta Co., Ltd.	FG INC	Other related parties	Financial assets at fair value through other comprehensive income - non-current	600	249,940	3.00	249,940	-
Formosa Taffeta Co., Ltd.	NKFG Co.	Other related parties	Financial assets at fair value through other comprehensive income - non-current	5,540,000	18,194	2.50	18,194	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets at fair value through other comprehensive income - non-current	209,010,676	2,559,628	3.85	2,559,628	-
Formosa Development Co., Ltd.	Stocks_Formosa Taffeta Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income - non-current	2,193,228	68,100	0.13	68,100	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IFRS 9 "Financial instruments".

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

Note 3: The Company's stocks held by the subsidiaries— Formosa Taffeta Co., Ltd. —is deemed as treasury stocks. Details are provided in Note 6 (13).

Formosa Chemicals and Fibre Corporation

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

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities ( Note 1 )	General ledger account	Counterparty ( Note 2 )	Relationship with the investor ( Note 2 )	Balance as at January 1, 2020		Addition ( Note 3 )		Disposal ( Note 3 )				Balance as at December 31, 2020	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
The Company	FC INC.	Investments accounted for using equity method	FC INC.	Related parties	6,000	\$ 2,605,772	-	\$ 737,727	-	\$ -	\$ -	\$ -	6,000	\$ 3,117,242
The Company	Formosa Construction Corp.	Investments accounted for using equity method	Formosa Construction Corp.	Related parties	10,000,000	75,523	50,000,000	500,000	-	-	-	-	60,000,000	568,354
Formosa Taffeta Co., Ltd.	Schoeller Textil AG	Investments accounted for using equity method	Schoeller Textil AG	Related parties	-	-	21,874	1,285,507	-	-	-	-	21,874	1,270,603

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 \$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In 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 level shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Formosa Chemicals and Fibre Corporation  
Acquisition of Individual Real Estate at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital  
For the year ended December 31, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Real estate acquired by	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party					Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount				
Formosa Industries Corp., Vietnam	Polymerization equipment, correction instrument	Note	\$ 1,233,875	Paid	Nan Ya Draw-Textured Yarn (Kunshan) Co., Ltd.	Other related parties	-	-	-	\$	-	Bargaining	For production and manufacturing	-

Note: On January 24, 2019, the Board of Directors resolved to acquire the asset, and the price of the asset was paid on March 24, 2020.

Formosa Chemicals and Fibre Corporation  
Disposal of Individual Real Estate at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital  
For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Real estate disposed by	Property	Event Date	Acquisition Date	Book Value	Transaction Amount	Collection Status	Gain (loss) on disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other Terms
Tah Shin Spinning Corp.	No. 1371-1372, Fengkou Section, Xinhua District, Tainan City and No.1938-1944, 1947-1950, 2093, Taizi Temple Subsection, Xinhua Section, Xinhua District, Tainan City	2020/4/17	1984/12/31	\$ 3,143	\$ 1,061,427	\$ 1,061,427	\$ 822,378	I-Hwa Industrial Co. Ltd.	-	Disposal of idle land and buildings	Valuation amount of \$979,050 by Zhan-Mao Real Estate Appraisers Firm and valuation amount of \$984,800 by Cushman & Wakefield Real Estate Appraisers Firm	-

Note 1: The appraisal result should be presented in the 'Pricing Reference' column if the real estate disposed of should be appraised pursuant to the regulations.

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.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4: Gain on disposal includes expense for transaction and land value increment tax.

Formosa Chemicals and Fibre Corporation  
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions ( Note 1 )						
			Transaction				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 1 )	
The Company	Formosa Plastics Corp.	Other related parties	Sales	(\$ 2,388,131) (	1)	30 days	\$ -	-	\$ 290,632		2	-	
The Company	Nan Ya Plastics Corp.	Other related parties	Sales	( 20,526,039) (	13)	30 days	-	-	2,134,838		12	-	
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Sales	( 1,005,720) (	1)	60 days	-	-	Notes receivable 127,610		32	-	
									Accounts receivable 153,445		1	-	
The Company	Formosa Taffeta (Dong Nai) Corp.	Subsidiary	Sales	( 463,857) -	-	60 days	-	-	81,820		-	-	
The Company	Formosa Petrochemical Corp.	Associates	Sales	( 14,939,627) (	9)	30 days	-	-	1,684,297		9	-	
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary	Sales	( 22,194,973) (	14)	90 days	-	-	5,505,134		31	-	
The Company	Formosa Industries Corp.	Subsidiary	Sales	( 1,615,993) (	1)	30 days	-	-	326,274		2	-	
The Company	PFG Fiber Glass Corp.	Other related parties	Sales	( 422,637) -	-	30 days	-	-	33,554		-	-	
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary	Sales	( 10,835,159) (	7)	30 days	-	-	1,878,690		10	-	
The Company	Formosa Plastics Corp., U.S.A.	Other related parties	Sales	( 421,714) -	-	30 days	-	-	80,745		-	-	
The Company	Formosa Plastics Corp.	Other related parties	Purchases	4,126,755	3	30 days	-	-	( 460,581) (		3)	-	
The Company	Nan Ya Plastics Corp.	Other related parties	Purchases	7,093,296	6	30 days	-	-	( 1,227,854) (		8)	-	
The Company	Formosa Petrochemical Corp.	Associates	Purchases	84,047,613	68	30 days	-	-	( 8,902,181) (		61)	-	
Formosa BP Chemicals Corp.	The Company	Parent company	Sales	( 768,219) (	17)	30 days	-	-	132,197		13	-	

