

**FORMOSA CHEMICALS & FIBRE
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2018 AND 2017**

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

**FORMOSA CHEMICALS & FIBRE CORPORATION
AND SUBSIDIARIES**

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000063

To the Board of Directors and Shareholders of Formosa Chemicals & Fibre Corporation

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using equity method) of NT\$106,254,856 thousand and NT\$93,023,216 thousand, constituting 16% and 17% of the consolidated total assets, and total liabilities of NT\$21,637,181 thousand and NT\$18,949,851 thousand, constituting 11% and 10% of the consolidated total liabilities as at June 30, 2018 and 2017, respectively, and total

comprehensive income (including share of profit or loss of associates and joint ventures accounted for using equity method and share of other comprehensive income of associates and joint ventures accounted for using equity method) of NT\$88,364 thousand, NT\$1,307,662 thousand, NT\$1,297,257 thousand and NT\$1,309,246 thousand, constituting 0.31%, 8%, 2% and 6% of the consolidated total comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, respectively.

Qualified Conclusion

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

Other matter – reviews of the other independent accountants

We did not review the financial statements of certain investments accounted for under equity method. The investment balance amounted to NT\$93,660,031 thousand and NT\$80,180,339 thousand, constituting 15% and 14% of consolidated total assets as at June 30, 2018 and 2017, respectively, and share of profit of associates and joint ventures accounted for under the equity method amounted to NT\$6,853,648 thousand, NT\$4,211,741 thousand, NT\$12,922,521 thousand, and NT\$9,355,468 thousand, constituting 24%, 26%, 24% and 39% of consolidated total comprehensive income for the three-month and six-month periods then ended, respectively. Those financial statements were reviewed by other independent accountants, whose reports thereon have been furnished to us, and our conclusion expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the review reports of other independent accountants.

Wu,Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

August 9, 2018

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

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

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2018 and 2017 are reviewed, not audited)

			June 30, 2018		December 31, 2017		June 30, 2017	
Assets		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 31,180,594	5	\$ 29,684,599	5	\$ 45,171,425	8
1110	Financial assets at fair value	6(2) and						
	through profit or loss - current	12(5)	4,568,104	1	630,396	-	629,437	-
1120	Current financial assets at fair	6(3)						
	value through other							
	comprehensive income		126,248,504	19	-	-	-	-
1125	Available-for-sale financial	12(5)						
	assets - current		-	-	117,617,800	20	107,130,325	19
1140	Current contract assets	6(18)	659,715	-	-	-	-	-
1150	Notes receivable, net	6(4)	11,789,334	2	10,971,286	2	11,585,404	2
1160	Notes receivable - related	7						
	parties		9,290	-	13,006	-	3,560	-
1170	Accounts receivable, net	6(4)	21,446,068	3	21,653,085	4	16,357,011	3
1180	Accounts receivable - related	7						
	parties		8,987,078	1	9,049,561	2	6,690,263	1
1200	Other receivables	7	23,383,069	4	7,366,582	1	23,295,480	4
1210	Other receivables - related	7						
	parties		17,243,644	3	13,727,806	2	8,387,841	2
130X	Inventory	6(5)	42,100,412	6	38,837,031	7	37,443,717	7
1470	Other current assets	7	10,229,460	2	4,291,251	1	7,788,745	1
11XX	Total current assets		297,845,272	46	253,842,403	44	264,483,208	47
Non-current assets								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income		92,751,055	14	-	-	-	-
1523	Available-for-sale financial	12(5)						
	assets - non-current		-	-	43,994,286	8	40,022,425	7
1543	Financial assets carried at cost	12(5)						
	- non-current		-	-	25,093,528	4	23,217,621	4
1550	Investments accounted for	6(6) and 7						
	under equity method		113,914,846	18	112,476,716	20	98,006,244	18
1600	Property, plant and equipment	6(7) and 7	127,525,161	20	125,345,618	22	125,404,225	22
1780	Intangible assets		788	-	1,042	-	1,188	-
1840	Deferred income tax assets		1,950,528	-	1,883,829	-	2,024,482	-
1900	Other non-current assets		10,312,516	2	9,689,071	2	9,900,489	2
15XX	Total non-current assets		346,454,894	54	318,484,090	56	298,576,674	53
1XXX	Total assets		\$ 644,300,166	100	\$ 572,326,493	100	\$ 563,059,882	100

(Continued)

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(8)	\$ 28,853,771	4	\$ 23,142,134	4	\$ 27,648,007	5
2110	Short-term notes and bills payable	6(8)						
			1,049,684	-	1,579,763	-	2,279,724	-
2120	Financial liabilities at fair value through profit or loss - current	6(9)	-	-	-	-	894	-
2150	Notes payable		214,982	-	199,518	-	200,527	-
2170	Accounts payable		8,680,684	1	7,500,163	1	8,424,417	1
2180	Accounts payable - related parties	7						
			16,283,321	3	17,949,939	3	11,277,342	2
2200	Other payables	6(10)	54,161,142	8	10,693,867	2	45,319,835	8
2220	Other payables - related parties	7	-	-	118,800	-	31,100	-
2230	Current income tax liabilities		4,912,889	1	3,927,165	1	3,001,863	1
2320	Long-term liabilities, current portion	6(11)(12)						
			17,199,357	3	12,174,978	2	14,415,358	3
2399	Other current liabilities		4,349,114	1	5,139,667	1	2,532,845	-
21XX	Total current liabilities		<u>135,704,944</u>	<u>21</u>	<u>82,425,994</u>	<u>14</u>	<u>115,131,912</u>	<u>20</u>
	Non-current liabilities							
2530	Corporate bonds payable	6(11)	32,650,000	5	34,050,000	6	39,750,000	7
2540	Long-term borrowings	6(12)	23,609,616	4	29,795,576	5	35,214,178	7
2570	Deferred income tax liabilities		378,434	-	259,691	-	319,625	-
2600	Other non-current liabilities		7,104,898	1	7,294,156	2	6,581,828	1
25XX	Total non-current liabilities		<u>63,742,948</u>	<u>10</u>	<u>71,399,423</u>	<u>13</u>	<u>81,865,631</u>	<u>15</u>
2XXX	Total liabilities		<u>199,447,892</u>	<u>31</u>	<u>153,825,417</u>	<u>27</u>	<u>196,997,543</u>	<u>35</u>
	Equity attributable to owners of parent							
	Share capital	6(14)						
3110	Common stock		58,611,863	9	58,611,863	10	58,611,863	10
	Capital surplus	6(15)						
3200	Capital surplus		8,682,742	1	8,682,798	1	8,624,310	2
	Retained earnings	6(16)						
3310	Legal reserve		56,487,920	9	51,046,840	9	51,046,840	9
3320	Special reserve		53,131,385	8	46,567,089	8	46,567,089	8
3350	Unappropriated retained earnings		62,888,651	10	84,218,728	15	50,866,120	9
	Other equity interest	6(17)						
3400	Other equity interest		143,569,432	22	109,169,026	19	95,023,596	17
3500	Treasury stocks	6(14)	(626,468)	-	(626,468)	-	(583,404)	-
31XX	Equity attributable to owners of the parent		<u>382,745,525</u>	<u>59</u>	<u>357,669,876</u>	<u>62</u>	<u>310,156,414</u>	<u>55</u>
36XX	Non-controlling interest		<u>62,106,749</u>	<u>10</u>	<u>60,831,200</u>	<u>11</u>	<u>55,905,925</u>	<u>10</u>
3XXX	Total equity		<u>444,852,274</u>	<u>69</u>	<u>418,501,076</u>	<u>73</u>	<u>366,062,339</u>	<u>65</u>
	Significant contingent liabilities and unrecognised contract commitments							
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 644,300,166</u>	<u>100</u>	<u>\$ 572,326,493</u>	<u>100</u>	<u>\$ 563,059,882</u>	<u>100</u>

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

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(REVIEWED, NOT AUDITED)

Items	Notes	For the three-month periods ended June 30				For the six-month periods ended June 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18) and 7	\$ 99,696,946	100	\$ 82,168,423	100	\$ 198,653,498	100	\$ 171,427,954	100
5000 Operating costs	6(5)(13)(22)(23) and 7	(85,511,290)	(86)	(73,976,723)	(90)	(168,716,960)	(85)	(148,109,169)	(86)
5900 Net operating margin		14,185,656	14	8,191,700	10	29,936,538	15	23,318,785	14
6100 Operating expenses	6(13)(22)(23) and 7								
6100 Selling expenses		(2,135,391)	(2)	(2,117,816)	(3)	(4,372,416)	(2)	(4,128,988)	(2)
6200 General and administrative expenses		(1,511,252)	(1)	(1,293,830)	(1)	(2,943,284)	(2)	(2,657,973)	(2)
6000 Total operating expenses		(3,646,643)	(3)	(3,411,646)	(4)	(7,315,700)	(4)	(6,786,961)	(4)
6900 Operating profit		10,539,013	11	4,780,054	6	22,620,838	11	16,531,824	10
Non-operating income and expenses									
7010 Other income	6(19) and 7	1,876,226	2	3,237,317	4	2,230,284	1	3,660,988	2
7020 Other gains and losses	6(20)	1,605,924	2	1,291,600	2	1,457,246	1	(896,158)	-
7050 Finance costs	6(7)(21) and 7	(552,044)	(1)	(620,424)	(1)	(1,088,428)	-	(1,203,078)	(1)
7060 Share of profit of associates and joint ventures accounted for under equity method	6(6)	6,277,991	6	3,431,653	4	10,660,828	5	8,316,700	5
7000 Total non-operating income and expenses		9,208,097	9	7,340,146	9	13,259,930	7	9,878,452	6
7900 Profit before income tax		19,747,110	20	12,120,200	15	35,880,768	18	26,410,276	16
7950 Income tax expense	6(24)	(3,516,640)	(4)	(1,429,311)	(2)	(5,325,877)	(3)	(2,997,594)	(2)
8200 Profit for the period		\$ 16,230,470	16	\$ 10,690,889	13	\$ 30,554,891	15	\$ 23,412,682	14

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FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(REVIEWED, NOT AUDITED)

Items	Notes	For the three-month periods ended June 30				For the six-month periods ended June 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income (net)	6(17)(24)								
Components of other comprehensive income that will not be reclassified to profit or loss									
8316 Unrealised gain on financial assets measured at fair value through other comprehensive income		\$ 8,887,938	9	\$ -	-	\$ 19,266,833	10	\$ -	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method		584,294	1	-	-	2,308,855	1	-	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		9,472,232	10	-	-	21,575,688	11	-	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		1,860,343	2	903,458	1	1,291,297	1	(3,726,404)	(2)
8362 Unrealised gain on valuation of available-for-sale financial assets		-	-	3,899,601	5	-	-	3,532,035	2
8370 Share of other comprehensive income of associates and joint ventures accounted for under equity method		818,633	1	887,614	1	366,898	-	309,280	-
8399 Income tax relating to the components of other comprehensive income		(199,759)	(1)	(127,037)	-	(129,418)	-	399,853	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		2,479,217	2	5,563,636	7	1,528,777	1	514,764	-
8300 Total other comprehensive income for the period		\$ 11,951,449	12	\$ 5,563,636	7	\$ 23,104,465	12	\$ 514,764	-
8500 Total comprehensive income for the period		\$ 28,181,919	28	\$ 16,254,525	20	\$ 53,659,356	27	\$ 23,927,446	14
Net income attributable to:									
8610 Owners of the parent		\$ 14,279,840	14	\$ 8,440,534	10	\$ 27,254,199	14	\$ 20,151,504	12
8620 Non-controlling interest		1,950,630	2	2,250,355	3	3,300,692	1	3,261,178	2
		\$ 16,230,470	16	\$ 10,690,889	13	\$ 30,554,891	15	\$ 23,412,682	14
Total comprehensive income attributable to:									
8710 Owners of the parent		\$ 23,489,720	23	\$ 14,025,374	17	\$ 46,577,662	23	\$ 23,209,655	14
8720 Non-controlling interest		4,692,199	5	2,229,151	3	7,081,694	4	717,791	-
		\$ 28,181,919	28	\$ 16,254,525	20	\$ 53,659,356	27	\$ 23,927,446	14
		Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share	6(25)								
9710 Profit for the period from continuing operations		\$ 3.38	\$ 2.78	\$ 2.08	\$ 1.83	\$ 6.15	\$ 5.24	\$ 4.52	\$ 4.01
9720 Non-controlling interest		(0.52)	(0.33)	(0.47)	(0.38)	(0.88)	(0.57)	(0.71)	(0.56)
9750 Profit attributable to common shareholders of the parent		\$ 2.86	\$ 2.45	\$ 1.61	\$ 1.45	\$ 5.27	\$ 4.67	\$ 3.81	\$ 3.45
Assuming shares held by subsidiary are not deemed as treasury stock:									
Profit for the period from continuing operations		\$ 3.37	\$ 2.77	\$ 2.07	\$ 1.82	\$ 6.12	\$ 5.21	\$ 4.51	\$ 3.99
Non-controlling interest		(0.52)	(0.33)	(0.47)	(0.38)	(0.88)	(0.56)	(0.72)	(0.55)
Profit attributable to common shareholders of the parent		\$ 2.85	\$ 2.44	\$ 1.60	\$ 1.44	\$ 5.24	\$ 4.65	\$ 3.79	\$ 3.44

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

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

Equity attributable to owners of the parent														

(Continued)

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

Equity attributable to owners of the parent															
	Notes	Retained Earnings				Other Equity Interest					Treasury stocks	Total	Non-controlling interest	Total equity	
		Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges					
For the six-month period ended June 30, 2018															
Balance at January 1, 2018		\$ 58,611,863	\$8,682,798	\$ 51,046,840	\$ 46,567,089	\$ 89,333,126	(\$2,052,251)	\$125,624,639	\$ -	\$ 8,077	(\$626,468)	\$ 377,195,713	\$ 60,896,423	\$ 438,092,136	
Balance at January 1 after adjustments		58,611,863	8,682,798	51,046,840	46,567,089	89,333,126	(2,052,251)	125,624,639	-	8,077	(626,468)	377,195,713	60,896,423	438,092,136	
Profit for the period		-	-	-	-	27,254,199	-	-	-	-	-	27,254,199	3,300,692	30,554,891	
Other comprehensive income (loss) for the period		-	-	-	-	11,661	1,195,373	18,127,504	-	(11,075)	-	19,323,463	3,781,002	23,104,465	
Total comprehensive income		-	-	-	-	27,265,860	1,195,373	18,127,504	-	(11,075)	-	46,577,662	7,081,694	53,659,356	
Appropriations of 2017 earnings 6(16)															
Legal reserve		-	-	5,441,080	-	(5,441,080)	-	-	-	-	-	-	-	-	
Special reserve		-	-	-	6,564,296	(6,564,296)	-	-	-	-	-	-	-	-	
Cash dividends		-	-	-	-	(41,028,304)	-	-	-	-	-	(41,028,304)	-	(41,028,304)	
Changes in the net interest of associates recognised under the equity method 6(15)		-	409	-	-	-	-	-	-	-	-	409	-	409	
Expired cash dividends reclassified to capital surplus 6(15)		-	(465)	-	-	-	-	-	-	-	-	(465)	-	(465)	
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount		-	-	-	-	-	-	-	-	-	-	-	(419)	(419)	
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(4,727,500)	(4,727,500)	
Capital deducted by returning cash		-	-	-	-	-	-	-	-	-	-	-	(12,536)	(12,536)	
Disposal of equity instruments measured at fair value through other comprehensive income		-	-	-	-	(676,655)	-	677,165	-	-	-	510	(1,130,913)	(1,130,403)	
Balance at June 30, 2018		\$ 58,611,863	\$8,682,742	\$ 56,487,920	\$ 53,131,385	\$ 62,888,651	(\$ 856,878)	\$144,429,308	\$ -	(\$ 2,998)	(\$626,468)	\$ 382,745,525	\$ 62,106,749	\$ 444,852,274	

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

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the six-month periods ended June 30.	
		2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 35,880,768	\$ 26,410,276
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(22)	7,162,729	7,284,029
Amortisation	6(22)	1,432,161	1,386,479
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)(9)(20)	(136,714)	(2,303)
Loss on inventory valuation	6(5)	18,875	145,401
Interest expense	6(21)	1,088,428	1,203,078
Interest income	6(19)	(298,695)	(275,433)
Dividend income	6(19)	(1,276,334)	(2,793,585)
Share of profit or loss of associates accounted for under the equity method		(10,660,828)	(8,316,700)
Gain on disposal and scrap of property, plant and equipment	6(20)	(779,652)	(788,868)
Gain on disposal of investments	6(20)	-	(34,876)
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets - current		(168,083)	-
Notes receivable		(818,048)	(4,547,653)
Notes receivable-related parties		3,716	8,083
Accounts receivable		207,017	1,671,964
Accounts receivable-related parties		62,483	666,172
Other receivables		(260,043)	(1,589,626)
Inventories		(3,674,476)	4,565,419
Other current assets		(5,938,209)	(2,379,679)
Other non-current assets		-	(225,298)
Changes in operating liabilities			
Notes payable		15,464	3,657
Accounts payable		1,180,521	(101,567)
Accounts payable-related parties		(1,666,618)	(2,108,168)
Other payables		(590,317)	1,192,650
Other current liabilities		(790,553)	(351,483)
Accrued pension liabilities		(277,065)	(449,119)
Cash inflow generated from operations		19,716,527	20,572,850
Interest received		280,995	282,543
Interest paid		(1,191,657)	(1,065,017)
Income tax paid		(4,419,158)	(4,055,688)
Dividends received		261,351	488,589
Net cash flows from operating activities		<u>14,648,058</u>	<u>16,223,277</u>

(Continued)

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	<u>For the six-month periods ended June 30,</u>	
		<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in other receivables-related parties		(\$ 3,515,838)	\$ 11,453,219
Acquisition of available-for-sale financial assets		(2,271,020)	-
Proceeds from disposal of financial assets at fair value through profit or loss		772,909	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		769,738	-
Acquisition of available-for-sale financial assets		-	(461,503)
Acquisition of financial assets measured at cost		-	(2,000)
Proceeds from disposal of financial assets measured at cost		-	65,878
Acquisition of investments accounted for under the equity method		-	(1,683,440)
Acquisition of property, plant and equipment	6(26)	(8,792,400)	(4,783,693)
Proceeds from disposal of property, plant and equipment		1,233,896	875,004
Acquisition of intangible assets		(134)	(176)
Increase in non-current assets		(2,078,094)	(4,991,823)
Net cash flows (used in) from investing activities		(13,880,943)	471,466
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	5,711,637	1,501,257
(Decrease) increase in short-term notes and bills payable	6(27)	(530,079)	780,260
Decrease in other payables-related parties		(118,800)	(26,378)
Increase in long-term borrowings		4,456,610	5,624,778
Payment of long-term borrowings		(7,266,125)	(8,039,280)
Increase in other non-current liabilities		87,807	121,810
Payment of expired cash dividends reclassified to capital surplus		(465)	-
Payment of cash dividends - non-controlling interest		(1,963,474)	(1,524,030)
Net cash flows from (used in) financing activities		377,111	(1,561,583)
Effect of foreign exchange translations		351,769	(353,646)
Net increase in cash and cash equivalents		1,495,995	14,779,514
Cash and cash equivalents at beginning of period		29,684,599	30,391,911
Cash and cash equivalents at end of period		<u>\$ 31,180,594</u>	<u>\$ 45,171,425</u>

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

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANISATION

Formosa Chemicals & Fibre Corporation (the “Company”) was founded on March 5, 1965. The Company and its subsidiaries (together referred herein as the “Group”) now has eight business divisions, namely First Chemical Division, Petrochemicals Division, Third Chemical Division, Plastics Division, Textile Division, First Fiber Division and its subsidiaries, Second Fiber Division, and Engineering & Construction Division. The Group’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 Group is also engaged in spinning, weaving, dyeing and finishing.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on August 9, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by FSC effective from 2018 are as follows:

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

Based on the Group's assessment, the above standards and interpretations affect the Group's financial condition and financial performance as follows:

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(5)B and C.