			Transaction		Differences in transaction terms compared to third party transactions ( Note 1 )				Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)	Footnote ( Note 1 )
Formosa BP Chemicals Corp.	BP Chemicals (Malaysia) SDN Corp.	Associates	Sales	(\$ 1,541,958) (	34)	90 days after shipped	\$ -	-	\$ 342,233		33	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Sales	( 400,427) (	9)	30 days	-	-	51,671		5	-
Formosa BP Chemicals Corp.	Formosa Plastics Corp.	Other related parties	Sales	( 135,883) (	3)	15 days	-	-	8,612		1	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Purchases	1,602,339	58	45days	-	-	( 157,103) (		65)	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates	Sales	( 2,481,058) (	38)	30 days	-	-	259,085		44	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties	Sales	( 2,236,007) (	35)	30 days	-	-	213,154		36	-
Formosa Power (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	( 446,132) (	7)	30 days	-	-	46,085		8	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	( 5,246,045) (	9)	90 days	-	-	509,105		3	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	1,850,112	3	90 days	-	-	( 325,011) (		4)	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Petrochemical Corp.	Associates	Purchases	974,789	2	90 days	-	-	( 343,741) (		4)	-
Formosa Industries Corp.	The Company	Parent company	Sales	( 382,333) (	2)	60 days	-	-	53,665		3	-
Formosa Industries Corp.	Formosa Taffeta (Dong Nai) Corp.	Associates	Sales	( 454,987) (	2)	60 days	-	-	108,048		7	-
Formosa Industries Corp.	Formosa Taffeta (Long An) Corp.	Associates	Sales	( 152,433) (	1)	60 days	-	-	52,329		3	-
Formosa Industries Corp.	Nan Ya Plastics (Nan Tong) Corp.	Other related parties	Sales	( 101,404) (	1)	60 days	-	-	-		-	-
Formosa Industries Corp.	Formosa Plastics Corp.	Other related parties	Purchases	318,315	2	30 days	-	-	( 33,905) (		2)	-
Formosa Industries Corp.	Nan Ya Plastics Corp.	Other related parties	Purchases	1,227,351	8	30 days	-	-	( 191,827) (		13)	-

Table 7, Page 2

			Transaction		Differences in transaction terms compared to third party transactions ( Note 1 )		Notes/accounts receivable (payable)				Footnote ( Note 1 )
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)	
Formosa Idemitsu Petrochemical Corp.	The Company	Parent company	Sales	(\$ 1,437,144)	( 13)	30 days	\$ -	-	\$ 306,957	23	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Associates	Sales	( 216,931)	( 2)	30 days after closing date	-	-	44,538	3	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals Taiwan Corp.	Associates	Sales	( 570,341)	( 5)	30 days after closing date	-	-	72,481	5	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Associates	Sales	( 671,356)	( 6)	30 days after closing date	-	-	56,844	4	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates	Sales	( 625,758)	( 6)	30 days after closing date	-	-	106,001	8	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (U.S.A.) Co., Ltd.	Associates	Sales	( 118,716)	( 1)	30 days after closing date	-	-	41,601	3	-
Formosa Biomedical Technology Corp.	Nan Ya Technology Corp.	Other related parties	Sales	( 160,090)	( 7)	30 days	-	-	1,071	-	-
Formosa Taffeta Co., Ltd.	Kuang Yueh Enterprise Co., Ltd.	Associates	Sales	( 270,844)	( 1)	Pay by mail transfer 60 days after delivery	-	-	38,502	2	-
Formosa Taffeta Co., Ltd.	Yugen Co., Ltd.	Other related parties	Sales	( 218,982)	( 1)	Pay 120 days after delivery	-	-	26,039	1	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Corp.	Subsidiary	Sales	( 148,413)	( 1)	60 days after monthly billings	-	-	18,276	1	-
Formosa Taffeta Co., Ltd.	Formosa Petrochemical Corp.	Other related parties	Purchases	8,144,370	36	Pay every 15 days by mail transfer	-	- (	401,483) (	33)	-
Formosa Taffeta Co., Ltd.	Nan Ya Plastics Corp.	Other related parties	Purchases	596,978	3	Pay by mail transfer on the 15th of the following month	-	- (	46,114) (	4)	-
Formosa Taffeta Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	195,470	1	Pay by mail transfer on the 15th of the following month	-	- (	11,739) (	1)	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates	Sales	( 243,148)	( 18)	60 days after monthly billings	-	-	100,250	49	-

Table 7, Page 3



			Transaction		Differences in transaction terms compared to third party transactions ( Note 1 )		Notes/accounts receivable (payable)				Footnote ( Note 1 )
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)	
Formosa Taffeta (Changshu) Co., Ltd.	Jiaying Quang Viet Garment Co., Ltd.	Other related parties	Sales	(\$ 105,309) (	9)	Pay by mail transfer 60 days after delivery	\$ -	-	\$ 732	1	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Associates	Sales	( 211,188) (	6)	60 days after monthly billings	-	-	39,202	5	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta Co., Ltd.	Parent company	Sales	( 151,982) (	4)	60 days after monthly billings	-	-	23,215	3	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Kuang Yueh (Vietnam) Co., Ltd.	Other related parties	Sales	( 250,893) (	7)	60 days after monthly billings	-	-	28,697	4	-
Formosa Taffeta (Vietnam) Co., Ltd.	Formosa Industries Corp.	Associates	Purchases	154,959	7	60 days after monthly billings	-	- (	36,426) (	24)	-
Formosa Taffeta (Vietnam) Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Associates	Sales	( 103,566) (	5)	60 days after monthly billings	-	-	28,611	7	-
Formosa Taffeta (Vietnam) Co., Ltd.	Kuang Yueh (Vietnam) Co., Ltd.	Other related parties	Sales	( 141,960) (	6)	Pay by mail transfer 60 days after delivery	-	- (	20,683) (	5)	-

Note 1: The disclosed transaction is the revenue side and related transactions are no longer disclosed.

Formosa Chemicals and Fibre Corporation  
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2020

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			( Note 1 )			Amount	Action taken		
The Company	Formosa Plastics Corp.	Other related parties	\$	290,632	10.45	\$ -	-	\$ 290,632	\$ -
The Company	Nan Ya Plastics Corp.	Other related parties		2,134,838	10.12	-	-	2,134,838	-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Notes receivable	127,610	2.73	-	-	5,662	-
			Accounts receivable	153,445				89,974	-
The Company	Formosa Petrochemical Corp.	Associates		1,684,297	10.40	-	-	1,684,297	-
The Company	Formosa Industries Corp.	Subsidiary		326,274	4.99	-	-	225,102	-
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary		5,505,134	3.39	-	-	1,598,917	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary		1,878,690	7.43	-	-	1,878,690	-
Formosa BP Chemicals Corp.	The Company	Associates		132,197	7.01	-	-	131,620	-
Formosa BP Chemicals Corp.	BP Chemicals (Malaysia) SDN Corp.	Associates		342,233	4.39	-	-	172,964	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates		106,001	6.46	-	-	88,272	-
Formosa Idemitsu Petrochemical Corp.	The Company	Associates		306,957	6.79	-	-	306,957	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates		259,085	9.87	-	-	259,085	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties		213,154	10.59	-	-	213,050	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties		509,105	9.64	-	-	422,873	-
Formosa Industries Corp.	Formosa Taffeta (Dong Nai) Co., Ltd.	Other related parties		108,048	4.60	-	-	17,236	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates		100,250	2.20	-	-	53,576	-

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

Formosa Chemicals and Fibre Corporation  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2020

Table 9

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	The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	1	Sales revenue	(\$ 22,194,973)	In regular terms	(9)
0	The Company	Formosa Idemitsu Petrochemical Corp.	1	Sales revenue	( 10,835,159)	In regular terms	(4)

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: If the transaction amount in this sheet reaches 3% of consolidated operating income or total assets, it is considered material.