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

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

substantially all of the remaining benefits from the asset.

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognise revenue when the performance obligation is satisfied

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

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

Formosa Advanced Technologies Co., Ltd. renders customised processing services in integrated circuit assembly and testing based on customers' specifications. The revenue is recognised when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon acceptance. Considering that the highly customised products have no alternative use to Formosa Advanced Technologies Co., Ltd. and Formosa Advanced Technologies Co., Ltd. has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognised based on the percentage of completion under the new revenue standard. As a result, inventory was decreased by \$392,220, contract assets increased by \$491,632, retained earnings increased by \$24,420 and non-controlling interests increased by \$74,992 with the application of the new standard on January 1, 2018.

C. Amendments to IAS 7, 'Disclosure initiative'

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

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

D. Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'

These amendments clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, and they clarify several of the general principles

underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset's tax base. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits. The amendments are effective from January 1, 2018.

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

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

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

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

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors. In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has no material impact to the Group.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group intends not to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"), and the effects will be adjusted on January 1, 2019.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim Financial Reporting" as endorsed by FSC.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the first quarter of 2017 were not restated. The financial statements for the year ended December 31, 2017 and the first quarter of 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial

reporting interpretations. Please refer to Notes 12(5) and (6) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
The Company	Formosa Carpet Corp.	Spinning, dyeing, printing, finishing and manufacturing synthetic fibre, rug and carpet	100.00	100.00	100.00	The Company holds more than 50% of voting rights. (Note 2)
The Company	FCFC Investment Corp. (Cayman)	Investing	100.00	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC International Limited (Cayman)	Investing	100.00	100.00	100.00	The Company holds more than 50% of voting rights. (Note 2)
FCFC Investment Corp. (Cayman)	Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	100.00	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Investing	100.00	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd. (Note 1)	Sale of Acrylonitrile Butadiene Styrene (ABS)	-	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa Phenol (Ningbo) Co., Ltd. (Note 1)	Manufacturing Acetone and Synthetic Phenolic	-	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa PS (Ningbo) Co., Ltd. (Note 1)	Producing and marketing of Polystyrene	-	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd. (Note 1)	Producing and marketing of PTA	100.00	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)
The Company	Formosa Biomedical Technology Corp.	Manufacturing and sale of cleaner and cosmetics	88.59	88.59	88.59	The Company holds more than 50% of voting rights. (Note 2)
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Removal and disposal of waste	51.00	51.00	51.00	The Company holds more than 50% of voting rights through a 88.59% of voting rights owned company - Formosa Biochemical Technology Corp. (Note 2)
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (SAMOA) Co., Ltd.	Investment	100.00	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights. (Note 2)
Formosa Biomedical Technology Corp.	Formosa Waters Technology Co., Ltd.	Manufacturing industrial catalyst and wholesale of other chemical products	57.00	57.00	-	Formosa Biochemical Technology holds more than 50% of voting rights. (Note 2)
Formosa Biomedical Technology (SAMOA) Co., Ltd.	Formosa Biomedical Trading (Shanghai) Co., Ltd.	Importing, exporting and wholesale of healthy food	100.00	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights through a 100% owned company - Formosa Biomedical Technology (SAMOA) Co., Ltd (Note 2)
The Company	Ta Shin Spining Corp.	Spinning	86.40	86.40	86.40	The Company holds more than 50% of voting rights. (Note 2)
The Company	Formosa Idemitsu Petrochemical Corp.	Wholesale and retail of petrochemical and plastic raw materials	50.00	50.00	50.00	The Company has substantial control and thus regards Formosa Idemitsu Petrochemical Corp. as a subsidiary. (Note 2)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
The Company	Formosa BP Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	50.00	50.00	The Company has substantial control and thus regards Formosa BP Chemicals Corp. as a subsidiary. (Note 2)
The Company	Formosa Industried Corp., Vietnam	Production and marketing of textile, polyester staple fibre, cotton, hydropower	42.50	42.50	42.50	The Company has substantial control and thus regards Formosa Industries Corp. as a subsidiary. (Note 2)
The Company	Formosa Taffeta Co., Ltd.	Production and marketing of Polyamine fabric, Polyester fabric, cotton fabric, blended fabric and tire cord fabric	37.40	37.40	37.40	The Company has substantial control and thus regards Formosa Taffeta Corp. as a subsidiary.
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	65.68	65.68	65.68	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co., Ltd.	Production of cotton lun, Terylene greige cloth, coloured cloth and textured processing yarn products	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Production and marketing of textile, polyester staple fibre, cotton, hydropower	100.00	100.00	100.00	The Company and Formosa Taffeta Co., Ltd. hold more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of Nylon and Polyamine fabric	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric of 3XDRY, Nanosphere, Keptec, Dynatec, Spirit and Reflex	50.00	50.00	43.00	Formosa Taffeta Co., Ltd. has substantial control and thus regards Schoeller F.T.C. (Hong Kong) Co., Ltd. as a subsidiary. (Note 2)
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Investment	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing of processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Taffeta (Hong Kong) Co., Ltd. (Note 2)
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Employment services and temporary worker services	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Development Co., Ltd. (Note 2)

Note 1: The Company planned to reorganise the 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 1, 2018, Formosa Chemicals Industries (Ningbo) Co., Ltd. was the surviving entity. The proposal had been resolved by Board of Directors on November 4, 2016.

Note 2: The financial statements of the entity as of and for the six-month periods ended June 30, 2018 and 2017 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary

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

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

E. Significant restrictions: None

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

As of June 30, 2018, December 31, 2017 and June 30, 2017, the non-controlling interest amounted to \$62,106,749, \$60,831,200 and \$55,905,925, respectively. The information of non-controlling interest and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		June 30, 2018		December 31, 2017		
		Amount	Ownership (%)	Amount	Ownership (%)	
Formosa Taffeta Co., Ltd.	Taiwan	\$ 44,622,678	62.60	\$ 43,310,992	62.60	-

Name of subsidiary	Principal place of business	Non-controlling interest		
		June 30, 2017		
		Ownership		Description
Amount	(%)			
Formosa Taffeta Co., Ltd.	Taiwan	\$ 39,992,062	62.60	-

Summarised financial information of the subsidiary:

Balance sheets

	Formosa Taffeta Co., Ltd.		
	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 26,525,497	\$ 23,982,143	\$ 27,223,257
Non-current assets	74,714,334	70,720,892	65,722,666
Current liabilities	13,722,417	9,413,895	12,948,819
Non-current liabilities	12,165,742	12,106,570	12,357,101
Total net assets	\$ 75,351,672	\$ 73,182,570	\$ 67,640,003

Statements of comprehensive income

Formosa Taffeta Co., Ltd.		
	For the three-month period ended June 30, 2018	For the three-month period ended June 30, 2017
Revenue	\$ 11,737,258	\$ 10,845,893
Profit before income tax	1,957,817	2,964,040
Income tax expense	(549,231)	(198,652)
Profit for the period	1,408,586	2,765,388
Other comprehensive income (loss), net of tax	2,635,134	(144,322)
Total comprehensive income for the period	<u>\$ 4,043,720</u>	<u>\$ 2,621,066</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 202,052</u>	<u>\$ 143,918</u>

Formosa Taffeta Co., Ltd.		
	For the six-month period ended June 30, 2018	For the six-month period ended June 30, 2017
Revenue	\$ 22,467,681	\$ 21,100,166
Profit before income tax	2,510,728	3,598,624
Income tax expense	(720,225)	(323,882)
Profit for the period	1,790,503	3,274,742
Other comprehensive income (loss), net of tax	3,788,353	(3,089,496)
Total comprehensive income for the period	<u>\$ 5,578,856</u>	<u>\$ 185,246</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 372,156</u>	<u>\$ 218,245</u>

Statements of cash flows

	Formosa Taffeta Co., Ltd.	
	For the six-month period ended June 30, 2018	For the six-month period ended June 30, 2017
Net cash provided by (used in) operating activities	\$ 419,381	\$ 1,239,080
Net cash provided by (used in) investing activities	(955,980)	(1,763,541)
Net cash provided by (used in) financing activities	564,483	923,501
Effect of exchange rates on cash and cash equivalents	10,982	(121,214)
Increase in cash and cash equivalents	38,866	277,826
Cash and cash equivalents, beginning of period	4,942,919	5,653,854
Cash and cash equivalents, end of period	<u>\$ 4,981,785</u>	<u>\$ 5,931,680</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Group'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 re-translated 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 re-translated 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 the group entities, 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 jointly controlled entity, 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, even when the Group retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be 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.

(6) Cash equivalents

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

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

Effective 2018

- 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 Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

Effective 2018

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group'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 Group measures the financial assets at fair value plus transaction costs. The Group 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 Group 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.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

For 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 Group 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 Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group 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 Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net 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.

(13) Investments accounted for using equity method /associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent 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. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group'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.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group 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.
- H. When the Group 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.

(14) 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 Group 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:

Land improvements	3 ~ 15 years
Buildings	10 ~ 60 years
Machinery and equipment	5 ~ 15 years
Transportation equipment	3 ~ 15 years
Other equipment	2 ~ 15 years

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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 amortised historical cost would have been if the impairment had not been recognised.

(17) 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.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:
 - (a) Hybrid (combined) contracts; or
 - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) 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.

(23) Employee benefits

- A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense 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 plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. 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 Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans 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.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

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.

(24) 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 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is 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 Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are 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.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group

recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(25) 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.

(26) Dividends

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

(27) Revenue recognition

A. Sales of goods

- (a) The Group 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.
- (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 Group 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.

B. Formosa Advanced Technologies Co., Ltd. renders IC packaging and testing services.

Considering that the highly customised products have no alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in accordance

with the contract terms, the revenue will have to be recognised in the reporting period in which the services are delivered to the customers. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the costs incurred relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of the Group strategy might cause material impairment on assets in the future.

B. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

C. Calculation of net defined benefit liabilities

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including

discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand and petty cash	\$ 121,276	\$ 132,789	\$ 76,459
Checking accounts and demand deposits	5,167,045	5,714,328	6,554,774
Cash equivalents			
Time deposits	19,184,986	15,122,751	23,317,599
Bonds repurchased and commercial paper	6,707,287	8,714,731	15,222,593
	<u>\$ 31,180,594</u>	<u>\$ 29,684,599</u>	<u>\$ 45,171,425</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. Loss allowance is measured using 12-month expected credit losses. For the six-month period ended June 30, 2018, the Group did not recognise any loss allowance.

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

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

Items	June 30, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificate	\$ 619,504
Fund	4,085,299
Derivatives	478
	<u>4,705,281</u>
Valuation adjustment	(137,177)
	<u>\$ 4,568,104</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 three-month period ended June 30, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 676
Fund	224,177
Derivatives	249
	<u>\$ 225,102</u>

	For the six-month period ended June 30, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 1,378
Fund	135,255
Derivatives	81
	<u>\$ 136,714</u>

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

	June 30, 2018	
Derivative Instruments	Contract Amount (Notional Principal) (in thousands)	Contract Period
Current items:		
Forward exchange contracts:		
Taipei Fubon	JPY 157,280	May 2018 - August 2018

The Group entered into forward exchange contracts to hedge exchange rate risk of Ninth Naphtha Cracker Project. However, these forward exchange contracts are not accounted for under hedge accounting.

- C. The Group did not pledge financial assets at fair value through profit or loss to others as collateral.
- D. Information relating to credit risk is provided in Note 12(3).
- E. The information on December 31, 2017 and June 30, 2017 is provided in Note 12(5).

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

	<u>June 30, 2018</u>
Current items:	
Equity instruments	
Listed stocks	\$ 25,569,802
Unlisted stocks	825,838
Valuation adjustment	<u>99,852,864</u>
	<u>\$ 126,248,504</u>
Non-current items:	
Equity instruments	
Listed stocks	\$ 8,739,607
Unlisted and emerging stocks	28,099,704
Valuation adjustment	<u>55,911,744</u>
	<u>\$ 92,751,055</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:

	<u>For the three-month period ended June 30, 2018</u>
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	<u>\$ 9,472,232</u>
Cumulative losses reclassified to retained earnings due to derecognition (including losses included in non-controlling interest)	<u>\$ (888,296)</u>
	<u>For the six-month period ended June 30, 2018</u>
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	<u>\$ 21,564,027</u>
Cumulative losses reclassified to retained earnings due to derecognition (including losses included in non-controlling interest)	<u>\$ (1,807,568)</u>

- B. As at June 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$218,999,559.
- C. The Group 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).

E. The information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 and June 30, 2017 is provided in Note 12(5).

(4) Notes and accounts receivable

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable	\$ 11,789,334	\$ 10,971,286	\$ 11,585,404
Less: Allowance for bad debts	-	-	-
	<u>\$ 11,789,334</u>	<u>\$ 10,971,286</u>	<u>\$ 11,585,404</u>
Accounts receivable	\$ 21,703,962	\$ 21,910,658	\$ 16,629,807
Less: Allowance for bad debts	(257,894)	(257,573)	(272,796)
	<u>\$ 21,446,068</u>	<u>\$ 21,653,085</u>	<u>\$ 16,357,011</u>

A. The Group does not hold any collateral as security.

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

(5) Inventories

June 30, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 13,890,352	(\$ 78,842)	\$ 13,811,510
Supplies	6,361,805	(601,178)	5,760,627
Work in progress	7,316,458	(9,416)	7,307,042
Finished goods	15,661,358	(597,648)	15,063,710
Other inventories	157,646	(123)	157,523
	<u>\$ 43,387,619</u>	<u>(\$ 1,287,207)</u>	<u>\$ 42,100,412</u>
December 31, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 13,536,387	(\$ 162,771)	\$ 13,373,616
Materials	5,951,408	(593,228)	5,358,180
Work in progress	6,726,046	(7,281)	6,718,765
Finished goods	13,747,398	(504,946)	13,242,452
Other inventory	144,127	(109)	144,018
	<u>\$ 40,105,366</u>	<u>(\$ 1,268,335)</u>	<u>\$ 38,837,031</u>

June 30, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 12,341,954	(\$ 138,885)	\$ 12,203,069
Materials	5,955,656	(568,015)	5,387,641
Work in progress	6,994,294	(13,760)	6,980,534
Finished goods	13,518,800	(779,846)	12,738,954
Other inventory	133,519	-	133,519
	<u>\$ 38,944,223</u>	<u>(\$ 1,500,506)</u>	<u>\$ 37,443,717</u>

A. Expense and loss incurred on inventories for the three-month and six-month periods ended June 30, 2018 and 2017 were as follows:

	For the three-month periods ended June 30,	
	2018	2017
Cost of inventories sold	\$ 85,172,366	\$ 73,016,308
Loss on inventory valuation (Note)	(4,097)	106,955
Idle capacity	280,604	813,491
Others	62,417	39,969
	<u>\$ 85,511,290</u>	<u>\$ 73,976,723</u>
	For the six-month periods ended June 30,	
	2018	2017
Cost of inventories sold	\$ 168,197,541	\$ 146,695,196
Loss on inventory valuation (Note)	18,875	145,401
Idle capacity	353,338	1,118,003
Others	147,206	150,569
	<u>\$ 168,716,960</u>	<u>\$ 148,109,169</u>

Note: As the market value of petroleum related products decreased for the three-month and six-month periods ended June 30, 2018 and 2017, the Group recognised related allowance for inventory valuation loss after assessment. For the three-month period ended June 30, 2018, disposal of excess inventory resulted in gains from price recovery of inventory.

B. As of June 30, 2018 and 2017, inventories pledged are described in Note 8.

(6) Investments accounted for using equity method

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Formosa Heavy Industries Corp.	\$ 8,228,567	\$ 7,694,277	\$ 7,635,057
Formosa Fairway Corp.	108,982	100,952	95,674
Formosa Plastics Transport Corp.	753,645	738,229	754,080
Formosa Petrochemical Corp.	81,677,556	82,001,789	69,455,793
Mai Liao Power Corp.	11,982,475	10,845,857	10,724,546
Hwa Ya Science Park Management Consulting Co., Ltd.	1,429	1,382	1,826
Chia-Nan Enterprise Corp.	256,676	260,483	254,271
Su Hua Transport Corp.	282,052	277,136	269,453
Formosa Environmental Technology Corp.	227,242	226,435	253,843
Formosa Synthetic Rubber Corp.	216,738	283,679	294,605
Formosa Synthetic Rubber Corp. (Hong Kong)	646,694	802,566	1,069,169
Formosa Resource Corp.	5,384,679	5,361,771	5,593,661
Formosa Group (Cayman) Corp.	602,394	348,135	222,116
Formosa Construction Corp.	85,486	87,774	89,904
FG INC.	2,201,383	2,165,787	-
Beyoung International Corp.	94,063	95,491	93,207
Kuang Yueh Co., Ltd.	1,147,168	1,149,965	1,139,580
Changshu Yu Yuan Co., Ltd.	17,617	35,008	59,459
	<u>\$ 113,914,846</u>	<u>\$ 112,476,716</u>	<u>\$ 98,006,244</u>

A. Associates

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

Company name	Principal place of business	<u>Shareholding ratio</u>			Nature of relationship	Method of measurement
		June 30, 2018	December 31, 2017	June 30, 2017		
Formosa Petrochemical Corp.	Taiwan	24.15%	24.15%	24.15%	Investments accounted for using equity method	Equity method

(b) The summarised financial information of the associate that is material to the Group is shown below:

Balance sheets

Formosa Petrochemical Corp.			
	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 307,634,595	\$ 264,858,391	\$ 271,609,342
Non-current assets	171,561,711	161,521,779	165,779,066
Current liabilities	(122,936,752)	(64,714,687)	(120,976,737)
Non-current liabilities	(16,350,731)	(20,378,883)	(27,675,953)
Total net assets	<u>\$ 339,908,823</u>	<u>\$ 341,286,600</u>	<u>\$ 288,735,718</u>
Share in associate's net assets	\$ 82,087,981	\$ 82,420,714	\$ 69,729,676
Unrealised profit from sale of upstream transactions			
eliminations	(299,706)	(308,206)	(163,164)
Net differences in share capital	(110,719)	(110,719)	(110,719)
Carrying amount of the associate	<u>\$ 81,677,556</u>	<u>\$ 82,001,789</u>	<u>\$ 69,455,793</u>

Statements of comprehensive income

Formosa Petrochemical Corp.		
	For the three-month period ended June 30, 2018	For the three-month period ended June 30, 2017
Revenue	\$ 191,806,342	\$ 138,502,156
Profit for the period from continuing operations	25,225,846	12,053,970
Other comprehensive income, net of tax	2,304,253	3,444,324
Total comprehensive income	<u>\$ 27,530,099</u>	<u>\$ 15,498,294</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

Formosa Petrochemical Corp.		
	For the six-month period ended June 30, 2018	For the six-month period ended June 30, 2017
Revenue	\$ 373,402,861	\$ 302,494,912
Profit for the period from continuing operations	43,527,264	34,669,920
Other comprehensive income, net of tax	8,631,388	2,156,773
Total comprehensive income	<u>\$ 52,158,652</u>	<u>\$ 36,826,693</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

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

As of June 30, 2018, December 31, 2017 and June 30, 2017, the carrying amount of the Group's individually immaterial associates amounted to \$32,237,290, \$30,474,927 and \$28,550,451, respectively.

	For the three-month period ended June 30, 2018	For the three-month period ended June 30, 2017
Profit for the period from continuing operations	\$ 776,192	\$ 1,181,781
Other comprehensive income, net of tax	<u>2,872,952</u>	<u>222,505</u>
Total comprehensive income	<u>\$ 3,649,144</u>	<u>\$ 1,404,286</u>

	For the six-month period ended June 30, 2018	For the six-month period ended June 30, 2017
Profit (loss) for the period from continuing operations	\$ 1,167,410	(\$ 720,390)
Other comprehensive income (loss), net of tax	<u>1,982,201</u>	<u>(1,021,254)</u>
Total comprehensive income (loss)	<u>\$ 3,149,611</u>	<u>(\$ 1,741,644)</u>

(d) The fair value of the Group's associates which have quoted market price was as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Formosa Petrochemical Corp.	<u>\$ 281,847,976</u>	<u>\$ 265,742,377</u>	<u>\$ 244,866,059</u>

- B. Except for the financial statements of Formosa Petrochemical Corp. and Mai Liao Power Corp., which were reviewed by the Company's appointed independent accountants, the financial statements of other investees accounted for using equity method for the three-month periods ended June 30, 2018 and 2017 were not reviewed.
- C. The Board of Directors resolved to invest USD 72,600 thousand, equivalent to 33% of ownership, in FG INC in November, 2017.
- D. As of June 30, 2018 and 2017, no equity investments by the Group were pledged to others.

(7) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2018</u>						
Cost	\$ 8,736,490	\$ 46,210,594	\$ 297,714,457	\$ 14,717,555	\$ 12,297,410	\$ 379,676,506
Accumulated depreciation and impairment	(170,336)	(23,839,792)	(217,765,081)	(12,555,679)	-	(254,330,888)
	<u>\$ 8,566,154</u>	<u>\$ 22,370,802</u>	<u>\$ 79,949,376</u>	<u>\$ 2,161,876</u>	<u>\$ 12,297,410</u>	<u>\$ 125,345,618</u>
<u>2018</u>						
Opening net book amount	\$ 8,566,154	\$ 22,370,802	\$ 79,949,376	\$ 2,161,876	\$ 12,297,410	\$ 125,345,618
Additions	-	-	7,199	41,894	9,111,798	9,160,891
Disposals	(342,670)	-	(96,118)	(575)	(14,881)	(454,244)
Reclassifications	-	290,364	4,067,256	109,317	(4,437,702)	29,235
Depreciation charge	(149)	(736,955)	(6,187,827)	(237,798)	-	(7,162,729)
Net exchange difference	18	141,644	396,015	6,775	61,938	606,390
Closing net book amount	<u>\$ 8,223,353</u>	<u>\$ 22,065,855</u>	<u>\$ 78,135,901</u>	<u>\$ 2,081,489</u>	<u>\$ 17,018,563</u>	<u>\$ 127,525,161</u>
<u>At June 30, 2018</u>						
Cost	\$ 8,393,962	\$ 46,703,733	\$ 301,393,086	\$ 14,758,172	\$ 17,018,563	\$ 388,267,516
Accumulated depreciation and impairment	(170,609)	(24,637,878)	(223,257,185)	(12,676,683)	-	(260,742,355)
	<u>\$ 8,223,353</u>	<u>\$ 22,065,855</u>	<u>\$ 78,135,901</u>	<u>\$ 2,081,489</u>	<u>\$ 17,018,563</u>	<u>\$ 127,525,161</u>

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2017</u>						
Cost	\$ 8,779,868	\$ 44,776,889	\$ 293,971,383	\$ 14,692,225	\$ 14,151,660	\$ 376,372,025
Accumulated depreciation and impairment	(170,292)	(22,571,577)	(210,261,607)	(12,411,580)	(43,509)	(245,458,565)
	<u>\$ 8,609,576</u>	<u>\$ 22,205,312</u>	<u>\$ 83,709,776</u>	<u>\$ 2,280,645</u>	<u>\$ 14,108,151</u>	<u>\$ 130,913,460</u>
<u>2017</u>						
Opening net book amount	\$ 8,609,576	\$ 22,205,312	\$ 83,709,776	\$ 2,280,645	\$ 14,108,151	\$ 130,913,460
Additions	-	3,033	114,914	78,046	4,426,657	4,622,650
Disposals	(43,196)	(1,837)	(37,806)	(3,297)	-	(86,136)
Reclassifications	108	1,982,315	5,867,630	98,503	(7,887,815)	60,741
Depreciation charge	(144)	(734,969)	(6,309,283)	(239,633)	-	(7,284,029)
Net exchange difference	(76)	(562,571)	(1,791,713)	(29,623)	(438,478)	(2,822,461)
Closing net book amount	<u>\$ 8,566,268</u>	<u>\$ 22,891,283</u>	<u>\$ 81,553,518</u>	<u>\$ 2,184,641</u>	<u>\$ 10,208,515</u>	<u>\$ 125,404,225</u>
<u>At June 30, 2017</u>						
Cost	\$ 8,736,233	\$ 45,967,130	\$ 295,448,147	\$ 14,689,874	\$ 10,208,515	\$ 375,049,899
Accumulated depreciation and impairment	(169,965)	(23,075,847)	(213,894,629)	(12,505,233)	-	(249,645,674)
	<u>\$ 8,566,268</u>	<u>\$ 22,891,283</u>	<u>\$ 81,553,518</u>	<u>\$ 2,184,641</u>	<u>\$ 10,208,515</u>	<u>\$ 125,404,225</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 three-month periods ended June 30,	
	2018	2017
Amount capitalised	\$ 21,707	\$ 22,071
Interest rate	0.94%~0.40%	1.01%~2.62%
	For the six-month periods ended June 30,	
	2018	2017
Amount capitalised	\$ 40,535	\$ 40,211
Interest rate	0.94%~4.30%	1.01%~2.62%

- B. Under regulations, land may only be owned by individuals. The Group has obtained ownership of the agricultural land for future plant expansion which was acquired by the Group under the

name of a third party, and the full amount was pledged to the Company. As of June 30, 2018, December 31, 2017 and June 30, 2017, the pledged amounts were \$822,993, \$822,993 and \$822,993, respectively.

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

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

Type of loans	June 30, 2018	Interest rate range	Collateral
OA loans	\$ 2,532	0.36%	None
Secured loans	3,732,425	1.64%~4.48%	Note 8
Unsecured loans	25,118,814	1.00%~4.48%	None
Total short-term loans	<u>\$ 28,853,771</u>		
Short-term notes and bills payable	\$ 1,050,000	0.76%	None
Short-term notes and bills payable discount	(316)		
Net short-term notes and bills payable	<u>\$ 1,049,684</u>		
Type of loans	December 31, 2017	Interest rate range	Collateral
OA loans	\$ 7,386	0.32%~0.36%	None
Secured loans	2,798,304	1.40%~4.79%	Note 8
Unsecured loans	20,336,444	0.96%~4.57%	None
Total short-term loans	<u>\$ 23,142,134</u>		
Short-term notes and bills payable	\$ 1,580,000	0.56%~0.79%	None
Short-term notes and bills payable discount	(237)		
Net short-term notes and bills payable	<u>\$ 1,579,763</u>		
Type of loans	June 30, 2017	Interest rate range	Collateral
OA loans	\$ 8,948	0.34%~2.09%	None
Secured loans	3,006,986	1.40%~2.50%	Note 8
Unsecured loans	24,632,073	0.69%~4.60%	None
Total short-term loans	<u>\$ 27,648,007</u>		
Short-term notes and bills payable	\$ 2,280,000	0.60%~0.84%	None
Short-term notes and bills payable discount	(276)		
Net short-term notes and bills payable	<u>\$ 2,279,724</u>		

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

Items	June 30, 2018
Current items:	
Derivatives	\$ -

A. Amounts recognised in profit or (loss) in relation to financial liabilities at fair value through profit or loss are listed below:

Items	For the three-month period ended June 30, 2018
Derivatives	\$ 1,332
Items	For the six-month period ended June 30, 2018
Derivatives	\$ -

(10) Other payables

	June 30, 2018	December 31, 2017	June 30, 2017
Dividend payable	\$ 43,774,431	\$ 552,314	\$ 35,803,060
Wages payable	2,150,983	2,854,252	2,058,376
Accrued interest payable	589,613	505,617	711,196
Payables for construction project	835,834	1,042,692	637,173
Utilities payable	429,324	84,848	411,190
Freight payable	368,290	143,228	294,836
Others	6,012,667	5,510,916	5,404,004
	<u>\$ 54,161,142</u>	<u>\$ 10,693,867</u>	<u>\$ 45,319,835</u>

(11) Bonds payable

	June 30, 2018	December 31, 2017	June 30, 2017
Bonds payable			
Domestic unsecured nonconvertible corporate bonds	\$ 39,750,000	\$ 39,750,000	\$ 46,500,000
Less: Current portion	(7,100,000)	(5,700,000)	(6,750,000)
	<u>\$ 32,650,000</u>	<u>\$ 34,050,000</u>	<u>\$ 39,750,000</u>

The terms of nonconvertible corporate bonds were as follows:

	Issuance	Maturity	Yield	Issued principal				
Description	date	date	rate (%)	amount	June 30, 2018	December 31, 2017	June 30, 2017	Note
2012								
First issued domestic unsecured nonconvertible corporate bonds - A	2012.7.26	2016.7.26~2017.7.26	1.29	\$ 6,000,000	\$ -	\$ -	\$ 3,000,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2012.7.26	2018.7.26~2019.7.26	1.40	3,000,000	3,000,000	3,000,000	3,000,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - A	2012.12.7	2016.12.7~2017.12.7	1.23	3,000,000	-	-	1,500,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - B	2012.12.7	2018.12.7~2019.12.7	1.36	3,900,000	3,900,000	3,900,000	3,900,000	Serial bonds, to be settled 50%, 50%
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	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	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22~2023.1.22	1.50	2,200,000	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	June 30, 2018	December 31, 2017	June 30, 2017	Note
<u>2013</u>								
First issued domestic unsecured nonconvertible corporate bonds - A	2013.7.8	2017.7.8~2018.7.8	1.24	\$ 4,500,000	\$ 2,250,000	\$ 2,250,000	\$ 4,500,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2013.7.8	2019.7.8~2020.7.8	1.38	2,700,000	2,700,000	2,700,000	2,700,000	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	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	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	1,400,000	Serial bonds, to be settled 50%, 50%
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	4,600,000	Serial bonds, to be settled 50%, 50%
					39,750,000	39,750,000	46,500,000	
Less: Current portion of bonds payable					(7,100,000)	(5,700,000)	(6,750,000)	
					<u>\$ 32,650,000</u>	<u>\$ 34,050,000</u>	<u>\$ 39,750,000</u>	

(12) Long-term bank loans and notes payable

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2018
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 29, 2016 ~ Mar. 29, 2019, payable at maturity date; interest payable monthly	1.08%~1.08%	None	\$ 3,000,000
China Trust Bank	Aug. 24, 2015 ~ Aug. 24, 2020, payable in full after Aug. 24, 2018 or payable in full at maturity with a two-year extension	LIBOR+1.25% (if TAIFX is higher than LIBOR+0.35%, the difference between TAIFX and LIBOR+0.35% is payable by the borrower)	"	2,318,043
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi- annually after Apr. 16, 2017 with a two- year extension	LIBOR+1.55%	"	2,135,038
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, principal payable semi- annually after Apr. 16, 2017 with a two- year extension	LIBOR+1.45% and TAIFX+0.4% higher	"	1,921,535

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2018
Mega International Commercial Bank	Oct. 23, 2017 ~ Oct. 23, 2022, principal payable semi- annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	None	\$ 479,400
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi- annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	1,502,044
Taiwan Bank	Oct. 22, 2014 ~ Oct. 21, 2019, principal payable semi- annually after Oct. 22, 2017, interest payable quarterly	The interest rate is 1.75% plus the average of the 3- month RMB interbank lending rate of HSBC (HK) and that of China Bank (HK), 2 business days before the interest accrued (the interest rate for the second year is 6.0173%, and the interest accrual period is from October to January)	"	331,892
Taiwan Bank	Oct. 24, 2014 ~ Oct. 21, 2019, principal payable semi- annually after three years; interest payable quarterly	LIBOR+1.40% 3 months	"	1,464,000
Taiwan Business Bank	Jan.1, 2016 ~ Jan. 1, 2019, principal payable quarterly after 27 months	LIBOR+1.10% 3 months	"	531,099

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2018
Mega International Commercial Bank	Jan. 5, 2018~ Jan. 5, 2023, interest payable quarterly, principal payable in 5 installment semi- annually from Jan. 2021	1 to 5 years (including 5 years) rate of CBC, 4.75%	None	\$ 221,262
Chang Hwa Bank	Sep. 2017 ~ Sep. 2022, principal payable semi- annually after 36 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	387,208
Hua Nan Bank	Feb. 3, 2017 ~ Feb. 3, 2020, principal payable at maturity date	LIBOR+1.35% 3 months	"	161,337
Hua Nan Bank	Jan. 15, 2018 ~ Jan. 15, 2020, payable in full at maturity	1.03%	"	1,500,000
Sino Pac Bank	Jun. 16, 2017 ~ Jun. 16, 2019, payable in full at maturity	1.02%	"	300,000
First Commercial Bank	Sep. 15, 2017 ~ Sep. 15, 2020, payable in full at maturity	1.02%	"	2,000,000
Mizuho Corporate Bank	Aug. 18, 2017 ~ Aug. 18, 2019, payable in full at maturity	1.03%	"	900,000
E. Sun Bank	Sep. 20, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.04%	"	500,000
China Trust Bank	Sep. 22, 2017 ~ Sep. 22, 2019, payable in full at maturity	1.04%	"	500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2018
Land Bank of Taiwan	May. 25, 2017 ~ Sep. 30, 2020, payable in full at maturity	1.05%	None	\$ 200,000
KGI Bank	Jun. 20, 2017 ~ Jun. 20, 2019, payable in full at maturity	1.04%	"	1,000,000
Taipei Fubon Bank	Mar. 23, 2018 ~ Mar. 23, 2020, payable in full at maturity	1.04%	"	1,500,000
Bangkok Bank	Dec. 4, 2017 ~ Dec. 1, 2019, payable in full at maturity	1.04%	"	200,000
Far Eastern International Bank	Sep. 22, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	700,000
HSBC	Dec. 8, 2017 ~ Dec. 8, 2019, payable in full at maturity	1.02%	"	1,500,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	8,066,667
Hua Nan Bank China Trust Bank ANZ	Apr. 26, 2010 ~ Jun. 11, 2019, principal payable annually	3.40%~4.36%	Endorsement and guarantees of Formosa Taffeta Co., Ltd.	360,692

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2018
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd	Jul. 2005 ~ Dec. 2018, interest payable monthly; principal payable annually	0.87%~0.88%	None	
				\$ 28,756
				33,708,973
Less: Current portion of long-term loans				(10,099,357)
				\$ 23,609,616

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2017
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 29, 2016 ~ Mar. 29, 2019, payable at maturity date; interest payable monthly	1.05%~1.08%	None	\$ 3,000,000
China Trust Bank	Aug. 24, 2015 ~ Aug. 24, 2020, payable in full after Aug. 24, 2018 or payable in full at maturity with a two-year extension	LIBOR+1.25% (if TAIEX is higher than LIBOR+0.35%, the difference between TAIEX and LIBOR+0.35% is payable by the borrower)	"	2,555,333
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.55%	"	2,390,954
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, principal payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.45% and TAIEX+0.4% higher	"	2,151,859
Mega International Commercial Bank	Oct. 23, 2017 ~ Oct. 23, 2022, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	475,069