Formosa Chemicals and Fibre Corporation  
Information on investees (Excluding those in Mainland China)  
For the year ended December 31, 2020

Table 10

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at Decemebr 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
The Company	Tah Shin Spinning Corp.	Taiwan	Spinning	\$ 5,549	\$ 5,549	1,728,000	86.40	\$ 738,754	\$ 817,414	\$ 706,246	-
The Company	Formosa Taffeta Co., Ltd.	Taiwan	Spinning	719,003	719,003	630,022,431	37.40	22,556,331	2,095,548	766,334	-
The Company	Formosa Heavy Industries Corp.	Taiwan	Machinery	2,497,721	2,497,721	651,706,181	32.91	7,102,774	566,338	187,088	-
The Company	Formosa Fairway Corporation	Taiwan	Transportation	33,320	33,320	4,697,951	33.33	68,247 (	38,443) (	12,813)	-
The Company	Formosa Plastics Transport Corp.	Taiwan	Transportation	299,272	299,272	6,566,384	33.33	1,177,559	308,015	102,661	-
The Company	Formosa Petrochemical Corp.	Taiwan	Chemistry	25,842,468	25,842,468	2,300,799,801	24.15	74,133,567	7,429,610	1,773,787	-
The Company	Mai-Liao Power Corp.	Taiwan	Electricity generation	5,985,531	5,985,531	601,733,151	24.94	12,414,449	6,702,012	1,671,482	-
The Company	FCFC Investment Corp. (Cayman)	Cayman Islands	Investments	34,012,602	34,012,602	56,000	100.00	61,014,998	7,496,147	7,496,147	-
The Company	Hwa Ya Science Park Management Consulting Co., Ltd.	Taiwan	Management	340	340	33,000	33.00	3,029	1,176	388	-
The Company	Chia-Nan Enterprise Corporation	Taiwan	Electricity generation	370,561	225,034	21,163,000	51.00	353,298	27,977	7,913	-
The Company	Formosa Idemitsu Petrochemical Corp.	Taiwan	Wholesale and retail of petrochemical and plastic raw materials	299,999	299,999	60,000,000	50.00	1,330,780	188,925	94,056	-
The Company	Formosa Industries Corp., Vietnam	Vietnam	Textile, polyester staple fibre, cotton	8,435,801	8,435,801	-	42.50	8,011,716	630,369	267,906	-
The Company	Formosa BP Chemicals Corp.	Taiwan	Chemistry, international of petrochemistry	1,201,500	1,201,500	120,150,000	50.00	1,567,014	194,713	96,814	-
The Company	Formosa Environmental Technology Co.	Taiwan	Disposal of wastes and sewage	417,145	417,145	41,714,475	24.34	227,350	5,812	1,414	-

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at Decemebr 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
The Company	Formosa Biomedical Technology Corp.	Taiwan	Manufacturing and sale of cosmetics	\$ 1,566,879	\$ 1,566,879	147,556,136	88.59	\$ 1,885,663	\$ 386,066	\$ 342,031	-
The Company	Formosa FCFC Carpet Corp.	Taiwan	Yarn spinning mills, finishing of textiles and carpet manufacturing	300,000	300,000	22,037,185	100.00	198,152 (	7,579) (	7,578)	-
The Company	Formosa Synthetic Rubber Corp.	Taiwan	Manufacturing of synthetic rubber	-	446,000	-	-	- (	685,963) (	228,654)	3
The Company	Formosa Synthetic Rubber (Hong Kong) Co., Ltd.	Hong Kong	Manufacturing of synthetic rubber	4,214,914	4,163,050	138,334,000	33.33	2,308,051 (	500,707) (	166,885)	-
The Company	Formosa Resources Corporation	Taiwan	Mining industry and its trading, wholesale of chemical material and international trading	7,415,240	7,415,940	741,594,000	25.00	6,169,287	74,886	18,722	-
The Company	Formosa Group Corp. (Cayman)	Cayman Islands	Investments	377	377	12,500	25.00	649,229	125,886	31,472	-
The Company	Formosa Construction Corp.	Taiwan	Development and sale of rebuilt housing, buildings and plants under urban redevelopment	600,000	100,000	60,000,000	33.33	568,354 (	21,358) (	7,169)	-
The Company	FG INC.	United States	Investments	3,413,031	2,675,304	6,000	30.00	3,117,242 (	149,352) (	46,480)	-
The Company	FCFC International (Cayman) Limited	Cayman Islands	Investments	-	17,823,278	-	-	- (	13) (	13)	-
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Hong Kong	Investments	29,959,815	29,959,815	-	100.00	44,937,910	6,396,698	6,396,698	-
Formosa Biomedical Technology Corp.	Beyoung International Corp.	Taiwan	International trading	90,000	90,000	467,400	30.00	94,328 (	4,703) (	2,174)	-
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Taiwan	Recycle of spent catalyst	476,196	476,196	27,336,218	71.00	622,652	154,318	109,566	-
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (Samoa) Co., Ltd.	Samoa	Investments	29,610	29,610	-	100.00	187	1,588	1,588	-

Investor	Investee ( Note 1,2 )	Location	Main business activities	Initial investment amount		Shares held as at Decemebr 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Formosa Biomedical Technology Corp.	Formosa Waters Technology Co., Ltd.	Taiwan	1.Industrial Catalyst Manufacturing 2.Wholesale of Other Chemical Products	\$ 7,650	\$ 7,650	765,001	57.00	\$ 15,298	\$ 10,383	\$ 5,918	-
Formosa Biomedical Technology Corp.	Formosa Bio& Energy Crop. (Japan)	Japan	Investments	5,018	-	18,105	51.00	4,143 (	1,689) (	861)	-
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Taiwan	1.Handling urban land consolidation 2.Development, rent and sale of industrial plants, residences and building	114,912	114,912	16,100,000	100.00	221,926	22,962	17,477	-
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	1,762,711	2,681,906	135,686,472	30.68	4,985,980	1,402,677	430,402	-
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	1,185,421	24,374	24,374	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Vietnam	Production, processing, further processing various yam and cotton cloth, dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,086,772	56,041	56,041	-
Formosa Taffeta Co., Ltd.	Kuang Yueh Co., Ltd.	Taiwan	Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	213,771	213,771	18,595,352	17.99	1,166,522	537,296	64,298	-
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Hong Kong	Trading of textiles	-	2,958	-	-	-	- (	242)	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100	2,218,410	8,755	8,755	-