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2017
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	None	\$ 1,566,812
Taiwan Bank	Oct. 22, 2014 ~ Oct. 21, 2019, principal payable semi-annually after Oct. 22, 2017, interest payable quarterly	The interest rate is 1.75% plus the average of the 3-month RMB interbank lending rate of HSBC (HK) and that of China Bank (HK), 2 business days before the interest accrued (the interest rate for the second year is 6.0173%, and the interest accrual period is from October to January)	"	438,525
Taiwan Bank	Oct. 24, 2014 ~ Oct. 21, 2019, principal payable semi-annually after three years; interest payable quarterly	LIBOR+1.40% 3 months	"	1,910,272
Taiwan Business Bank	Jan. 1, 2016 ~ Jan. 1, 2019, principal payable quarterly after 27 months	LIBOR+1.10% 3 months	"	577,495
Chang Hwa Bank	Sep. 7, 2017 ~ Sep. 7, 2022, principal payable semi-annually after 36 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	383,709
Hua Nan Bank	Feb. 3, 2017 ~ Feb. 3, 2020, principal payable at maturity date	4.75%	"	159,879
Hua Nan Bank	Mar. 15, 2017 ~ Mar. 15, 2019, payable in full at maturity	1.03%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2017
Sino Pac Bank	Jun. 16, 2017 ~ Jun. 16, 2019, payable in full at maturity	1.02%	None	\$ 300,000
First Commercial Bank	Sep. 15, 2017 ~ Sep. 15, 2018, payable in full at maturity	1.02%	"	2,000,000
Mizuho Corporate Bank	Aug. 18, 2017 ~ Aug. 18, 2019, payable in full at maturity	1.03%	"	900,000
E. Sun Bank	Sep. 20, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.04%	"	500,000
China Trust Bank	Sep. 22, 2017 ~ Sep. 22, 2019, payable in full at maturity	1.04%	"	500,000
Land Bank of Taiwan	May. 25, 2017 ~ Sep. 30, 2020, payable in full at maturity	1.05%	"	200,000
KGI Bank	Jun. 20, 2017 ~ Jun. 20, 2019, payable in full at maturity	1.04%	"	1,000,000
Taipei Fubon Bank	Jan. 11, 2017 ~ Jan. 11, 2019, payable in full at maturity	1.04%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2017
Bangkok Bank	Dec. 4, 2017 ~ Dec. 1, 2019, payable in full at maturity	1.04%	None	\$ 200,000
Far Eastern International Bank	Sep. 22, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	700,000
HSBC	Dec. 8, 2017 ~ Dec. 8, 2019, payable in full at maturity	1.02%	"	1,500,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi- annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	9,411,111
Hua Nan Bank China Trust Bank ANZ	Apr. 26, 2010 ~ Jun. 11, 2019, principal payable annually	SIBOR 6 months +1.6%	Endorsement and guarantees of Formosa Taffeta Co., Ltd.	422,070
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd.	Jul. 2005 ~ Dec. 2018, interest payable monthly; principal payable annually	0.86%~0.87%	None	
				27,466
				36,270,554
Less: Current portion of long-term loans				(6,474,978)
				\$ 29,795,576

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2017
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 29, 2016 ~ Mar. 29, 2019, payable at maturity date; interest payable monthly	1.05%	None	\$ 3,000,000
Export-Import Bank of the ROC	Jul. 27, 2012 ~ Jul. 27, 2017, principal payable semi-annually	0.96%	"	57,143
China Trust Bank	Aug. 24, 2015 ~ Aug. 24, 2020, payable in full after Aug. 24, 2018 or payable in full at maturity with a two-year extension	LIBOR+1.25% (if TAIEX is higher than LIBOR+0.35%, the difference between TAIEX and LIBOR+0.35% is payable by the borrower)	"	2,892,006
Taipei Fubon Bank	Aug. 2, 2016 ~ Aug. 2, 2018, payable at maturity date; interest payable monthly	1.14%	"	600,000
Sumitomo Mitsui Banking Corporation	Aug. 2, 2016 ~ Aug. 2, 2018, payable at maturity date; interest payable monthly	0.82%	"	1,100,000
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	2.49%~2.59%	"	5,205,610

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2017
Mega International Commercial Bank	Nov. 19, 2012 ~ Nov. 17, 2017, principal payable semi-annually	TAIFX+0.80% 3 months	None	\$ 578,284
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi-annually after 18 months	1 to 5 year (including 5 year) rate of CBC, 4.75%	"	1,541,029
Taiwan Cooperative Bank	Dec. 10, 2013 ~ Dec. 7, 2018, principal payable semi-annually	The interest rate is 1.3% plus the average of the 3-month RMB interbank lending rate of HSBC (HK) and that of China Bank (HK), 2 business days before the interest accrued (the interest rate for the third year is 6.598%, and the interest accrual period is from December to March)	"	512,179
Taiwan Cooperative Bank	Dec. 10, 2013 ~ Dec. 7, 2018, principal payable semi-annually	TAIFX+0.75% 3 months	"	1,260,050
Taiwan Bank	Oct. 22, 2014 ~ Oct. 21, 2019, principal payable semi-annually after Oct. 22, 2017, interest payable quarterly	The interest rate is 1.75% plus the average of the 3-month RMB interbank lending rate of HSBC (HK) and that of China Bank (HK), 2 business days before the interest accrued (the interest rate for the second year is 6.0173%, and the interest accrual period is from October to January)	"	539,135
Taiwan Bank	Oct. 24, 2014 ~ Oct. 21, 2019, principal payable semi-annually after three years; interest payable quarterly	LIBOR+1.4% 3 months	"	2,434,880

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2017
Taiwan Business Bank	Jan.1, 2016 ~ Jan.1, 2019, principal payable quarterly after 27 months	LIBOR+1.1% 3 months	None	\$ 588,872
Hua Nan Bank	Feb. 3, 2017 ~ Feb. 3, 2020, interest is payable monthly; principle is repayable in installment proportionately	LIBOR+1.35% 3 months	"	157,248
Hua Nan Bank	Mar. 15, 2016 ~ Mar. 15, 2018, payable in full at maturity	1.03%	"	1,500,000
Sino Pac Bank	May. 16, 2016 ~ May. 16, 2018, payable in full at maturity	1.05%	"	300,000
O-Bank (formerly named Industrial Bank of Taiwan)	Sep. 25, 2015 ~ Sep. 25, 2018, payable in full at maturity	1.07%	"	300,000
First Commercial Bank	Sep. 16, 2015 ~ Sep. 16, 2018, payable in full at maturity	0.99%	"	1,500,000
First Commercial Bank	May. 16, 2016 ~ Sep. 16, 2018, payable in full at maturity	1.04%	"	500,000
Mizuho Corporate Bank	Aug. 19, 2016 ~ Aug. 19, 2018, payable in full at maturity	1.06%	"	900,000
E. Sun Bank	Aug. 20, 2015 ~ Aug. 20, 2018, payable in full at maturity	1.04%	"	500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2017
China Trust Bank	Sep. 23, 2016 ~ Sep. 23, 2018, payable in full at maturity	1.05%	None	\$ 500,000
Land Bank of Taiwan	May 25, 2016 ~ Sep. 30, 2018, payable in full at maturity	1.05%	"	200,000
KGI Bank	Jun. 20, 2016 ~ Jun. 20, 2018, payable in full at maturity	1.04%	"	1,000,000
Taipei Fubon Bank	Jan. 11, 2016 ~ Jan. 11, 2018, payable in full at maturity	1.04%	"	1,500,000
Bangkok Bank	Dec. 2, 2015 ~ Dec. 1, 2017, payable in full at maturity	1.05%	"	200,000
Far Eastern International Bank	Dec. 2, 2016 ~ Aug. 10, 2018, payable in full at maturity	1.08%	"	700,000
HSBC	Dec. 19, 2016 ~ Dec. 19, 2018, payable in full at maturity	1.03%	"	1,500,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	10,755,556
Hua Nan Bank China Trust Bank ANZ	Apr. 26, 2010 ~ Jun. 11, 2019, principal payable annually	SIBOR 6 months +1.6%	Endorsement and guarantees of Formosa Taffeta Co.,	501,218

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2017
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd.	Jul. 2005 ~ Dec. 2018, interest payable monthly; principal payable annually	0.86%~1.01%	None	
				\$ 56,326
				42,879,536
Less: Current portion of long-term loans				(7,665,358)
				\$ 35,214,178

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 Group 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 Group fails to meet the required covenants, a capital increase has to be completed by June of the following year.

C. Formosa Industries Corp.'s long-term borrowing from banks is for the plant construction. The borrowing is guaranteed by Nan Ya Plastics Corp.'s drawn note of \$4,778,840.

(13) Pensions

A.(a)The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% 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.

- (b) For the aforementioned pension plan, the Group recognised pension costs of \$51,312, \$52,595, \$102,688 and \$105,284 for the three-month and six-month periods ended June 30, 2018 and 2017, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$170,521.
- B. (a) From July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 10~20% and 10%~20% for the three-month and six-month periods ended June 30, 2018 and 2017, respectively. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2018 and 2017 were \$97,335, \$85,370, \$191,374 and \$170,238, respectively.

(14) Capital stock

- A. As of June 30, 2018, the Company’s authorised and paid-in capital was \$58,611,863, and total issued stocks was 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 six-month periods ended June 30, 2018, and 2017 are set forth below:

Reason for reacquisition	Subsidiary	For the six-month period ended June 30, 2018			
		Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	12,169,610	-	-	12,169,610
	Formosa Advanced Technologies Co.	15,249,000	-	-	15,249,000
		<u>27,418,610</u>	<u>-</u>	<u>-</u>	<u>27,418,610</u>

Reason for reacquisition	Subsidiary	For the six-month period ended June 30, 2017			
		Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	11,219,610	950,000	-	12,169,610
	Formosa Advanced Technologies Co.	7,316,000	6,029,000	-	13,345,000
		<u>18,535,610</u>	<u>6,979,000</u>	<u>-</u>	<u>25,514,610</u>

C. The market value of treasury stocks was \$121.5 and \$95.5 (in dollars) per share at June 30, 2018 and 2017, respectively.

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

(15) 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 Group 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 six-month period ended June 30, 2018					
	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, 2018	\$ 2,710,554	\$ 5,514,032	\$ 203,232	\$ 29,307	\$ 9,447	\$216,226
Effect from net stockholding of associates recognised under the equity method	-	-	-	409	-	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(465)
At June 30, 2018	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 203,232</u>	<u>\$ 29,716</u>	<u>\$ 9,447</u>	<u>\$215,761</u>

For the six-month period ended June 30, 2017						
	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, 2017	\$ 2,710,554	\$ 5,514,032	\$ 159,382	\$ 25,003	\$ 9,447	\$204,224
Effect from net stockholding of associates recognised under the equity method	-	-	-	1,668	-	-
At June 30, 2017	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 159,382</u>	<u>\$ 26,671</u>	<u>\$ 9,447</u>	<u>\$204,224</u>

(16) 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:

- (a) Reserve for a special purpose;
 - (b) 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;
 - (c) 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
 - (d) Other special reserves as stipulated by other laws.
- B. The Group 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 bonus and special reserves shall be distributed to stockholders. The Group would prefer cash dividend. If the Group 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 Group's paid-in capital.

- D. In accordance with the regulations, the Group 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 2017 and 2016 earnings had been resolved at the stockholders' meeting on June 15, 2018 and June 9, 2017, respectively. Details are as follows:

For the years ended December 31,				
2017			2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 5,441,080		\$ 4,383,305	
Special reserve	6,564,296		4,639,539	
Cash dividends	41,028,304	\$ 7.00	32,822,643	\$ 5.60
	<u>\$ 53,033,680</u>		<u>\$ 41,845,487</u>	

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Group 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. Information relating to employees' bonuses and directors' and supervisors' remuneration is summarised in Note 6(23).

(17) Other equity items

	Hedging reserve	Unrealised gain (loss)	Available-for-sale investment	Currency translation	Total
At January 1, 2018	\$ 8,077	\$ -	\$ 111,213,200	(\$ 2,052,251)	\$ 109,169,026
Effects of retrospective application and retrospective restatement	-	125,624,639	(111,213,200)	-	14,411,439
Balance at January 1, 2018 after restatment	8,077	125,624,639	-	(2,052,251)	123,580,465
Revaluation:					-
–Group	-	15,830,310	-	-	15,830,310
–Associates	-	2,297,194	-	-	2,297,194
Revaluation transferred to retained earnings:					-
–Associates	-	677,165	-	-	677,165
Cash flow hedges:					-
–Associates	(11,075)	-	-	-	(11,075)
Currency translation differences:					-
–Group	-	-	-	946,818	946,818
–Tax of Group	-	-	-	(129,418)	(129,418)
–Associates	-	-	-	377,973	377,973
At June 30, 2018	(\$ 2,998)	\$ 144,429,308	\$ -	(\$ 856,878)	\$ 143,569,432
		Hedging reserve	Available-for-sale investment	Currency translation	Total
At January 1, 2017		\$ 43,174	\$ 90,933,647	\$ 988,624	\$ 91,965,445
Unrealised gain (loss) on available-for-sale investments:					
–Group		-	4,962,857	-	4,962,857
–Associates		-	858,486	-	858,486
Cash flow hedges:					
–Associates		(25,561)	-	-	(25,561)
Currency translation differences:					
–Group		-	-	(2,613,839)	(2,613,839)
–Tax of Group		-	-	399,853	399,853
–Associates		-	-	(523,645)	(523,645)
At June 30, 2017		\$ 17,613	\$ 96,754,990	(\$ 1,749,007)	\$ 95,023,596

(18) Operating revenue

	For the three-month periods ended June 30,	
	2018	2017
Sales revenue	\$ 99,408,893	\$ 81,941,706
Service revenue	146,930	134,622
Other operating revenue	141,123	92,095
	<u>\$ 99,696,946</u>	<u>\$ 82,168,423</u>
	For the six-month periods ended June 30,	
	2018	2017
Sales revenue	\$ 198,114,569	\$ 170,944,034
Service revenue	261,873	276,287
Other operating revenue	277,056	207,633
	<u>\$ 198,653,498</u>	<u>\$ 171,427,954</u>

A. Formosa Advanced Technologies Co., Ltd. derives revenue from the transfer of IC packaging and testing services over time. The related contract assets are as follows:

	June 30, 2018
Contract assets—revenue	<u>\$ 659,715</u>

B. The IC packaging and testing service contracts of Formosa Advanced Technologies Co., Ltd. all expire within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(19) Other income

	For the three-month periods ended June 30,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 93,566	\$ 104,813
Interest from current account with others	68,047	26,540
Other interest income	3,877	8,569
	<u>165,490</u>	<u>139,922</u>
Rental revenue	34,546	34,821
Dividend income	1,276,334	2,793,585
Other revenue-others	399,856	268,989
	<u>\$ 1,876,226</u>	<u>\$ 3,237,317</u>

		For the six-month periods ended June 30,	
		2018	2017
Interest income:			
Interest income from bank deposits	\$	156,794	\$ 185,735
Interest from current account with others		128,470	77,005
Other interest income		13,431	12,693
		<u>298,695</u>	<u>275,433</u>
Rental revenue		70,267	69,671
Dividend income		1,276,334	2,793,585
Other revenue-others		584,988	522,299
	\$	<u>2,230,284</u>	<u>\$ 3,660,988</u>
(20) <u>Other gains and losses</u>			
		For the three-month periods ended June 30,	
		2018	2017
Gain on disposal of property, plant and equipment	\$	802,989	\$ 785,823
Gain on disposal of investments		-	10,591
Net currency exchange gain		687,233	552,296
Net gain on financial assets (liabilities) at fair value through profit or loss		226,434	10
Other losses	(	110,732)	(57,120)
	\$	<u>1,605,924</u>	<u>\$ 1,291,600</u>
		For the six-month periods ended June 30,	
		2018	2017
Gain on disposal of property, plant and equipment	\$	779,652	\$ 788,868
Gain on disposal of investments		-	34,876
Net currency exchange gain (loss)		708,840	(1,606,555)
Net gain on financial assets (liabilities) at fair value through profit or loss		136,714	2,303
Other losses	(	167,960)	(115,650)
	\$	<u>1,457,246</u>	<u>(\$ 896,158)</u>

(21) Finance costs

	For the three-month periods ended June 30,	
	2018	2017
Interest expense:		
Bank loans	\$ 352,616	\$ 419,590
Corporate bonds	163,777	184,982
Current account with others	372	3,473
Discount	45,230	21,998
Other interest expenses	11,756	12,452
	573,751	642,495
Less: Capitalisation of qualifying assets	(21,707)	(22,071)
Finance costs	\$ 552,044	\$ 620,424

	For the six-month periods ended June 30,	
	2018	2017
Interest expense:		
Bank loans	\$ 701,671	\$ 801,395
Corporate bonds	325,755	367,931
Current account with others	1,593	6,884
Discount	77,922	41,217
Other interest expenses	22,022	25,862
	1,128,963	1,243,289
Less: Capitalisation of qualifying assets	(40,535)	(40,211)
Finance costs	\$ 1,088,428	\$ 1,203,078

(22) Expenses by nature

	For the three-month periods ended June 30,	
	2018	2017
Depreciation charges on property, plant and equipment	\$ 3,584,690	\$ 3,617,272
Employee benefit expense	3,818,337	3,504,955
Amortisation	720,363	702,317
	\$ 8,123,390	\$ 7,824,544

	For the six-month periods ended June 30,	
	2018	2017
Depreciation charges on property, plant and equipment	\$ 7,162,729	\$ 7,284,029
Employee benefit expense	7,548,189	7,226,888
Amortisation	1,432,161	1,386,479
	\$ 16,143,079	\$ 15,897,396

(23) Employee benefit expense

	For the three-month periods ended June 30,	
	2018	2017
Wages and salaries	\$ 3,252,499	\$ 2,999,910
Labor and health insurance fees	258,392	232,109
Pension costs	148,647	137,965
Other personnel expenses	158,799	134,971
	<u>\$ 3,818,337</u>	<u>\$ 3,504,955</u>
	For the six-month periods ended June 30,	
	2018	2017
Wages and salaries	\$ 6,426,034	\$ 6,190,995
Labor and health insurance fees	514,036	480,150
Pension costs	294,062	275,522
Other personnel expenses	314,057	280,221
	<u>\$ 7,548,189</u>	<u>\$ 7,226,888</u>

- 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 three-month and six-month periods ended June 30, 2018 and 2017, employees' remuneration (bonuses) was accrued at \$16,713, \$9,399, \$30,763 and \$22,264, respectively. For the six-month periods ended June 30, 2018 and 2017, the employees' compensation was estimated and accrued based on approximately 0.1% of the retained earnings. Employees' compensation for 2017 as resolved by the Board of Directors was in agreement with the amount of \$58,909 recognised in the profit or loss for 2017. Employees' compensation of 2017 has not yet been distributed. Information about the appropriations of employees' bonus 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.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month periods ended June 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 2,251,312	\$ 924,229
Land value increment tax is included in profit or loss	129,638	-
Tax on undistributed surplus earnings	750,132	688,790
Adjustments in respect of prior years	226,600	(221,070)
Total current tax	<u>3,357,682</u>	<u>1,391,949</u>
Deferred tax:		
Origination and reversal of temporary differences	157,411	38,465
Effect of exchange rate	1,547	(1,103)
Total deferred tax	<u>158,958</u>	<u>37,362</u>
Income tax expense	<u>\$ 3,516,640</u>	<u>\$ 1,429,311</u>
	For the six-month periods ended June 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 4,268,895	\$ 2,535,257
Land value increment tax is included in profit or loss	129,638	-
Tax on undistributed surplus earnings	750,132	688,790
Adjustments in respect of prior years	256,217	(221,070)
Total current tax	<u>5,404,882</u>	<u>3,002,977</u>
Deferred tax:		
Origination and reversal of temporary differences	157,297	(7,106)
Impact of change in tax rate	(236,615)	-
Effect of exchange rate	313	1,723
Total deferred tax	<u>(79,005)</u>	<u>(5,383)</u>
Income tax expense	<u>\$ 5,325,877</u>	<u>\$ 2,997,594</u>

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

	For the three-month periods ended June 30,	
	2018	2017
Currency translation differences	<u>(\$ 199,759)</u>	<u>(\$ 127,037)</u>

	For the six-month periods ended June 30,	
	2018	2017
Currency translation differences	(\$ 129,418)	(\$ 399,853)

B. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

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

(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 three-month period ended June 30, 2018				
	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>					
Consolidated net income	\$ 19,747,110	\$ 16,230,470		\$ 3.38	\$ 2.78
Net income of non-controlling interest	(3,050,803)	(1,950,630)		(0.52)	(0.33)
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,696,307</u>	<u>\$ 14,279,840</u>	<u>5,833,768</u>	<u>\$ 2.86</u>	<u>\$ 2.45</u>
For the three-month period ended June 30, 2017					
	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>					
Consolidated net income	\$ 12,120,200	\$ 10,690,889		\$ 2.08	\$ 1.83
Net income of non-controlling interest	(2,730,879)	(2,250,355)		(0.47)	(0.38)
Profit attributable to ordinary shareholders of the parent	<u>\$ 9,389,321</u>	<u>\$ 8,440,534</u>	<u>5,835,672</u>	<u>\$ 1.61</u>	<u>\$ 1.45</u>

	For the six-month period ended June 30, 2018				
	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>					
Consolidated net income	\$ 35,880,768	\$ 30,554,891		\$ 6.15	\$ 5.24
Net income of non- controlling interest	(5,148,335)	(3,300,692)		(0.88)	(0.57)
Profit attributable to ordinary shareholders of the parent	<u>\$ 30,732,433</u>	<u>\$ 27,254,199</u>	<u>5,833,768</u>	<u>\$ 5.27</u>	<u>\$ 4.67</u>

	For the six-month period ended June 30, 2017				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 26,410,276	\$ 23,412,682		\$ 4.52	\$ 4.01
Net income of non- controlling interest	(4,168,858)	(3,261,178)		(0.71)	(0.56)
Profit attributable to ordinary shareholders of the parent	\$ 22,241,418	\$ 20,151,504	5,839,142	\$ 3.81	\$ 3.45

- B. Employees' bonus 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 three-month period ended June 30, 2018					
	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>					
Consolidated net income	\$ 19,747,110	\$ 16,230,470		\$ 3.37	\$ 2.77
Net income of non- controlling interest	(3,050,803)	(1,950,630)		(0.52)	(0.33)
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,696,307</u>	<u>\$ 14,279,840</u>	<u>5,861,186</u>	<u>\$ 2.85</u>	<u>\$ 2.44</u>
For the three-month period ended June 30, 2017					
	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>					
Consolidated net income	\$ 12,120,200	\$ 10,690,889		\$ 2.07	\$ 1.82
Net income of non- controlling interest	(2,730,879)	(2,250,355)		(0.47)	(0.38)
Profit attributable to ordinary shareholders of the parent	<u>\$ 9,389,321</u>	<u>\$ 8,440,534</u>	<u>5,861,186</u>	<u>\$ 1.60</u>	<u>\$ 1.44</u>
For the six-month period ended June 30, 2018					
	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>					
Consolidated net income	\$ 35,880,768	\$ 30,554,891		\$ 6.12	\$ 5.21
Net income of non- controlling interest	(5,148,335)	(3,300,692)		(0.88)	(0.56)
Profit attributable to ordinary shareholders of the parent	<u>\$ 30,732,433</u>	<u>\$ 27,254,199</u>	<u>5,861,186</u>	<u>\$ 5.24</u>	<u>\$ 4.65</u>

For the six-month period ended June 30, 2017

	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Basic earnings per share					
Consolidated net income	\$ 26,410,276	\$ 23,412,682		\$ 4.51	\$ 3.99
Net income of non- controlling interest	(4,168,858)	(3,261,178)		(0.72)	(0.55)
Profit attributable to ordinary shareholders of the parent	\$ 22,241,418	\$ 20,151,504	5,861,186	\$ 3.79	\$ 3.44

(26) Non-cash transactions

A. Investing activities with partial cash payments:

	For the six-month periods ended June 30,	
	2018	2017
Purchase of fixed assets	\$ 9,160,891	\$ 4,622,650
Add: Opening balance of payable on equipment	577,616	789,871
Less: Ending balance of payable on equipment	(946,107)	(628,828)
Cash paid during the period	<u>\$ 8,792,400</u>	<u>\$ 4,783,693</u>

B. Financing activities with partial cash payments:

	For the six-month periods ended June 30,	
	2018	2017
Cash dividend payable	<u>\$ 41,028,304</u>	<u>\$ 32,822,643</u>

(27) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowing (including current portion)	Liabilities from financial activities-gross
At January 1, 2018	\$ 23,142,134	\$ 1,579,763	\$ 39,750,000	\$ 36,270,554	\$ 100,742,451
Changes in cash flow from financing activities	5,711,637	(530,079)	-	(2,809,516)	2,372,042
Impact of changes in foreign exchange rate	-	-	-	247,935	247,935
At June 30, 2018	<u>\$ 28,853,771</u>	<u>\$ 1,049,684</u>	<u>\$ 39,750,000</u>	<u>\$ 33,708,973</u>	<u>\$ 103,362,428</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Formosa Petrochemical Corp.	Associates
Formosa Heavy Industries Corp.	"
Formosa Heavy Industries (Ningbo) Corp.	"
Formosa Plastics Transport Corp.	"
Su Hua Transport Corp.	"
Formosa Synthetic Rubber Corp.	"
Formosa Synthetic Rubber (Ningbo) Corp.	"
Mai Liao Power Corp.	"
Formosa Environmental Technology Corp.	"
Hwa Ya Science Park Management Consulting Corp.	"
Formosa Resources Corp.	"
Formosa Construction Corp.	"
Formosa Fairway Corporation	"
Kuang Yueh Co., Ltd.	"
Formosa Group (Cayman) Corp.	"
FG Inc.	"
Formosa Plastics Corp.	Other related parties
Formosa Plastics (Ningbo) Corp.	"
Nan Ya Plastics Corp.	"
Nan Ya Plastics (Hui Zhou) Corp.	"
Nan Ya Plastics (Nan Tong) Corp.	"
Nan Ya Plastics Corp., U.S.A.	"
Nan Ya Plastics (Ningbo) Corp.	"
Nan Ya Technology Corp.	"
Nan Ya Optical Corp.	"
Nan Ya PCB Corp.	"
Nan Ya Electronic Materials Co., Ltd.	"

Names of related parties	Relationship with the Group
Formosa Automobile Sales Corporation	Other related parties
Formosa Petrochemical Transportation Corporation	"
Formosa Lithium Iron Oxide Corp.	"
Chang Gung University	"
Chang Gung Memorial Hospital	"
Chang Gung Biotechnology Co., Ltd.	"
Yue Chi Development Corp	"
PFG Fiber Glass Corp.	"
Formosa Plastics Marine Corp.	"
Formosa Plastics Marine Co., Ltd.	"
Formosa Plastics Marine Co., Ltd.	"
Mai Liao Harbor Administration Corp.	"
Formosa Plastics Building Parking Lot	"
Formosa Network Technology Corp.	"
FPG Travel Service Co., Ltd.	"
Formosa Daikin Advanced Chemicals Co., Ltd.	"
Formosa Sumco Technology Corporation	"
Formosa Asahi Spandex Co., Ltd.	"
Formosa Plastics Logistics Corp.	"
Formosa Plastics Transport (Ningbo) Co., Ltd.	"
Formosa Electronic (Ningbo) 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) Ltd.	"
Formosa Ha Tinh Steel Corp. -TW	"
Formosa Ha Tinh Steel Corp.	"
BP Chemicals (Malaysia) SDN Corp.	"
Idemitsu Kosan Co., Ltd.	"
Idemitsu Chemicals (Hong Kong) Co., Ltd.	"
Idemitsu Chemicals U.S.A Corp.	"
Yugen Co., Ltd.	"
Yumaowu Enterprise Co., Ltd.	"
Yu Yang Textile Co., Ltd.	"
Yu Maowu Complex Co., Ltd.	"
Kuang Yueh (Vietnam) Co., Ltd.	"
Hua Ya Power Corp.	"

(2) Significant related party transactions

A. Sales of goods:

	For the three-month periods ended June 30,	
	2018	2017
Sales of goods:		
— Associates	\$ 7,458,516	\$ 5,206,239
— Other related parties	14,009,547	9,985,787
	<u>\$ 21,468,063</u>	<u>\$ 15,192,026</u>
	For the six-month periods ended June 30,	
	2018	2017
Sales of goods:		
— Associates	\$ 16,155,549	\$ 12,376,723
— Other related parties	28,079,141	22,549,156
	<u>\$ 44,234,690</u>	<u>\$ 34,925,879</u>

The Group sells goods to related parties. Except for terms to certain related parties which are longer, prices are the same with third parties.

B. Purchases of goods:

	For the three-month periods ended June 30,	
	2018	2017
Purchases of goods:		
— Associates		
Formosa Petrochemical Corp.	\$ 39,350,825	\$ 26,155,154
Others	389	611
— Other related parties	6,799,078	4,880,006
	<u>\$ 46,150,292</u>	<u>\$ 31,035,771</u>
	For the six-month periods ended June 30,	
	2018	2017
Purchases of goods:		
— Associates		
Formosa Petrochemical Corp.	\$ 80,583,156	\$ 61,348,379
Others	430	682
— Other related parties	13,548,541	10,360,081
	<u>\$ 94,132,127</u>	<u>\$ 71,709,142</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:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Receivables from related parties:			
— Associates	\$ 2,860,526	\$ 3,115,452	\$ 1,902,883
— Other related parties	<u>6,135,842</u>	<u>5,947,115</u>	<u>4,790,940</u>
	<u>8,996,368</u>	<u>9,062,567</u>	<u>6,693,823</u>
Other receivables:			
— Other related parties	<u>-</u>	<u>-</u>	<u>423</u>
	<u>\$ 8,996,368</u>	<u>\$ 9,062,567</u>	<u>\$ 6,694,246</u>

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 sale; receivables for payments on behalf of others for construction design services are due 270 days from the services rendered. The receivables do not bear interest and no collaterals were pledged. No provision was accrued for receivables from related party.

D. Payables to related parties:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Payables to related parties:			
— Associates			
Formosa Petrochemical Corp.	\$ 13,522,425	\$ 14,889,016	\$ 9,276,037
— Other related parties	<u>2,760,896</u>	<u>3,060,923</u>	<u>2,001,305</u>
	<u>\$ 16,283,321</u>	<u>\$ 17,949,939</u>	<u>\$ 11,277,342</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:

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Expansion and repair works of factory sites		
— Associates	\$ 38,134	\$ 27,839
— Other related parties	<u>-</u>	<u>47,358</u>
	<u>\$ 38,134</u>	<u>\$ 75,197</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Expansion and repair works of factory sites		
— Associates	\$ 157,114	\$ 58,961
— Other related parties	<u>-</u>	<u>120,889</u>
	<u>\$ 157,114</u>	<u>\$ 179,850</u>

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Payables to related parties:			
— Associates	\$ 133	\$ 2,262	\$ 9,812
— Other related parties	-	2,032	7,957
	<u>\$ 133</u>	<u>\$ 4,294</u>	<u>\$ 17,769</u>

The Group 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:

(i) Ending balance of accounts receivable - related parties

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
— Associates			
Formosa Group (Cayman) Corp.	\$ 4,259,500	\$ 4,259,500	\$ -
Formosa Heavy Industries Corp.	5,250,000	-	3,000,000
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	4,061,058	2,192,592	1,572,445
Others	<u>82,973</u>	<u>82,222</u>	<u>260,000</u>
	<u>13,653,531</u>	<u>6,534,314</u>	<u>4,832,445</u>
— Other related parties			
Formosa Plastics Marine Co., Ltd.	3,590,113	4,190,892	3,555,396
Formosa Ha Tinh (Cayman) Co., Ltd.	-	3,002,600	-
	<u>3,590,113</u>	<u>7,193,492</u>	<u>3,555,396</u>
	<u>\$ 17,243,644</u>	<u>\$ 13,727,806</u>	<u>\$ 8,387,841</u>

(ii) Interest income

		For the three-month periods ended June 30,	
		2018	2017
— Associates			
Formosa Group (Cayman) Corp.	\$	14,954	\$ -
Formosa Syntheic Rubber (Ninbo) Co., Ltd.		26,802	9,669
Others		4,505	4,323
		<u>46,261</u>	<u>13,992</u>
— Other related parties			
Nan Ya Technology Corp.		-	-
Formosa Plastics Marine Co., Ltd.		14,130	12,550
Formosa Ha Tinh (Cayman) Limited		6,950	-
Others		-	-
		<u>21,080</u>	<u>12,550</u>
	\$	<u>67,341</u>	<u>\$ 26,542</u>
		For the six-month periods ended June 30,	
		2018	2017
— Associates			
Formosa Group (Cayman) Corp.	\$	29,742	\$ 16,383
Formosa Syntheic Rubber (Ninbo) Co., Ltd.		46,529	18,369
Others		4,515	6,296
		<u>80,786</u>	<u>41,048</u>
— Other related parties			
Nan Ya Technology Corp.		-	1,999
Formosa Plastics Marine Co., Ltd.		28,919	25,228
Formosa Ha Tinh (Cayman) Limited		17,374	8,559
Others		-	171
		<u>46,293</u>	<u>35,957</u>
	\$	<u>127,079</u>	<u>\$ 77,005</u>

The loan terms to related parties are in accordance with the contract's repayment schedule after the loan is made; interest was collected at 1.41%~3.48% per annum for the six-month periods ended June 30, 2018 and 2017, respectively.

(b) Loans from related parties:

(i) Ending balance of payables to related parties

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
— Associates			
Formosa Heavy Industries Corp.	\$ -	\$ 118,800	\$ 31,100
— Other related parties			
Sino-Asia Steel (Ningbo) Co., Ltd.	-	-	-
	<u>\$ -</u>	<u>\$ 118,800</u>	<u>\$ 31,100</u>

(ii) Interest expense

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
— Associates	\$ 50	\$ 148
— Other related parties	-	367
	<u>\$ 50</u>	<u>\$ 515</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
— Associates	\$ 348	\$ 383
— Other related parties	-	616
	<u>\$ 348</u>	<u>\$ 999</u>

The loan terms from associates are in accordance with the contract's repayment schedule after the loan is made; interest is paid at a rate of 1.41% per annum for the six-month periods ended June 30, 2018 and 2017, respectively.

G. Receivables for payment on behalf of others

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
— Other related parties	\$ 5,892	\$ 16,608	\$ -

This represents equipment for resale that the Company paid on behalf of associates which was recorded as other current assets.