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at Decemebr 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Formosa Taffeta Co., Ltd.	Formosa Industries Corp., Ltd.	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	\$ 1,987,122	\$ 1,987,122	-	10.00	\$ 1,972,294	\$ 595,303	\$ 59,530	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Cayman Islands	Investments	-	6,241,670	-	-	-	-	-	-
Formosa Taffeta Co., Ltd.	Schoeller Textil AG	Switzerland	Textile R&D, production and sales	1,285,507	-	21,874	50.00	1,270,603 (	109,247) (	54,623)	-
Formosa Taffeta Co., Ltd.	Nan Ya Optical Corp.	Taiwan	LED lighting system, lighting piping engineering design planning, manufacturing and installation	263,327	-	7,013,871	15.22	196,554	90,298	8,109	-
Formosa Development Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	24,401	1,402,677	1,655	-
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Taiwan	Employment service, manpower allocation and agency service	5,000	5,000	-	100.00	13,836	6,900	6,900	-
Public More Internation Co., Ltd.	Kuang Yueh Co., Ltd.	Taiwan	Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	1,069	-	10,000	0.01	1,029	537,296	35	-

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

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

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note3: Formosa Synthetic Rubber Corp. had completed liquidation on December 28, 2020.

Formosa Chemicals and Fibre Corporation  
Information on investments in Mainland China  
For the year ended December 31, 2020

Table 11

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	\$ 4,834,511	1	\$ 4,051,414	\$ -	\$ -	\$ 4,051,414	\$ 1,099,450	100.00	\$ 1,099,450	\$ 16,086,603	\$ -	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Production and market of PTA	35,575,404	1	29,959,815	-	-	29,959,815	6,396,697	100.00	6,396,697	44,937,910	-	-
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Production and sale of synthetic rubber	12,777,478	4	4,163,050	-	-	4,163,050	( 500,707)	33.33	( 166,887)	2,308,051	-	-
Formosa Biomedical Trading (Shanghai) Co., Ltd.	Investments	29,610	1	29,610	-	-	29,610	1,588	100.00	1,588	187	-	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Production and sale of polyester and polyamide fabrics	1,402,085	1	1,402,085	-	-	1,402,085	77,230	100.00	77,230	1,841,916	-	3
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise exhibition, export processing, warehousing and design and drawing of black and white and colour graphs	15,273	1	15,273	-	12,008	-	( 347)	100.00	( 347)	-	-	4



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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
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	\$ 24,328	100.00	\$ 24,328	\$ 1,073,568	\$ -	5
Changshu Yu Yuan Development Co., Ltd.	Building and selling real estate	70,788	2	-	-	-	- (	78)	40.78 (	32)	16,483	-	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

(4) Formosa Power (Ningbo) Co., Ltd. is an investee company in Mainland China through the Company's investee - FCFC Investment Corp. (Cayman).

Formosa Chemicals Industries (Ningbo) Co., Ltd., Formosa PS (Ningbo) Co., Ltd., Formosa ABS Plastics (Ningbo) Co., Ltd. and Formosa Phenol (Ningbo) Limited Co. were investee companies in Mainland China through the Company's investee - FCFC Investment Corp. (Cayman). After share structure adjustment in 2008 and 2014, the parent company of the 4 investees became Formosa Chemicals & Fibre (Hong Kong) Co., Ltd. Formosa Chemicals & Fibre (Hong Kong) Co., Ltd. is a wholly-owned subsidiary through reinvestment of FCFC Investment Corp. (Cayman).

The Company reorganised its investment structure through a merger of 4 investees in Mainland China, namely, Formosa Chemicals Industries (Ningbo) Co., Ltd., Formosa ABS Plastics (Ningbo) Co., Ltd., Formosa PS (Ningbo) Co., Ltd. and Formosa Phenol (Ningbo) Limited Co. After the effective date of January 2, 2018, Formosa Chemicals Industries (Ningbo) Co., Ltd. was the surviving entity. The proposal had been resolved by Board of Directors on November 4, 2016.

Formosa Synthetic Rubber (Ningbo) Co., Ltd. is an investee company in Mainland China through the investee - Formosa Synthetic Rubber (Hong Kong) Co., Ltd..

Formosa Biomedical Trading (Shanghai) Co., Ltd. is an investee company in Mainland China through the investee - Formosa Biomedical (Samoa) Co., Ltd..

Formosa Taffeta (Changshu) Co., Ltd. is an investee company in Mainland China through the subsidiary - Formosa Taffeta (Hong Kong) Co., Ltd..

The Company is 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.

Note 2: Investment income recognized in current period is based on the financial reports audited by CPAs of the Taiwan parent company.

Note 3: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2020 and December 31, 2020 all amount to US\$46,400,000.

(The remittance of US\$46,388,800 and the capitalised value of machinery and equipment of US\$11,200)

Note 4: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2020 and December 31, 2020 all amount to US\$570,000.

The liquidation had completed in July 2020, and the remaining assets of US\$409,496 have been remitted back to Taiwan.

Note 5: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2020 and December 31, 2020 all amount to US\$42,000,000. In order to effectively utilise the residential land of the Company, Formosa Chemicals & Fibre Co. split the residential land and established Changshu Fushun Enterprise Management Co., Ltd. by capitalizing the residential land in the first quarter, 2015.

Formosa Chemicals & Fibre Co. reduced the capital of Formosa Taffeta (Changshu) Co., Ltd. by US\$900,000, so the Company's paid-in capital amounts to \$41,100,000.

Note 6: The Company is the surviving company after the merger with Changshu Yu Yuan Development Co., Ltd. in the third quarter, 2015. The paid-in capital of the Company is RMB\$13,592,920.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 38,174,279	\$ 40,584,844	Note

Note: Corporations that are qualified with operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C.