H. Operating expenses

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	\$ 344,712	\$ 257,961
Formosa Plastics Transport (Ningbo) Corp.	220,330	153,318
	<u>\$ 565,042</u>	<u>\$ 411,279</u>

		For the six-month periods ended June 30,	
		2018	2017
Transportation charges			
— Other related parties			
Formosa Plastics Marine Corp.	\$	472,247	\$ 607,425
Formosa Plastics Transport (Ningbo) Corp.		410,351	244,637
	\$	882,598	\$ 852,062
I. Rental revenue			
		For the three-month periods ended June 30,	
		2018	2017
— Associates			
Formosa Petrochemical Corp.	\$	5,036	\$ 5,036
Others		2,852	3,093
		7,888	8,129
— Other related parties			
Nan Ya Plastics Corp.		6,597	6,629
Formosa Plastics Building Parking Lot		3,945	3,836
Formosa Network Technology Corp.		3,850	3,850
Others		7,821	7,789
		22,213	22,104
	\$	30,101	\$ 30,233
		For the six-month periods ended June 30,	
		2018	2017
— Associates			
Formosa Petrochemical Corp.	\$	10,072	\$ 10,072
Others		5,708	6,185
		15,780	16,257
— Other related parties			
Nan Ya Plastics Corp.		13,195	13,259
Formosa Plastics Building Parking Lot		7,890	7,673
Formosa Network Technology Corp.		7,700	7,700
Others		15,641	15,624
		44,426	44,256
	\$	60,206	\$ 60,513

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

J. Property transactions:

(a) Acquisition of property, plant and equipment

		For the three-month periods ended June 30,	
		2018	2017
Purchase of property, plant and equipment			
— Associates		\$ 21,417	\$ 10,953
— Other related parties		-	-
		<u>\$ 21,417</u>	<u>\$ 10,953</u>
		For the six-month periods ended June 30,	
		2018	2017
Purchase of property, plant and equipment			
— Associates		\$ 123,035	\$ 23,490
— Other related parties		-	108
		<u>\$ 123,035</u>	<u>\$ 23,598</u>

(b) Disposal of property, plant and equipment

		For the three-month periods ended June 30,			
		2018		2017	
		Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Associates		<u>\$ 14,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		For the six-month periods ended June 30,			
		2018		2017	
		Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Associates		<u>\$ 14,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(c) Acquisition of financial assets

				For the three-month period ended June 30, 2018
	Accounts	No. of shares	Objects	Consideration
Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	56,470,747	Formosa Ha Tinh (Cayman) Limited	<u>\$ 2,242,487</u>
				For the three-month period ended June 30, 2017
	Accounts	No. of shares	Objects	Consideration
Formosa Resources Corp.	Investments accounted for using equity method	168,344,000	Formosa Resources Corp.	<u>\$ 1,683,440</u>

				For the six-month period ended June 30, 2018
	Accounts	No. of shares	Objects	Consideration
Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	56,470,747	Formosa Ha Tinh (Cayman) Limited	\$ 2,242,487

				For the six-month period ended June 30, 2017
	Accounts	No. of shares	Objects	Consideration
Formosa Resources Corp.	Investments accounted for using equity method	168,344,000	Formosa Resources Corp.	\$ 1,683,440

K. Details of affiliates endorsed/guaranteed for the Group's borrowings are provided in Note 6(12).

(3) Key management compensation

		For the three-month periods ended June 30,	
		2018	2017
Salaries		\$ 14,024	\$ 13,904
Post-employment benefits		421	445
		<u>\$ 14,445</u>	<u>\$ 14,349</u>
		For the six-month periods ended June 30,	
		2018	2017
Salaries		\$ 66,738	\$ 69,038
Post-employment benefits		837	910
		<u>\$ 67,575</u>	<u>\$ 69,948</u>

8. PLEDGED ASSETS

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

Pledged assets	Book value			Purpose
	June 30, 2018	December 31, 2017	June 30, 2017	
Property, plant and equipment	\$ 5,951,056	\$ 6,107,499	\$ 6,272,339	Collateral for bank loans
Inventory	21,264	21,264	21,264	Limited transfer for land tax reassessment and collateral
	<u>\$ 5,972,320</u>	<u>\$ 6,128,763</u>	<u>\$ 6,293,603</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The details of commitments and contingencies as of June 30, 2018 were as follows:

(1) Capital expenditures of property, plant and equipment that were contracted but not yet paid

amounted to \$6,338,972 thousand, RMB 261,059 thousand and VND 322,617,212 thousand.

(2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 27,284 thousand, JPY 313,843 thousand and EUR 336 thousand.

(3) The provision of endorsements and guarantees to others are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Formosa Industries Corp.	\$ 5,005,309	\$ 4,898,311	\$ 4,994,806
Formosa Resources Corp.	3,278,750	3,208,660	3,271,870
Formosa Group (Cayman) Corp.	19,062,500	21,639,800	29,522,920
Formosa Ha Tinh (Cayman) Corp.	20,095,515	19,361,369	15,715,989
Formosa Taffeta (Zhong Shan) Co., Ltd.	243,680	282,720	425,880
Formosa Taffeta (Vietnam) Co., Ltd.	405,551	98,141	137,504
Formosa Taffeta (Changshu) Co., Ltd.	413,525	329,353	343,746
Formosa Taffeta (Dong Nai) Co., Ltd.	3,003,847	2,472,112	2,569,527
Public More Internation Co., Ltd.	3,000	3,000	3,000
	<u>\$ 51,511,677</u>	<u>\$ 52,293,466</u>	<u>\$ 56,985,242</u>

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

- A. Beginning in 2013, the Group's investment accounted for using equity method, Formosa Synthetic Rubber Corp. (Ningbo), entered into a syndicated loan contract with the syndicated banking group including Hua Nan Bank, arranging the credit facilities of USD130 million and RMB300 million to meet the operation needs. The Company is required to issue a promissory note equivalent to the shareholding ratio of 33.33% and is obliged to facilitate the repayment for the borrower whenever necessary.
- B. Beginning in 2012, the Group's consolidated entity, Formosa Phenol (Ningbo) Limited Co., entered into a syndicated loan contract with the syndicated banking group including Mega International Commercial Bank, Taiwan Cooperative Bank and Bank of Taiwan, arranging the credit facilities of USD 244 million and RMB 310 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.
- C. The Company's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided a bank loan facility of USD 1,920 million to meet the operation 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.
- D. The Group's consolidated entity, Formosa Chemicals Industries (Ningbo) Limited Co., entered into a syndicated loan contract with the syndicated banking group led by Mega International Commercial Bank, arranging the credit facilities of USD155 million or equivalent value in RMB 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.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On July 23, 2018, the Company's subsidiary, Formosa Taffeta Co., Ltd., disposed 84,032,000 shares of its subsidiary, Formosa Advanced Technologies Co., Ltd., for \$3,049,999, lowering its ownership percentage to 46.68%.

12. OTHERS

(1) Litigation

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 satisfied 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 regarding discontinued operations of M16, M17 and M22 had been denied. The loss or dangerous status of discontinued operation of co-generation equipment claimed by the Company was considered 'possible' but not 'certain' before November 1, 2016, and the discontinued operation has not resulted in plant shutdown and industry safety 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 NT\$12.44 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 filed an appeal with the 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 concluded as stated in Letter No. Fu-Sho-Huan-Zong-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, the EPA ruled to revoke the violation decision of Changhua County Government.

(2) Capital management

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

The Group's management strategy of its debt-to-capital ratio for the year ended December 31, 2018 is the same as that for the year ended December 31, 2017. As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group's debt-to-capital ratio was 14%, 15%, and 17%, respectively.

(3) Financial instruments

A. Financial instruments by category

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	\$ 4,568,104	\$ 630,396	\$ 629,437
Financial assets at fair value through other comprehensive income	218,999,559	-	-
Financial assets at amortised cost	114,949,556	92,669,447	111,701,240
Available-for-sale financial assets			
Available-for-sale financial assets	-	161,612,086	147,152,750
Financial assets at cost	-	25,093,528	23,217,621
	<u>\$ 338,517,219</u>	<u>\$ 280,005,457</u>	<u>\$ 282,701,048</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ 894
Financial liabilities at amortised cost	183,016,458	137,431,256	184,891,336
	<u>\$ 183,016,458</u>	<u>\$ 137,431,256</u>	<u>\$ 184,892,230</u>

Note: Financial assets measured at amortised cost include cash, accounts and notes receivable, other receivables, and refundable deposits. Financial liabilities measured at amortised cost include short-term borrowings, 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. Risk management policies

- (a) The Group'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. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Notes 6(2) and (9).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognizing assets and liabilities.
- 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 Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2) and (9).
- iv. The Group'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:

June 30, 2018				
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	\$ 972,634	30.50	\$	29,665,337
JPY : NTD	515,095	0.28		144,227
EUR : NTD	3,193	35.40		113,032
<u>Non-monetary items</u>				
RMB : NTD	\$ 10,311,622	4.61	\$	47,536,577
USD : NTD	717,696	30.50		21,889,728
VND : NTD	7,692,081,811	0.0013		9,999,706
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 280,486	30.50	\$	8,554,823
JPY : NTD	309,220	0.28		86,582
USD : RMB	268,598	30.50		8,192,239
December 31, 2017				
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	\$ 598,566	29.85	\$	17,867,195
JPY : NTD	470,271	0.26		122,270
<u>Non-monetary items</u>				
RMB : NTD	\$ 8,931,843	4.57	\$	40,818,523
USD : NTD	572,296	29.85		17,083,036
VND : NTD	7,391,633,129	0.0013		9,609,123
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 69,418	29.85	\$	2,072,127
JPY : NTD	289,378	0.26		75,238
USD : RMB	325,931	29.85		9,729,040
USD : VND	237,500	29.85		7,089,375

June 30, 2017				
Foreign Currency				
	Amount (In Thousands)	Exchange Rate	Book Value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 452,762	30.44	\$	13,782,075
JPY : NTD	338,848	0.27		91,489
<u>Non-monetary items</u>				
RMB : NTD	\$ 6,748,133	4.49	\$	30,299,117
USD : NTD	517,121	30.44		15,741,163
VND : NTD	7,270,407,701	0.0013		9,451,530
JPY : NTD	139,500	0.27		37,665
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 61,242	30.44	\$	1,864,206
JPY : NTD	418,332	0.27		112,950
USD : RMB	457,659	30.44		13,931,140
USD : VND	266,000	30.44		8,097,040

- v. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2018 and 2017 amounted to \$687,233, \$552,296, \$708,840 and (\$1,606,555) respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the three-month period ended June 30, 2018

Sensitivity analysis

	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 296,653	\$ -
JPY : NTD	1%	1,442	-
EUR : NTD	1%	1,130	-
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	\$ 475,366
USD : NTD	1%	-	218,897
VND : NTD	1%	-	99,997
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 85,548	\$ -
JPY : NTD	1%	866	-
USD : RMB	1%	81,922	-

For the three-month period ended June 30, 2017

Sensitivity analysis			
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 137,821	\$ -
JPY : NTD	1%	915	-
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	\$ 302,991
USD : NTD	1%	-	157,412
VND : NTD	1%	-	94,515
JPY : NTD	1%	-	377
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 18,642	\$ -
JPY : NTD	1%	1,130	-
USD : RMB	1%	139,311	-
USD : VND	1%	80,970	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks and open-end funds. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2018 and 2017 would have increased/decreased by \$36,545 and \$5,224, 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 \$2,189,996 and \$1,432,341, 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 Group's interest rate risk arises from long-term borrowings. Borrowings issued at

variable rates expose the Group 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 Group to fair value interest rate risk. During the six-month periods ended June 30, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD and USD.

- ii. The Group's borrowings are measured at 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 six-month periods ended June 30, 2018 and 2017, if interest rates on denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the periods then ended would have been \$269,672 and \$355,900 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 Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of instruments stated at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group uses the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of notes and accounts receivable and contract assets.
- v. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and accounts receivable and contract assets are as follows:

	For the six-month period ended June 30, 2018		
	<u>Accounts receivable</u>	<u>Contract assets</u>	<u>Notes receivable</u>
At January 1_IAS 39	\$ 257,573	\$ -	\$ -
Adjustments under new standards	-	-	-
At January 1_IFRS 9	257,573	-	-
Effect of exchange rate changes	321	-	-
At June 30	<u>\$ 257,894</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Not past due	\$ 33,001,256	\$ 32,457,273	\$ 27,808,502
Up to 30 days	326,216	347,818	302,800
31 to 90 days	115,403	66,606	90,728
91 to 180 days	44,539	3,172	5,976
Over 181 days	5,882	7,075	7,205
	<u>\$ 33,493,296</u>	<u>\$ 32,881,944</u>	<u>\$ 28,215,211</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 Group and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Group'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 Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group'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 Group treasury. Group 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 Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

		Between 1	Between 3	
	Less than 1 year	and 2 years	and 5 years	Over 5 years
<u>June 30, 2018</u>				
Bonds payable	\$ 7,100,000	\$ 6,200,000	\$ 9,050,000	\$ 17,400,000
Long-term borrowings	10,099,357	15,758,820	7,850,796	-
<u>December 31, 2017</u>				
Bonds payable	\$ 5,700,000	\$ 6,200,000	\$ 4,800,000	\$ 23,050,000
Long-term borrowings	6,474,979	16,009,033	13,786,543	-
<u>June 30, 2017</u>				
Bonds payable	\$ 6,750,000	\$ 7,100,000	\$ 10,700,000	\$ 21,950,000
Long-term borrowings	7,665,358	24,409,182	10,804,996	-

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

Derivative financial liabilities:

		Between 1	Between 3	
	Less than 1 year	and 2 years	and 5 years	Over 5 years
<u>June 30, 2018</u>				
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -
<u>December 31, 2017</u>				
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -
<u>June 30, 2017</u>				
Forward exchange contracts	\$ 894	\$ -	\$ -	\$ -

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

(4) 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.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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) are reasonable basis for fair value estimate given that their interest rates are approximate to market rates.

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

<u>June 30, 2018</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				
Beneficiary certificate	\$ 631,376	\$ -	\$ -	\$ 631,376
Derivative instruments	-	478	-	478
Fund	-	3,936,250	-	3,936,250
Financial assets at fair value through other comprehensive income				
Equity securities	167,953,224	4,295,815	46,750,520	218,999,559
	<u>\$ 168,584,600</u>	<u>\$ 8,232,543</u>	<u>\$ 46,750,520</u>	<u>\$ 223,567,663</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>December 31, 2017</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				
Forward exchange contracts	\$ -	\$ 398	\$ -	\$ 398
Beneficiary certificate	629,998	-	-	629,998
Available-for-sale financial assets				
Equity securities	152,470,961	4,567,223	-	157,038,184
Fund	-	4,573,902	-	4,573,902
	<u>\$ 153,100,959</u>	<u>\$ 9,141,523</u>	<u>\$ -</u>	<u>\$ 162,242,482</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>June 30, 2017</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				
Forward exchange contracts	\$ -	\$ 775	\$ -	\$ 775
Beneficiary certificate	628,662	-	-	628,662
Available-for-sale financial assets				
Equity securities	138,648,161	3,877,644	-	142,525,805
Fund	-	4,626,945	-	4,626,945
	<u>\$ 139,276,823</u>	<u>\$ 8,505,364</u>	<u>\$ -</u>	<u>\$ 147,782,187</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 894</u>	<u>\$ -</u>	<u>\$ 894</u>

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

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

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

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of 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.
- (c) 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 Group 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.
- (d) 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.

- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group'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 Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the six-month periods ended June 30, 2018, and 2017, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the six-month period ended June 30, 2018:

	For the six-month period ended June 30, 2018	
	Non-derivative equity instrument	
At January 1	\$	25,093,528
Effect of retrospective adjustment and retrospective restatement		17,468,376
Gains and losses 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		4,040,614
Effect of exchange rate changes		148,002
At June 30	\$	46,750,520

G. For the six-month periods ended June 30, 2018 and 2017, there was no transfer into or out from Level 3.

H. The Group 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>Fair value at June 30, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non- derivative equity instrument:				
Unlisted shares	\$ 21,428,723	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,	The higher the multiple, the higher the fair value
	25,321,797	Net asset value	Not applicable	Not applicable

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

		June 30, 2018		
		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	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	± 1%	\$ 214,287	\$ 214,287

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

A. Summary of significant accounting policies adopted in the first quarter of 2017:

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

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. 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.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(b) Available-for-sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

(c) Loans and receivables

Accounts receivable

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

(d) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - 甲、 Significant financial difficulty of the issuer or debtor;
 - 乙、 A breach of contract, such as a default or delinquency in interest or principal payments;
 - 丙、 The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - 丁、 It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - 戊、 The disappearance of an active market for that financial asset because of financial difficulties;
 - 己、 Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial

asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

庚、 Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

辛、 A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortised cost

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

(ii) Financial assets at cost

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

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment

loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(e) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognised at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortisation and the best estimate of the amount required to settle the present obligation on each balance sheet date.

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

		Available-for-sale – current	Available-for-sale –non-current			Effects		
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income - current	Measured at fair value through other comprehensive income - non-current	Measured at cost	Total	Retained earnings	Other equity	Non-controlling interest
IAS 39	\$ 630,396	\$ 117,617,800	\$ 43,994,286	\$ 25,093,528	\$ 187,336,010	\$ -	\$ -	\$ -
Transferred into and measured at fair value	4,573,903	(4,573,903)	-	-	-	-	-	-
through profit or loss								
Transfer into and measured at fair value	-	-	25,093,528	(25,093,528)	-	-	-	-
through other comprehensive income – non-current								
Fair value adjustment	-	(789,288)	17,468,375	-	16,679,087	5,089,978	14,411,439	(9,769)
IFRS 9	\$ 5,204,299	\$ 112,254,609	\$ 86,556,189	\$ -	\$ 204,015,097	\$ 5,089,978	\$ 14,411,439	(\$ 9,769)

Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets and financial assets at cost, amounting to \$161,612,086 and \$25,093,528, respectively, were not held for the purpose of trading, they were reclassified as “financial assets at fair value through other comprehensive income (equity instruments)” amounting to \$204,015,097, and retained earnings and other equity were increased and non-controlling interest was decreased in the amounts of \$5,089,978, \$14,411,439 and \$9,769, respectively, on initial application of IFRS 9.

C. The significant accounts as of December 31, 2017 and June 30, 2017 are as follows:

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

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Financial assets held for trading		
Beneficiary certificates	\$ 619,504	\$ 619,504
Non-hedging derivatives	<u>398</u>	<u>775</u>
	619,902	620,279
Valuation adjustment of financial assets held for trading	<u>10,494</u>	<u>9,158</u>
	<u>\$ 630,396</u>	<u>\$ 629,437</u>

i. The Group recognised net profit amounting to \$2,775, \$671 and \$1,816 on financial assets held for trading for the year ended December 31, 2017 and three-month and six-month periods ended June 30, 2017.

ii. The non-hedging derivative instruments transaction and contract information are as follows:

	<u>December 31, 2017</u>	
<u>Derivative instruments</u>	<u>Contract amount (notional principal)</u>	<u>Contract period</u>
Forward exchange contracts		
Taipei Fubon Bank	JPY 192,020	2017.11~2018.02
	<u>June 30, 2017</u>	
<u>Derivative instruments</u>	<u>Contract amount (notional principal)</u>	<u>Contract period</u>
Forward exchange contracts		
Taipei Fubon Bank	JPY 226,470	2017.04~2017.09

The Group entered into forward foreign exchange contracts to buy USD and JPY to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Non-hedging derivatives	\$ -	\$ 894

i. The Group recognised gain (loss) on valuation of financial assets at fair value through profit or loss amounting to \$1,381, (\$661) and \$487 for the year ended December 31, 2017 and the three-month and six-month periods ended June 30, 2017.

ii. The non-hedging derivative instruments transaction and contract information are as follows:

December 31, 2017: None.