Formosa Chemicals and Fibre Corporation  
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas  
For the year ended December 31, 2020

Table 12

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				
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020	Others
Formosa Taffeta (Zhongshan) Co., Ltd.	\$ 11,812	0.05	\$ -	-	\$ 127	0.01	\$ 939,840	For short-term loans from financial institutions	\$ -	\$ -	-	\$ -	-
Formosa Taffeta (Changshu) Co., Ltd.	18,975	0.09	-	-	2,531	0.13	1,566,400	For short-term loans from financial institutions	-	-	-	-	-

Table 13

Formosa Chemicals and Fibre Corporation  
Information on Major Shareholders  
For the year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Name of Major Shareholder	Shares	
	Number of Shares	Ownership (%)
Chang Gung Medical Foundation	1,089,142,009	18.58%
Qin's International Investment Holdings Ltd.	371,938,814	6.35%

FORMOSA CHEMICALS & FIBRE CORPORATION

Cash and cash equivalents

December 31, 2020

Statement 1

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Cash on hand		\$ 94
Revolving funds		242
Cash in banks	Demand deposits	1,801
	Foreign currency	
	demand deposits: USD, exchange rate: \$28.51	2,845,088
	EUR, exchange rate: \$34.56	1,139
	JPY, exchange rate: \$0.27	1,188
	RMB, exchange rate: \$4.37	118
	Period from December 15, 2020~January 14, 2021; interest rate: 0.42%	855,595
	Time deposits	
Total		<u>\$ 3,705,265</u>

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
Statement of changes in financial assets measured at fair value through other comprehensive income  
Year ended December 31, 2020

Statement 2

(Expressed in thousands of New Taiwan Dollars)

Investee	Beginning Balance		Addition		Decrease		Ending Balance			Fair Value	Collateral or endorsement provided
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Percentage of Ownership	Amount	Amount	
Current items:											
Formosa Plastics Corp.	486,978,692	\$ 9,155,094	1	\$ -	-	\$ -	\$ 486,978,693	7.65%	\$ 9,155,094	\$ 46,944,746	None
Nan Ya Plastics Corp.	413,327,750	4,231,685	-	-	-	-	413,327,750	5.21%	4,231,685	29,718,265	"
Nan Ya Technology Corp.	334,815,409	10,461,715	-	-	-	-	334,815,409	10.82%	10,461,715	29,061,978	"
Formosan Union Chemical Corp.	14,723,422	16,160	-	-	-	-	14,723,422	3.09%	16,160	229,685	"
Asia Pacific Investment Corp.	63,621,500	725,839	-	-	-	-	63,621,500	14.97%	725,839	2,435,431	"
Subtotal		24,590,493		-		-			24,590,493	\$ 108,390,105	"
Adjustments for change in value of financial assets		84,419,435		-		( 619,823)			83,799,612		
Total		\$ 109,009,928		\$ -		(\$ 619,823)			\$ 108,390,105		
Non-current items:											
Mai-Liao Harbor Administration Corp.	39,562,740	\$ 539,260	-	\$ -	-	\$ -	\$ 39,562,740	17.98%	\$ 539,260	\$ 780,968	None
Formosa Plastic Corp.	8,999	818,316	-	-	-	-	8,999	2.92%	818,316	1,653,423	"
Central Leasing Corp.	1,778,611	-	-	-	-	-	1,778,611	1.07%	-	-	"
Taiwan Stock Exchange Corporation.	14,565,866	1,800	436,975	-	-	-	15,002,841	2.00%	1,800	1,738,826	"
Taiwan Aerospace Corp.	1,070,151	10,702	-	-	-	-	1,070,151	0.79%	10,702	14,415	"
Yi-Jih Development Corp.	300,000	3,000	-	-	( 236,826)	( 2,310)	63,174	1.51%	690	14,809	"
Chinese Television System Corp.	2,376,202	38,419	-	-	-	-	2,376,202	1.41%	38,419	50,067	"
Formosa Plastics Maritime Corp.	355,880	1,750	-	-	-	-	355,880	18.22%	1,750	217,831	"
Formosa Development	16,508,732	90,010	1,746,624	-	-	-	18,255,356	18.00%	90,010	266,711	"
Formosa Network Technology Corp.	2,925,000	13,331	-	-	-	-	2,925,000	12.50%	13,331	93,746	"

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**Statement of changes in financial assets measured at fair value through other comprehensive income (Cont.)**  
**Year ended December 31, 2020**

Statement 2

(Expressed in thousands of New Taiwan Dollars)

Investee	Beginning Balance		Addition		Decrease		Ending Balance			Fair Value	Collateral or endorsement provided
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Percentage of Ownership	Amount	Amount	
Formosa Plastics Marine Corp.	2,428,500	\$ 15,000	-	\$ -	-	\$ -	\$ 2,428,500	15.00%	\$ 15,000	\$ 313,956	None
Formosa Ocean Group Marine Investment Corp.	2,622	856,948	-	-	-	-	2,622	19.00%	856,948	5,685,107	"
Guangyuan Investment	5,000,000	50,000	-	-	( 1,250,000)	( 12,500)	3,750,000	3.91%	37,500	21,450	"
Mega Growth Venture Capital Co., Ltd.	2,500,000	25,000	-	-	-	-	2,500,000	1.97%	25,000	20,450	"
Formosa Ha Tinh (Cayman) Limited	-	-	621,178,219	17,739,777	-	-	621,178,219	11.43%	17,739,777	8,145,932	"
Subtotal		2,463,536		17,739,777		( 14,810)			20,188,503	\$ 19,017,691	
Adjustments for change in value of financial assets		13,338,597		-		( 14,509,409)			( 1,170,812)		
Total		\$ 15,802,133		\$ 17,739,777		(\$ 14,524,219)			\$ 19,017,691		

FORMOSA CHEMICALS & FIBRE CORPORATION

Notes receivable  
December 31, 2020

Statement 3

(Expressed in thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
General customers			
Entire Technology Co., Ltd.	Payments to suppliers	\$ 149,565	
Cheng Fong Plastics Co., Ltd.	Payments to suppliers	35,217	
			Balance of each client
Others	Payments to suppliers	82,109	has not exceeded 5%
Subtotal		266,891	of total account balance
Less: loss allowance		-	
Total		<u>\$ 266,891</u>	
Related party			
Formosa Taffeta Co., Ltd.	Payments to suppliers	\$ 127,610	
Less: loss allowance		-	
Total		<u>\$ 127,610</u>	

Aforementioned notes receivables all were generated from operating activities.