	June 30, 2017	
Derivative instruments	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts		
Chang Hua Bank	JPY 3,000	2017.05~2017.08
Taipei Fubon Bank	USD 1,741	2017.03~2017.08
Taipei Fubon Bank	JPY 40,460	2017.03~2017.09

(c) Available-for-sale financial assets

Items	December 31, 2017	June 30, 2017
Current items:		
Listed stocks	\$ 25,540,146	\$ 26,119,856
Unlisted shares	825,839	825,839
Fund	4,903,800	4,903,800
Valuation adjustment of available-for-sale financial assets	88,589,604	77,572,533
	119,859,389	109,422,028
Less; Accumulated impairment	(2,241,589)	(2,291,703)
	<u>\$ 117,617,800</u>	<u>\$ 107,130,325</u>
Non-current items:		
Listed stocks	\$ 9,075,966	\$ 9,418,267
Valuation adjustment of available-for-sale financial assets	37,437,306	33,217,243
	46,513,272	42,635,510
Less: Accumulated impairment	(2,518,986)	(2,613,085)
	<u>\$ 43,994,286</u>	<u>\$ 40,022,425</u>

- i. The Group recognised \$1,733,877 and \$2,786,877 in other comprehensive income for fair value change for the year ended December 31, 2017 and the second quarter of 2017, respectively.
- ii. The Group recognised \$7,161,297 and \$2,786,877 as dividend income from available-for-sale financial assets for the year ended December 31, 2017 and the second quarter of 2017, respectively.
- iii. As of December 31, 2017 and June 30, 2017, no available-for-sale financial assets held by the Group were pledged to others.

(d) Financial assets at cost

<u>Items</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Mai Liao Harbor Administration Corp.	\$ 539,260	\$ 539,260
Formosa Plastic Corp. U.S.A	818,316	818,316
Taiwan Stock Exchange Corp.	1,800	1,800
Taiwan Aerospace Corp.	10,702	10,702
Yi-Jih Development Corp.	3,000	3,000
Chinese Television System Corp.	38,419	38,419
Formosa Plastics Maritime Corp.	1,750	1,750
Formosa Development Corp.	90,010	90,010
Formosa Network Technology Corp.	15,497	15,848
Formosa Plastics Marine Corp.	15,000	15,000
Formosa Ocean Group Marine Investment Corp.	856,948	856,948
Guangyuan Investment Corp.	50,000	50,000
Benjhou Technologies Corp.	-	2,000
Taiwan Leader Biotech Corp.	21,033	21,033
Toa Resin Corp., Ltd.	3,000	3,000
Shin Yun Natural Gas Corp.	3,100	3,100
Wk Technology Fund IV Ltd.	262	23,812
Syntronix Corporation	4,417	4,417
United Performance Materials Corp.	8,400	8,400
Association of R.O.C. in Xiamen	137	135
Nan Ya Optical Corp.	294,583	294,583
United Biopharma, Inc.	613,159	613,436
Formosa Lithium Iron Oxide Corp.	53,000	53,000
Mega Growth Venture Capital Co., Ltd.	25,000	25,000
Formosa Ha Tinh (Cayman) Limited	21,166,194	19,264,111
UBI Pharma Inc.	667,607	667,607
	25,300,594	23,424,687
Less: Accumulated impairment	(207,066)	(207,066)
	<u>\$ 25,093,528</u>	<u>\$ 23,217,621</u>

- i. According to the Group's intention, its investment in the aforementioned stocks should be classified as 'available-for-sale financial assets'. However, as these stocks are not traded in active market, and no sufficient industry information of the private companies alike or related financial information can be obtained, the fair value of the investment in the aforementioned stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.
- ii. The Group recognised \$303,660 and \$6,708 as dividend income from investment in financial assets measured at cost for the year ended December 31, 2017 and the second quarter of 2017, respectively.

iii. As of December 31, 2017 and June 30, 2017, no financial assets at cost held by the Group were pledged to others.

D. Credit risk information as of December 31, 2017 and June 30, 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- (b) For the year ended December 31, 2017 and the second quarter of 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The Group's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.
- (d) The ageing analysis of financial assets that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
<u>Accounts receivable</u>		
Up to 30 days	\$ 347,818	\$ 302,800
31 to 90 days	66,606	90,728
91 to 180 days	3,172	5,976
Over 180 days	7,075	7,205
	<u>\$ 424,671</u>	<u>\$ 406,709</u>

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

	<u>For the year ended December 31, 2017</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 156,022	\$ 118,382	\$ 274,404
Transfer to other income	-	(2,223)	(2,223)
Write-off	(13,443)	-	(13,443)
Effect of exchange rate	-	(1,165)	(1,165)
At December 31	<u>\$ 142,579</u>	<u>\$ 114,994</u>	<u>\$ 257,573</u>

	For the six-month period ended June 30, 2017		
	Individual provision	Group provision	Total
At January 1	\$ 156,022	\$ 118,382	\$ 274,404
Write-off	-	(228)	(\$ 228)
Effect of exchange rate	-	(1,380)	(1,380)
At June 30	<u>\$ 156,022</u>	<u>\$ 116,774</u>	<u>\$ 272,796</u>

(6) Effects of initial application of IFRS 15

- A. The significant accounting policies applied on revenue recognition for the six-month period ended June 30, 2017 are set out below:

The Group's revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

- B. The revenues recognised by using above accounting policies for the six-month period ended June 30, 2017 are as follows:

	For the three-month period ended June 30, 2017	
Sales revenue	\$	81,941,706
Service revenue		134,622
Other operating revenue		92,095
	<u>\$</u>	<u>82,168,423</u>
	For the six-month period ended June 30, 2017	
Sales revenue	\$	170,944,034
Service revenue		276,287
Other operating revenue		207,633
	<u>\$</u>	<u>171,427,954</u>

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

		June 30, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract assets		\$ 659,715	\$ -	\$ 659,715
Inventories	Note	42,100,412	42,724,568	(624,156)
Retained earnings		62,888,651	62,924,210	(35,559)
For the three-month period ended June 30, 2017				
Comprehensive income statement items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Operating revenue		\$ 99,696,946	\$ 99,617,126	\$ 79,820
Operating costs	Note	(85,511,290)	(85,393,808)	(117,482)
Gross profit from operations		14,185,656	14,223,318	(37,662)
For the six-month period ended June 30, 2017				
Comprehensive income statement items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Operating revenue		\$ 198,653,498	\$ 198,483,420	\$ 170,078
Operating costs	Note	(168,716,960)	(168,483,029)	(233,931)
Gross profit from operations		29,936,538	30,000,391	(63,853)

Note: Formosa Advanced Technologies Co., Ltd. renders customised IC packaging and testing services based on the specifications as required by the customers, the revenue is recognised when the significant risk and rewards are transferred under previous accounting policies, and the timing of recognition usually occurs upon acceptance. Considering that the highly customised products have no alternative use to the Company and Formosa Advanced Technologies Co., Ltd. has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognised based on the stage of completion under the new revenue standards.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- 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: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), and (10); 12(3) and (4).

J. Significant intragroup transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

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

14. SEGMENT INFORMATION

(1) General information

The Group's reportable segments are strategic business units and provide different products and services. Strategic business units are separately managed because each unit needs different techniques and marketing strategies. The Group's reportable segments are as follows:

1st Petrochemical Div: responsible for production of benzene, p-xylene and o-xylene.

2nd Petrochemical Div: responsible for production of styrene, synthetic phenolic and acetone.

3rd Petrochemical Div and Formosa Chemicals Industries (Ningbo) Limited Co.: responsible for production of purified terephthalic acid.

Plastics Division, Formosa ABS Plastics (Ningbo) Co., Ltd. and Formosa PS (Ningbo) Co., Ltd.: responsible for production of ABS resin, polypropylene and PS.

Formosa Taffeta Co., Ltd.: responsible for production of blended fabric, spun fabric, cross-woven fabric, polyamine and polyester fabric, epidemic fabric, designer sportswear fabric, high-tech and function fabric, tire cord fabric, pure cotton yarn, blended yarn, various functional yarn, fireproof fabric, anti-static cloth and industrial fabric, and operation of petrol stations to sell petroleum, diesel fuel, kerosene and small package of petroleum products and provide car wash services.

Formosa Advanced Technologies Co.: responsible for IC packaging, testing and production of memory module.

(2) Measurement of segment information

The Group has not yet amortised tax expenses or non-recurring gains and losses to reportable

segments. Furthermore, not all reportable segments' profit or loss include significant non-cash items besides depreciation and amortisation. Reporting amount and reports for operating decision-maker are the same.

The Group's operating segment profit or loss is measured based on operating income before tax for performance assessment basis. The Group considers the sale and transfer among segments as transactions with third parties and measured at market price.

(3) Information about segment profit or loss, assets and liabilities

For the six-month period ended June 30, 2018

	1st	2nd	3rd						
	Petrochemical	Petrochemical	Petrochemical	Plastics Division,	Formosa	Formosa		Reconciliation	Total
	Div	Div	Div and	Formosa ABS	Taffeta	Advanced	Other divisions	and offset	
			Chemical	Co., Ltd.	Co., Ltd.	Technologies			
			Industries	and Formosa PS		Co., Ltd.			
External revenue	\$ 29,206,993	\$ 29,704,088	\$ 30,738,364	\$ 58,956,776	\$ 13,618,714	\$ 4,275,071	\$ 32,153,492	\$ -	\$ 198,653,498
Internal revenue	38,147,917	17,830,057	2,452,528	8,757,193	176,011	-	5,966,450	(73,330,156)	-
Total revenue	<u>\$ 67,354,910</u>	<u>\$ 47,534,145</u>	<u>\$ 33,190,892</u>	<u>\$ 67,713,969</u>	<u>\$ 13,794,725</u>	<u>\$ 4,275,071</u>	<u>\$ 38,119,942</u>	<u>(\$ 73,330,156)</u>	<u>\$ 198,653,498</u>
Segment profit (loss)	<u>\$ 3,529,205</u>	<u>\$ 6,922,979</u>	<u>\$ 2,832,352</u>	<u>\$ 6,541,331</u>	<u>\$ 1,963,104</u>	<u>\$ 915,541</u>	<u>\$ 17,849,020</u>	<u>(\$ 4,672,764)</u>	<u>\$ 35,880,768</u>
Total assets of segments	<u>\$ 35,029,700</u>	<u>\$ 34,152,501</u>	<u>\$ 32,390,986</u>	<u>\$ 52,984,106</u>	<u>\$ 90,235,965</u>	<u>\$ 13,622,273</u>	<u>\$ 508,301,011</u>	<u>(\$ 122,416,376)</u>	<u>\$ 644,300,166</u>

For the six-month period ended June 30, 2017

	1st	2nd	3rd						
	Petrochemical	Petrochemical	Petrochemical	Plastics Division,	Formosa	Formosa		Reconciliation	
	Div	Div	Div and	Formosa ABS	Taffeta	Advanced	Other divisions	and offset	Total
			Chemical	Co., Ltd.	Co., Ltd.	Technologies			
			Industries	and Formosa PS		Co., Ltd.			
External revenue	\$ 23,564,905	\$ 20,172,431	\$ 30,709,558	\$ 52,759,338	\$ 12,887,970	\$ 4,110,012	\$ 27,223,740	\$ -	\$ 171,427,954
Internal revenue	<u>32,256,238</u>	<u>15,174,296</u>	<u>1,410,440</u>	<u>6,825,743</u>	<u>148,832</u>	<u>-</u>	<u>6,569,239</u>	<u>(62,384,788)</u>	<u>-</u>
Total revenue	<u>\$ 55,821,143</u>	<u>\$ 35,346,727</u>	<u>\$ 32,119,998</u>	<u>\$ 59,585,081</u>	<u>\$ 13,036,802</u>	<u>\$ 4,110,012</u>	<u>\$ 33,792,979</u>	<u>(\$ 62,384,788)</u>	<u>\$ 171,427,954</u>
Segment profit (loss)	<u>\$ 4,913,579</u>	<u>\$ 2,023,900</u>	<u>\$ 2,505,535</u>	<u>\$ 4,197,649</u>	<u>\$ 3,231,657</u>	<u>\$ 618,623</u>	<u>\$ 11,767,019</u>	<u>(\$ 2,847,686)</u>	<u>\$ 26,410,276</u>
Total assets of segments	<u>\$ 37,763,518</u>	<u>\$ 31,866,498</u>	<u>\$ 33,606,085</u>	<u>\$ 47,344,276</u>	<u>\$ 83,552,161</u>	<u>\$ 11,927,741</u>	<u>\$ 415,809,784</u>	<u>(\$ 98,810,181)</u>	<u>\$ 563,059,882</u>

(4) Reconciliation for segment income (loss)

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

Formosa Chemicals and Fibre Corporation and subsidiaries

Loans to others

For the six-month period ended June 30, 2018

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 six-month period ended June 30, 2018 (Note 3)	Balance at June 30, 2018 (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	\$ 6,500,000	\$ -	1.41	1	2	Additional operating capital	\$ -	-	\$ -	\$ 95,686,381	\$ 191,372,763	-
0	The Company	Formosa Idemitsu Petrochemical Corp.	Other receivables-related parties	Yes	800,000	800,000	-	1.41	1	2	Additional operating capital	-	-	-	95,686,381	191,372,763	-
0	The Company	Nan Ya Plastics Corp.	Other receivables-related parties	Yes	8,000,000	6,000,000	-	1.41	1	2	Additional operating capital	-	-	-	95,686,381	191,372,763	-
0	The Company	Formosa Biomedical Technology Corp.	Other receivables-related parties	Yes	600,000	600,000	163,200	1.41	2	1	Additional operating capital	-	-	-	76,549,105	153,098,210	-
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	14,250,000	14,250,000	5,250,000	1.41	2	1	Additional operating capital	-	-	-	76,549,105	153,098,210	-
0	The Company	Formosa Plastics Marine Corp.	Other receivables-related parties	Yes	6,698,602	5,840,113	3,590,113	1.41	2	1	Additional operating capital	-	-	-	76,549,105	153,098,210	-
0	The Company	Formosa BP Chemicals Corp.	Other receivables-related parties	Yes	1,500,000	1,500,000	-	1.41	1	2	Additional operating capital	-	-	-	95,686,381	191,372,763	-
0	The Company	Formosa Carpet Corp.	Other receivables-related parties	Yes	100,000	100,000	8,000	1.41	2	1	Additional operating capital	-	-	-	76,549,105	153,098,210	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the six-month period ended	Balance at	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
					June 30, 2018 (Note 3)	June 30, 2018 (Note 8)							Item	Value			
0	The Company	Hong Jing Resources Corp.	Other receivables-related parties	Yes	\$ 1,600,000	\$ 1,600,000	\$ -	1.41	2	1	Additional operating capital	\$ -	-	\$ -	\$ 76,549,105	\$ 153,098,210	-
0	The Company	Formosa Group (Cayman) Limited	Other receivables-related parties	Yes	4,259,500	4,259,500	4,259,500	1.41	2	1	Additional operating capital	-	-	-	76,549,105	153,098,210	-
0	The Company	Tah Shin Spinning Corp.	Other receivables-related parties	Yes	100,000	100,000	-	1.41	2	1	Additional operating capital	-	-	-	76,549,105	153,098,210	-
0	The Company	Formosa Petrochemical Corp.	Other receivables-related parties	Yes	18,500,000	16,500,000	-	1.41	1	2	Additional operating capital	-	-	-	95,686,381	191,372,763	-
0	The Company	Formosa Ha Tinh (Cayman) Limited	Other receivables-related parties	Yes	3,002,600	-	-	1.41	2	1	Additional operating capital	-	-	-	76,549,105	153,098,210	-
1	Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Other receivables-related parties	Yes	15,000	15,000	15,000	1.41	2	1	Additional operating capital	-	-	-	799,655	1,999,138	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Heavy Industries Corp.	Receivables from related party	Yes	84,128	82,973	82,973	3.48	2	1	Additional operating capital	-	-	-	5,622,548	14,056,371	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Receivables from related party	Yes	2,301,557	184,384	184,384	3.48	2	1	Additional operating capital	-	-	-	5,622,548	14,056,371	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2018 (Note 3)	Balance at June 30, 2018 (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
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Receivables from related party	Yes	\$ 4,061,058	\$ 4,061,058	\$ 4,061,058	3.48	2	1	Additional operating capital	\$ -	-	\$ -	\$ 5,622,548	\$ 14,056,371	-

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 period ended June 30, 2018

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 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.

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

Formosa Chemicals and Fibre Corporation and subsidiaries
Provision of endorsements and guarantees to others
For the six-month period ended June 30, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at June 30, 2018	Actual amount drawn down	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 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	The Company	Formosa Industries Corp., Vietnam	1	\$ 14,648,536	\$ 5,005,309	\$ 5,005,309	\$ 5,005,309	\$ -	1.31	\$ 497,569,183	Y	N	N	-
0	The Company	Formosa Group (Cayman) Limited	6	248,784,592	21,133,750	19,062,500	19,062,500	-	4.98	497,569,183	N	N	N	-
0	The Company	Formosa Ha Tinh (Cayman) Limited	6	248,784,592	15,795,023	15,795,023	15,795,023	-	4.13	497,569,183	N	N	N	-
0	The Company	Formosa Resources Corporation	6	248,784,592	3,278,750	3,278,750	3,278,750	-	0.86	497,569,183	N	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhongshan) Co., Ltd.	2	46,487,040	1,410,525	1,005,180	243,680	-	1.41	92,974,081	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	2	46,487,040	1,567,250	1,523,000	405,551	-	2.13	92,974,081	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	3	46,487,040	2,037,425	1,675,300	413,525	-	2.34	92,974,081	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	2	46,487,040	4,629,920	4,629,920	3,003,847	-	6.47	92,974,081	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Ha Tinh (Cayman) Co., Ltd.	6	46,487,040	5,308,237	5,308,237	4,300,492	-	7.42	92,974,081	N	N	N	-
2	Formosa Development Co., Ltd.	Public More Intermation Company Co., Ltd.	2	182,401	3,000	3,000	3,000	-	1.07	364,803	N	N	N	-

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

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following 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 50% 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.