FORMOSA CHEMICALS & FIBRE CORPORATION

Accounts receivable

December 31, 2020

Statement 4

(Expressed in thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
<b>General customers</b>			
Taita Chemical Company, Limited	Payments to suppliers	\$ 458,448	
Great World Leader, Ltd.	Payments to suppliers	350,578	
Others	Payments to suppliers	5,059,766	Balance of each client has not exceeded 5% of total account balance
Subtotal		5,868,792	
Less: loss allowance		( 72,170)	
Total		<u>\$ 5,796,622</u>	
<b>Related parties</b>			
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Payments to suppliers	\$ 5,505,134	
Nan Ya Plastics Corp.	Payments to suppliers	2,134,838	
Formosa Petrochemical Corp.	Payments to suppliers	1,684,297	
Formosa Idemitsu Petrochemical Corporation	Payments to suppliers	1,878,690	
Others	Payments to suppliers	979,018	Balance of each client has not exceeded 5% of total account balance
Subtotal		12,181,977	
Less: loss allowance		-	
Total		<u>\$ 12,181,977</u>	

Aforementioned accounts receivables all were generated from operating activities.



FORMOSA CHEMICALS & FIBRE CORPORATION

Inventories

December 31, 2020

Statement 5

(Expressed in thousands of New Taiwan Dollars)

Items	Amount		Basis of market price
	Cost	Market price	
Raw materials	\$ 4,655,511	\$ 4,639,108	Net realisable value
Supplies	3,491,570	3,860,447	Net realisable value
Work in progress	1,552,918	1,552,787	Net realisable value
Finished goods	4,106,269	4,100,734	Net realisable value
Other inventories	3,703	3,703	Net realisable value
Subtotal	13,809,971	<u>\$ 14,156,779</u>	
Allowance for valuation loss	( 566,426)		
Total	<u>\$ 13,243,545</u>		

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**Changes in investments accounted for using equity method**  
**December 31, 2020**

Statement 6

(Expressed in thousands of New Taiwan Dollars)

Investee	Beginning Balance		Addition		Decrease		Investment profit (loss) accounted for using equity method	Others (Note 1)	Ending Balance			Market Value or Net Assets Value	Collateral or endorsement provided
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount			No. of shares	Percentage of Ownership	Amount		
Tah Shin Spinning Corp.	1,728,000	\$ 32,508	-	\$ -	-	\$ -	\$ 706,246	\$ -	1,728,000	86.40	\$ 738,754	738,753	None
Formosa Taffeta Co., Ltd.	630,022,431	23,552,658	-	-	-	( 1,575,056)	766,334	( 187,605)	630,022,431	37.40	22,556,331	22,913,706	"
Formosa Heavy Industries Corp.	651,706,181	7,168,024	-	-	-	-	187,088	( 252,338)	651,706,181	32.91	7,102,774	7,186,916	"
Formosa Fairway Corporation	4,697,951	82,161	-	-	-	-	( 12,813)	( 1,101)	4,697,951	33.33	68,247	68,247	"
Formosa Plastics Transport Corp.	6,566,384	1,062,761	-	-	-	-	102,661	12,137	6,566,384	33.33	1,177,559	1,177,559	"
Formosa Petrochemical Corp.	2,300,799,801	79,497,235	-	-	-	( 6,672,319)	1,773,787	( 465,136)	2,300,799,801	24.15	74,133,567	74,406,478	"
Mai-Liao Power Corp.	547,030,137	11,049,766	54,703,014	-	-	-	1,671,482	( 306,799)	601,733,151	24.94	12,414,449	12,414,449	"
FCFC Investment Corp. (Cayman)	56,000	52,477,831	-	-	-	-	7,496,147	1,041,020	56,000	100.00	61,014,998	61,024,514	"
Hwa Ya Science Park Management Consulting Co., Ltd.	33,000	2,530	-	-	-	-	388	111	33,000	33.00	3,029	3,029	"
Chia-Nan Enterprise Corporation	12,448,800	225,553	8,714,200	145,527	-	( 26,142)	7,913	447	21,163,000	51.00	353,298	353,298	"
Formosa Idemitsu Petrochemical Corp.	60,000,000	1,553,085	-	-	-	( 316,458)	94,056	97	60,000,000	50.00	1,330,780	1,333,680	"
Formosa Industries Corp., Vietnam	-	8,156,669	-	-	-	-	267,906	( 412,859)	-	42.50	8,011,716	8,013,635	"
Formosa BP Chemicals Corp.	120,150,000	1,666,159	-	-	-	( 194,643)	96,814	( 1,316)	120,150,000	50.00	1,567,014	1,573,153	"
Formosa Environmental Technology Co.	41,714,475	225,692	-	-	-	-	1,414	244	41,714,475	24.34	227,350	227,350	"
Formosa Biomedical Technology Corp.	147,556,136	1,146,295	-	-	-	( 162,312)	342,031	559,649	147,556,136	88.59	1,885,663	1,888,481	"
Formosa FCFC Carpet Corp.	22,037,185	206,770	-	-	-	-	( 7,578)	( 1,040)	22,037,185	100.00	198,152	204,336	"
FCFC International Limited	50,000	11,407,819	-	-	-	( 7,779,823)	( 13)	( 3,627,983)	50,000	-	-	-	-
Formosa Synthetic Rubber Corp.	44,600,000	292,611	-	-	-	( 61,244)	( 228,654)	( 2,713)	44,600,000	-	-	-	-

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**Changes in investments accounted for using equity method (Cont.)**  
**December 31, 2020**

Statement 6

(Expressed in thousands of New Taiwan Dollars)

Investee	Beginning Balance		Addition		Decrease		Investment profit (loss) accounted for using equity method	Others (Note 1)	Ending Balance			Market Value or Net Assets Value	Collateral or endorsement provided
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount			No. of shares	Percentage of Ownership	Amount		
Formosa Synthetic Rubber (Hong Kong) Co., Ltd.	135,000,000	\$ 2,326,752	3,334,000	\$ 51,864	-	\$ -	(\$ 166,885)	\$ 96,320	138,334,000	33.33	\$ 2,308,051	2,308,051	"
Formosa Resources Corporation	741,594,000	6,615,934	-	-	-	-	18,722	( 465,369)	741,594,000	25.00	6,169,287	6,169,287	"
Formosa Group Corp. (Cayman)	12,500	653,576	-	-	-	-	31,472	( 35,819)	12,500	25.00	649,229	719,609	"
Formosa Construction Corp.	10,000,000	75,523	50,000,000	500,000	-	-	( 7,169)	-	60,000,000	33.33	568,354	568,345	"
FG INC.	6,000	2,605,772	-	737,727	-	-	( 46,480)	( 179,777)	6,000	30.00	3,117,242	3,244,210	"
		<u>\$ 212,083,684</u>		<u>\$1,435,118</u>		<u>(\$16,787,997)</u>	<u>\$ 13,094,869</u>	<u>(\$ 4,229,830)</u>			<u>\$ 205,595,844</u>	<u>\$ 206,537,086</u>	

Note 1: This pertains to share of other comprehensive income of subsidiaries and associates accounted for using equity method, capital surplus-changes in net share equity of associates accounted for using equity method and unrealised sales profit or loss.

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**Statement of changes in cost, accumulated depreciation and impairment of property, plant and equipment**  
**December 31, 2020**

Statement 7

(Expressed in thousands of New Taiwan Dollars)

Items	Beginning Balance	Addition	Decrease	Reclassification	Ending Balance	Note
Cost						
Land	\$ 9,525,020	\$ -	(\$ 2,645)	\$ -	\$ 9,522,375	Please refer to Note 8
Buildings and structures	19,526,792	-	( 325,017)	162,767	19,364,542	
Machinery and equipment	175,961,175	177,127	( 1,129,911)	5,442,156	180,450,547	
Transportation equipment	478,377	4,712	( 14,426)	1,271	469,934	
Other equipment	3,720,085	41,821	( 8,402)	180,094	3,933,598	
Construction in progress and equipment under acceptance	8,354,559	6,910,913	-	( 5,799,601)	9,465,871	
	<u>217,566,008</u>	<u>7,134,573</u>	<u>( 1,480,401)</u>	<u>( 13,313)</u>	<u>223,206,867</u>	
Accumulated depreciation						
Buildings and structures	( 14,058,469)	( 613,516)	272,155	-	( 14,399,830)	
Machinery and equipment	( 144,986,659)	( 4,858,152)	914,784	11,055	( 148,918,972)	
Transportation equipment	( 339,182)	( 23,134)	14,426	389	( 347,501)	
Other equipment	( 2,983,562)	( 148,232)	8,254	( 1,098)	( 3,124,638)	
	<u>( 162,367,872)</u>	<u>( 5,643,034)</u>	<u>1,209,619</u>	<u>10,346</u>	<u>( 166,790,941)</u>	
Accumulated impairment						
Buildings and structures	( 187,527)	-	-	-	( 187,527)	
Machinery and equipment	( 1,660,946)	-	-	-	( 1,660,946)	
Transportation equipment	( 1,219)	-	-	-	( 1,219)	
Other equipment	( 6,052)	-	-	-	( 6,052)	
Construction in progress and equipment under acceptance	-	-	-	-	-	
	<u>( 1,855,744)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,855,744)</u>	
Net amount of property, plant and equipment	<u>\$ 53,342,392</u>	<u>\$ 1,491,539</u>	<u>(\$ 270,782)</u>	<u>(\$ 2,967)</u>	<u>\$ 54,560,182</u>	

FORMOSA CHEMICALS & FIBRE CORPORATION

Accounts payable and payables to related parties

December 31, 2020

Statement 8

(Expressed in thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
General customers			
China Petrochemical Development Corporation	Payments to suppliers	\$ 132,546	
Jiin Yun Enterprise Co., Ltd.	Payments to suppliers	123,901	
			Balance of each supplier has not exceeded 5% of total account balance
Others	Payments to suppliers	1,582,498	
		<u>\$ 1,838,945</u>	
Related parties			
Formosa Petrochemical Corp.	Payments to suppliers	\$ 8,902,181	
Nan Ya Plastics Corp.	Payments to suppliers	1,227,854	
			Balance of each supplier has not exceeded 5% of total account balance
Others	Payments to suppliers	953,942	
		<u>\$ 11,083,977</u>	

FORMOSA CHEMICALS & FIBRE CORPORATION

Operating revenue

Year ended December 31, 2020

Statement 9

(Expressed in thousands of New Taiwan Dollars)

Items	Unit	Volume	Amount	Note
Para-xylene (PX)	MT	1,067,303	\$ 18,915,572	
Styrene	MT	749,316	16,653,303	
Pure Terephthalic Acid (PTA)	MT	1,088,432	15,679,630	
Acrylonitrile Butadiene Styrene	MT	403,829	18,926,403	
Polypropylene (PP)	MT	572,294	18,668,875	
Recovery of light oil	MT	1,052,155	12,169,868	
Polycarbonate (PC)	MT	192,164	11,109,436	
Polystyrene (PS)	MT	345,690	10,693,346	
Phenol	MT	477,348	10,268,474	
Acetone	MT	296,151	6,479,889	
Isophthalic acid (PIA)	MT	231,430	5,129,906	
Nylon Fully Oriented Yarn	MT	62,205	4,345,413	
Electricity	MH	1,864,583	4,115,890	
Ortho-xylene (OX)	MT	113,768	1,968,369	
Rayon Staple Fiber	MT	28,086	1,168,786	
Hydrogen	MT	32,945	1,011,917	
Debutanization	MT	79,832	916,018	
Heavy aromatic oil	MT	86,295	641,586	
Synthetic Fibre Yarn	BL	41,804	515,007	
Nylon Draw Textured Yarn	MT	3,841	417,025	
Nylon Chip	MT	9,699	395,602	
Sodium Sulphate	MT	19,975	86,206	
Spun Fabric	KY	110	21,425	
Meta-xylene	MT	443	10,199	
Others			1,243,181	
Sales revenue			161,551,326	
Less: Sales returns			( 169,841)	
Sales discounts and allowances			( 1,835,024)	
			159,546,461	
Other operating revenue			135,536	
Total operating revenue			\$ 159,681,997	

FORMOSA CHEMICALS & FIBRE CORPORATION

Operating costs

Year ended December 31, 2020

Statement 10

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Note
Materials at the beginning of the year	\$ 7,274,806	
Add: Purchases in the year	155,060,951	
Internal inventory transferred	25,696,130	
Less: Materials at the end of the year	( 4,655,511)	
Disposed	( 20,398)	
Transferred to manufacturing expenses	( 6,221,543)	
Raw materials used	177,134,435	
Direct labor	1,733,077	
Manufacturing expense	36,898,226	
Manufacturing cost	215,765,738	
Add: Beginning work in Progress	1,945,836	
Less: Ending work in Progress	( 1,552,918)	
Transferred to general & administrative expenses	( 24,039)	
Transferred to manufacturing expenses	( 4,108,545)	
Cost of finished goods	212,026,072	
Add: Finished goods at beginning of year	6,819,216	
Less: Finished goods at end of year	( 4,106,269)	
Samples sent	( 7,566)	
Internal inventory transferred - raw materials	( 25,696,130)	
Cost for self-use - sub-material	( 43,075,926)	
Scraps	( 135,610)	
Cost of goods sold	145,823,787	
Gain from reversal on decline in market value	( 125,208)	
Spare capacity	1,789,759	
Other operating costs	223,329	
Operating costs	<u>\$ 147,711,667</u>	

FORMOSA CHEMICALS & FIBRE CORPORATION

Manufacturing expenses

Year ended December 31, 2020

Statement 11

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Note
Main sub-material	\$ 7,081,257	
Depreciation	5,473,502	
Utilities expense	6,234,921	
Vapor expense	5,143,574	
Maintenance expense	2,734,290	
Research and development	364,045	
Others	9,866,637	None of the balances of others is greater than 5% of this account balance.
	<u>\$ 36,898,226</u>	



FORMOSA CHEMICALS & FIBRE CORPORATION

Selling expenses

Year ended December 31, 2020

Statement 12

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Note
Freight	\$ 3,089,161	
Export expenses	1,029,114	
Wages and salaries	223,353	
Others	384,171	None of the balances of others is greater than 5% of this account balance.
	<u>\$ 4,725,799</u>	

FORMOSA CHEMICALS & FIBRE CORPORATION

General and administrative expenses

Year ended December 31, 2020

Statement 13

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Note
Wages and salaries	\$ 1,885,285	
Research and development	321,127	
Depreciation	153,396	
Others	941,402	None of the balances of others is greater than 5% of this account balance.
	<u>\$ 3,301,210</u>	

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
Summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function  
Year ended December 31, 2020

Statement 14

(Expressed in thousands of New Taiwan Dollars)

Function Nature	Year ended December 31, 2020			Year ended December 31, 2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Salary expenses	\$ 3,724,759	\$ 2,353,358	\$ 6,078,117	\$ 3,898,175	\$ 2,480,836	\$ 6,379,011
Labour and health insurance fees	272,888	143,554	416,442	287,135	150,014	437,149
Pension costs	197,747	100,387	298,134	210,379	110,725	321,104
Directors' remuneration	-	6,410	6,410	-	6,420	6,420
Other personnel expenses	202,870	86,259	289,129	222,837	96,690	319,527
Depreciation expense	\$ 5,473,502	\$ 175,323	\$ 5,648,825	\$ 5,363,295	\$ 134,162	\$ 5,497,457
Amortisation charge	\$ 3,166,572	\$ -	\$ 3,166,572	\$ 3,038,884	\$ -	\$ 3,038,884

Note:

- A. As at December 31, 2020 and 2019, the Company had 4,762 and 5,003 employees, respectively, including 7 non-employee directors for both years.
- B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
- (a) Average employee benefit expense in current year was \$1,489 thousand ((Total employee benefit expense in current year–Total directors' compensation in current year) / (Number of employees in current year–Number of non-employee directors in current year)).  
Average employee benefit expense in previous year was \$1,493 thousand ((Total employee benefit expense in previous year–Total directors' compensation in previous year) / (Number of employees in previous year – Number of non-employee directors in previous year)).
- (b) Average employee salaries in current year was \$1,278 thousand (Total employee salaries in current year / (Number of employees in current year–Number of non-employee directors in current year)).  
Average employee salaries in previous year was \$1,277 thousand (Total employee salaries in previous year / (Number of employees in previous year–Number of non-employee directors in previous year)).
- (c) Adjustments of average employee salaries was 0.08%((Average employee salaries in current year-Average employee salaries in previous year) / Average employee salaries in previous year).
- (d) For the years ended December 31, 2020 and 2019, there was no supervisors' remuneration for both years.

FORMOSA CHEMICALS & FIBRE CORPORATION

Summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function (Cont.)

Year ended December 31, 2020

Statement 14

(Expressed in thousands of New Taiwan Dollars)

(e) The Company's salary and remuneration policy (including directors, managers and employees)

i. Directors:

- (i) The Company's independent directors are granted a monthly fixed remuneration and an additional travel allowance according to their actual attendance to the Board of Directors.
- (ii) According to the Company's Articles of Incorporation, remaining directors' remuneration was authorised to be decided by the Board of Directors based on their participation frequency in the Company's operation and contribution to the Company's operation and were referred to the common standard in the same industry. Additionally, travel allowance was received according to their actual attendance to the Board of Directors.
- (iii) On June 6, 2008, directors' remuneration was canceled to be distributed from earnings as approved by the shareholders.

ii. Managers:

Managers' remuneration is determined based on the Company's Articles of Incorporation and the Company Act Article 29, except for the monthly fixed salary and remuneration, there were also annual bonus, unused compensated absences and management rewards. Additionally, the monthly fixed salary and remuneration are suggested to be adjusted by the remuneration committee based on the salary adjustment standard of all employees every year.

iii. Employees:

Except for the monthly fixed salary and compensation, the Company's employees receive annual bonus, festival bonus, unused compensated absences and management rewards.

The monthly fixed salary and compensation are adjusted with reference to Consumer Price Index, salary standard and salary adjustment in the industry and related economic data.

Explanation:

- A. For the employee's number information in the notes of the table, the Company adopted the average employee number to calculate employee's number, which is in agreement with employee benefit expense and employees' salary expenses.
- B. According to IFRS 19, employees can provide service in ways of full-time, part-time, permanent, irregular or contingent, including directors and other managements. Therefore, 'employees' in the table included directors, managers, normal employees and contract employees, but, excluded supervisors, temporary workers, contract workers or outsourcing.
- C. 'Directors' remuneration' refers to the remuneration, severance pay, directors' rewards and business execution expenses which were received by all directors, however, the salary from being employed, labour and health insurance, pension and other benefit expenses are excluded.
- D. 'Supervisors' remuneration' are remuneration, rewards and business execution expenses which were received by all supervisors.