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: '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 and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
For the six-month period ended June 30, 2018

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 June 30, 2018				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	486,978,692	\$ 54,785,103	7.65	\$ 54,785,103	-
The Company	Stocks_Asia Pacific Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	63,621,500	3,712,315	14.97	3,712,315	-
The Company	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	413,327,750	36,042,180	5.21	36,042,180	-
The Company	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	334,815,409	27,856,642	10.94	27,856,642	-
The Company	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	15,498,339	292,919	3.16	292,919	-
The Company	Mega Private US Dollar Money Market Funds	-	Financial assets at fair value through profit or loss - current	12,477,992	3,936,250	-	3,936,250	-
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	721,229	17.98	721,229	-
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	11,618,843	2.92	11,618,843	-
The Company	Stocks_Taiwan Stock Exchange Corp.	-	Financial assets at fair value through other comprehensive income- non-current	13,872,225	1,062,751	2.00	1,062,751	-
The Company	Stocks_Taiwan Aerospace Corp.	-	Financial assets at fair value through other comprehensive income- non-current	1,070,151	25,213	0.79	25,213	-
The Company	Stocks_Yi-Jih Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	300,000	5,922	1.51	5,922	-
The Company	Stocks_Chinese Television System Corp.	-	Financial assets at fair value through other comprehensive income- non-current	2,376,202	41,203	1.41	41,203	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks_Formosa Plastics Maritime Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	355,880	\$ 286,199	18.22	\$ 286,199	-
The Company	Stocks_Formosa Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	15,246,336	275,846	18.00	275,846	-
The Company	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,925,000	80,964	12.50	80,964	-
The Company	Stocks_Formosa Plastics Marine Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,428,500	404,685	15.00	404,685	-
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	5,361,896	19.00	5,361,896	-
The Company	Stocks_Guangyuan Investment Corp.	-	Financial assets at fair value through other comprehensive income- non-current	5,000,000	36,300	3.91	36,300	-
The Company	Stocks_Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	2,500,000	19,450	1.25	19,450	-
FCFC International (Cayman) Limited	Stocks_Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets at fair value through other comprehensive income- non-current	621,178,219	19,177,460	11.43	19,177,460	-
Tah Shin Spinning Corp.	Stocks_Nan Ya Technology Corp.	-	Financial assets at fair value through other comprehensive income - current	6,367	530	-	530	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	910,919	17,216	0.19	17,216	-
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	19,875	15.14	19,875	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	395,120	10,937	1.69	10,937	-
Formosa Biomedical Technology Corp.	Stocks_Taiwan Leader Biotech Corp.	-	Financial assets at fair value through other comprehensive income- non-current	2,100,000	38,535	5.20	38,535	-
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	7,152	0.46	7,152	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Biomedical Technology Corp.	Stocks_United Biopharma, Inc.	-	Financial assets at fair value through other comprehensive income- non-current	22,179,750	\$ 896,727	12.63	\$ 896,727	-
Formosa Biomedical Technology Corp.	Stocks_UBI Pharma Inc.	-	Financial assets at fair value through other comprehensive income- non-current	26,597,922	333,272	18.81	333,272	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Chemicals & Fibre Corp.	Parent company	Financial assets at fair value through other comprehensive income - current	12,169,610	1,478,608	0.21	1,478,608	-
Formosa Taffeta Co., Ltd.	Stocks_Pacific Electric Wire & Cable Corp., Ltd.	-	Financial assets at fair value through other comprehensive income - current	32	-	-	-	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	640	72	-	72	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	482,194	42,047	0.01	42,047	-
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	583,500	2.35	583,500	-
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	641,556	0.25	641,556	-
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	44,745,278	3.83	44,745,278	-
Formosa Taffeta Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets at fair value through other comprehensive income- non-current	174,441	3,959	0.45	3,959	-
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	47,926	10.00	47,926	-
Formosa Taffeta Co., Ltd.	Stocks_Shin Yun Natural Gas Corp.	-	Financial assets at fair value through other comprehensive income- non-current	644,230	16,410	1.20	16,410	-
Formosa Taffeta Co., Ltd.	Stocks_Wk Technology Fund IV Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	1,348,731	8,781	3.17	8,781	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Optical Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	4,261,443	66,819	9.53	66,819	-

Securities held by	Marketable securities	Relationship with the	General	As of June 30, 2018				Footnote
	(Note 1)	securities issuer (Note 2)	ledger account	Number of shares	Book value	Ownership (%)	Fair value	
Formosa Taffeta Co., Ltd.	FG INC	Other related parties	Financial assets at fair value through other comprehensive income- non-current	600	\$ 201,036	3.00	\$ 201,036	-
Formosa Taffeta (Cayman) 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	6,452,728	3.85	6,452,728	-
Formosa Development Co., Ltd.	Stocks_Formosa Taffeta Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income- non-current	2,293,228	76,479	0.14	76,479	-
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Stocks_Association of R.O.C. in Xiamen	-	Financial assets at fair value through other comprehensive income- non-current	-	138	0.11	138	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	146,388	16,469	-	16,469	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	672,512	58,643	-	58,643	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Chemicals & Fibre Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income - current	15,249,000	1,852,754	0.26	1,852,754	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Petrochemical Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	1,110,000	135,974	0.01	135,974	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	7,376,215	613,701	0.24	613,701	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Optical Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,130,721	33,401	0.15	33,401	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets at fair value through other comprehensive income- non-current	59,945	1,320	4.77	1,320	-
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates_Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	25,512,583	376,545	-	376,545	-
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates_Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	20,396,748	254,831	-	254,831	-

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. and Formosa Advanced Technologies Co., Ltd.—are deemed as treasury stocks. Details are provided in Note 6 (14).

Note 4: Not a limited liability company and thus, not applicable.

Formosa Chemicals and Fibre Corporation and subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
For the six-month period ended June 30, 2018

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, 2018		Addition (Note 3)		Disposal (Note 3)				Balance as at June 30, 2018	
					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	Mega Private US Dollar Money Market Funds	Financial assets at fair value through profit or loss - current	-	-	14,977,992	\$ 4,573,903		- \$ -	2,500,000	\$ 772,908	\$ 748,595	\$ 24,313	12,477,992	\$ 3,936,250
FCFC International (Cayman) Limited	Formosa Ha Tinh (Cayman) Limited	Financial assets at fair value through other comprehensive income- non-current	FORMOSA HA TINH(CAYMAN) LIMITED	-	564,707,472	15,675,823	56,470,747	2,242,487	-	-	-	-	621,178,219	18,371,106
Formosa Taffeta Co., Ltd.	Nan Ya Technology Corp.	Financial assets at fair value through other comprehensive income- non-current	-	-	15,421,010	1,175,081	-	-	7,710,000	693,199	696,277	-	7,711,010	641,556
Formosa Taffeta (Cayman) Co., Ltd.	Formosa Ha Tinh (Cayman) Limited	Financial assets at fair value through other comprehensive income- non-current	-	-	190,009,706	5,490,371	19,000,970	566,417	-	-	-	-	209,010,676	6,452,728

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.

Note 5: The amount of gains or losses on disposal which are reclassified as retained earnings is (\$1,804,708) (including non-controlling interest).shall be replaced by 10% of equity

Formosa Chemicals and Fibre Corporation and subsidiaries
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
For the six-month period ended June 30, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:												Reason for acquisition of real estate and status of the real estate	Other commitments
Company Name	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price		
The Company	Building in Neihu T-CBD	May 3, 2018	\$ 3,674,500	The consideration of the first and second stages have been paid, and amounting to \$2,572,500.	TransGlobe Life Insurance Inc.	\$ 4,573,903	-	-	-	\$ -	- The amount appraised by Euro-Asia Asset Evaluation Corp. was \$18,044,586; the amount appraised by Dawaland Real Estate Appraisers Firm was \$18,010,228. (Note 1)	Office building	-
The Company	Building in Neihu T-CBD	May 3, 2018	1,000,500	The consideration of the first and second stages have been paid, and amounting to \$702,500.	Meifu Development Co., Ltd.	15,675,823	-	-	-	-	- The amount appraised by Euro-Asia Asset Evaluation Corp. was \$18,044,586; the amount appraised by Dawaland Real Estate Appraisers Firm was \$18,010,228. (Note 1)	Office building	-

Note 1: The price of the asset was jointly paid by the Company, Formosa Plastics Corp., Nan Ya Plastics Corp. and Formosa Petrochemical Corp., and the Company amortised 4,675,000 of the total price.

Formosa Chemicals and Fibre Corporation and subsidiaries
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the six-month period ended June 30, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Percentage of total notes/accounts receivable (payable)	Footnote (Note 1)
							Unit price	Credit term	Balance			
			Purchases (sales)	Amount								
The Company	Formosa Plastics Corp.	Other related parties	Sales	(\$ 1,180,902)	(1)	30 days	\$ -	-	\$ 233,783		1	-
The Company	Nan Ya Plastics Corp.	Other related parties	Sales	(16,930,092)	(13)	30 days	-	-	3,019,354		14	-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Sales	(860,519)	(1)	60 days	-	-	Notes receivable 355,836		46	-
The Company	Formosa Petrochemical Corp.	Associates	Sales	(14,072,008)	(11)	30 days	-	-	Accounts receivable 171,139		1	-
The Company	Formosa Chemicals Industries (Ningbo) Co.,	Subsidiary	Sales	(15,239,860)	(11)	90 days	-	-	2,470,006		11	-
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Sales	(2,021,704)	(2)	30 days	-	-	678,937		3	-
The Company	PFG Fiber Glass Corp.	Other related parties	Sales	(215,767)	-	30 days	-	-	47,119		-	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary	Sales	(6,999,432)	(5)	30 days	-	-	939,800		4	-
The Company	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	(161,961)	-	30 days	-	-	38,888		-	-
The Company	Formosa Taffeta (Dong Nai) Corp.	Subsidiary	Sales	(219,312)	-	60 days	-	-	92,912		-	-
The Company	Formosa Plastics Corp.	Other related parties	Purchases	3,840,919	4	30 days	-	-	(711,506)		(4)	-
The Company	Nan Ya Plastics Corp.	Other related parties	Purchases	4,431,214	4	30 days	-	-	(595,487)		(4)	-
The Company	Formosa Petrochemical Corp.	Associates	Purchases	73,444,336	69	30 days	-	-	(12,595,851)		(78)	-
Formosa BP Chemicals Corp.	The Company	Parent company	Sales	(793,971)	(24)	30 days	-	-	119,081		14	-
Formosa BP Chemicals Corp.	BP Chemicals (Malaysia) SDN Corp.	Associates	Sales	(484,365)	(15)	90 days	-	-	154,196		19	-

							Differences in transaction terms compared to third party transactions						
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)		
Formosa BP Chemicals Corp.	Nan Ya Plastics Corp.	Other related parties	Sales	(\$ 118,980)	(4)	30 days	\$ -	-	\$ 19,575	2	-		
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Sales	(262,401)	(8)	30 days	-	-	42,547	5	-		
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Purchases	976,143	53	45 days	-	-	(138,013)	(74)	-		
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates	Sales	(1,624,180)	(45)	30 days	-	-	378,249	49	-		
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties	Sales	(1,250,429)	(34)	30 days	-	-	246,999	32	-		
Formosa Power (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	(277,630)	(8)	30 days	-	-	51,006	7	-		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	(3,379,670)	(9)	90 days	-	-	698,028	4	-		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	1,408,417	4	90 days	-	-	(523,657)	(5)	-		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Petrochemical Corp.	Associates	Purchases	896,465	3	90 days	-	-	(322,426)	(3)	-		
Formosa Industries Corp.	The Company	Parent company	Sales	(109,065)	(1)	60 days	-	-	68,457	2	-		
Formosa Industries Corp.	Formosa Taffeta (Dong Nai) Corp.	Associates	Sales	(297,830)	(2)	60 days	-	-	71,951	2	-		
Formosa Industries Corp.	Formosa Taffeta (Long An) Corp.	Associates	Sales	(111,145)	(1)	60 days	-	-	67,021	2	-		
Formosa Industries Corp.	Formosa Plastics Corp.	Other related parties	Purchases	204,840	1	30 days	-	-	(43,428)	(2)	-		
Formosa Industries Corp.	Nan Ya Plastics Corp.	Other related parties	Purchases	2,661,337	19	30 days	-	-	(721,202)	(31)	-		

Table 6, Page 2

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)				
			Transaction										
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 Idemitsu Petrochemical Corp.	The Company	Parent company	Sales	(\$ 979,378)	(10)	30 days	\$ -	-	\$ 230,414		19	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Europe Co., Ltd.	Associates	Sales	(174,531)	(2)	30 days after closing date	-	-	19,240		2	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals Taiwan Corp.	Associates	Sales	(332,368)	(4)	30 days after closing date	-	-	81,907		7	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Associates	Sales	(522,930)	(6)	30 days after closing date	-	-	152,686		12	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates	Sales	(626,492)	(7)	30 days after closing date	-	-	148,485		12	-	
Formosa Taffeta Co., Ltd.	Quang Viet Enterprise Co., Ltd.	Associates	Sales	(280,995)	(2)	Pay by mail transfer 60 days after delivery	-	-	130,858		5	-	
Formosa Taffeta Co., Ltd.	Yugen Co., Ltd.	Other related parties	Sales	(170,035)	(1)	Pay 120 days after delivery	-	-	84,648		3	-	
Formosa Taffeta Co., Ltd.	Formosa Petrochemical Corp.	Other related parties	Purchases	5,252,449	46	Pay every 15 days by mail transfer	-	- (	464,047)		(32)	-
Formosa Taffeta Co., Ltd.	Nan Ya Plastics Corp.	Other related parties	Purchases	423,961	4	Pay every 15 days by mail transfer	-	- (	81,970)		(6)	-
Formosa Taffeta Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	173,557	2	Pay every 15 days by mail transfer	-	- (	22,383)		(2)	-
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties	Sales	(2,973,110)	(70)	60 days	-	-	1,069,564		66	-	
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates	Sales	(199,865)	(22)	60 days	-	-	174,378		48	-	

Table 6, Page 3

			Transaction		Differences in transaction terms compared to third party transactions		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 (Vietnam) Co., Ltd.	Formosa Industries Corp., Vietnam	Associates	Purchases	\$ 108,041	10	60 days	\$ -	-	(\$ 36,191)		(13)		-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Associates	Sales	(127,711)	(6)	60 days	-	-	42,612		4		-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta Co., Ltd.	Parent company	Sales	(136,646)	(7)	60 days	-	-	99,870		10		-
Formosa Taffeta (Dong Nai) Co., Ltd.	Kuang Yueh Co., Ltd.	Associates	Sales	(105,054)	(5)	60 days	-	-	88,139		8		-
Formosa Taffeta (Dong Nai) Co., Ltd.	Nan Ya Plastics Corp.	Other related parties	Purchases	102,291	5	60 days	-	-	(10,862)		(3)		-
Formosa Taffeta (Changshu) Co., Ltd.	Jiaxing Quang Viet Garment Co., Ltd.	Associates	Sales	(113,286)	(14)	Pay by mail transfer 60 days after delivery	-	-	38,543		11		-

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

Formosa Chemicals and Fibre Corporation and subsidiaries
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
For the six-month period ended June 30, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2018		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	\$	233,783	10.72	\$	-	\$	233,783	\$	-
The Company	Nan Ya Plastics Corp.	Other related parties		3,019,354	10.96		-		2,994,140		-
The Company	Formosa Petrochemical Corp.	Associates	Accounts receivable	2,470,006	10.85		-		2,470,006		-
			Other receivables	69,078		-	-	9,018		-	
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Notes receivable	355,836	3.23		-		330,764		-
			Accounts receivable	171,135		-	-	163,384		-	
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Accounts receivable	678,937	7.07		-		254,504		-
			Other receivables	86,022		-	-	55,153		-	
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary	Accounts receivable	6,835,671	4.28		-		2,560,663		-
			Other receivables	1,449,541		-	-	5,386		-	
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary		939,800	13.27		-		939,800		-
Formosa BP Chemicals Corp.	BP Chemicals (Malaysia) SDN Corp.	Associates		154,196	8.31		-		154,196		-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates		148,485	8.35		-		122,837		-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Associates		152,686	8.70		-		139,323		-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates		378,249	12.40		-		378,249		-
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties		246,999	10.28		-		246,999		-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties		698,028	16.65		-		698,028		-
Formosa Taffeta Co., Ltd.	Quang Viet Enterprise Co., Ltd.	Associates		130,858	6.20		-		55,767		-
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties		1,069,564	5.88		-		536,182		-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates		174,378	2.71		-		34,572		-

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 and subsidiaries
Significant inter-company transactions during the reporting period
For the six-month period ended June 30, 2018

Table 8

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	(\$ 15,239,860)	In regular terms	(8)
0	The Company	Formosa Idemitsu Petrochemical Corp.	1	Sales revenue	(6,999,432)	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 and subsidiaries
Information on investees (Excluding those in Mainland China)
For the six-month period ended June 30, 2018

Table 9 Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2018			Net profit (loss) of the investee for the six- month period ended June 30, 2018	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018	Footnote
				Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
The Company	Tah Shin Spinning Corp.	Taiwan	Spinning	\$ 85,188	\$ 85,188	18,467,619	86.40	\$ 39,440	(\$ 2,138)	(\$ 1,847)	-
The Company	Formosa Taffeta Co., Ltd.	Taiwan	Spinning	719,003	719,003	630,022,431	37.40	25,986,603	1,540,722	576,230	-
The Company	Formosa Heavy Industries Corp.	Taiwan	Machinery	2,497,721	2,497,721	651,706,181	32.91	8,228,567	300,278	99,720	-
The Company	Formosa Fairway Corporation	Taiwan	Transportation	33,320	33,320	4,697,951	33.33	108,982	(17,762)	(5,920)	-
The Company	Formosa Plastics Transport Corp.	Taiwan	Transportation	17,255	17,255	4,770,421	33.33	753,645	(20,941)	(6,979)	-
The Company	Formosa Petrochemical Corp.	Taiwan	Chemistry	25,842,468	25,842,468	2,300,799,801	24.15	81,677,557	43,527,264	10,522,102	-
The Company	Mai-Liao Power Corp.	Taiwan	Electricity generation	5,985,531	5,985,531	547,030,137	24.94	11,982,475	524,513	130,830	-
The Company	FCFC Investment Corp. (Cayman)	Cayman Islands	Investments	30,268,758	25,690,257	50,000	100.00	47,011,630	1,808,408	1,808,408	-
The Company	Hwa Ya Science Park Management Consulting Co, Ltd.	Taiwan	Management	340	340	33,000	33.00	1,429	143	47	-
The Company	Chia-Nan Enterprise Corporation	Taiwan	Electricity generation	225,034	225,034	12,448,800	30.00	256,676	32,955	9,886	-
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	2,450,879	2,441,294	1,219,244	-
The Company	Su Hua Transport Corp.	Taiwan	Transportation	50,000	50,000	10,494,785	25.00	282,052	19,523	4,881	-
The Company	Formosa Industries Corp., Vietnam	Vietnam	Textile, polyester staple fibre, cotton	8,435,801	8,435,801	-	42.50	7,964,240	742,824	315,700	-

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2018			Net profit (loss) of the investee for the six- month period ended June 30, 2018	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018		Footnote
				Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value				
The Company	Formosa BP Chemicals Corp.	Taiwan	Chemistry, international of petrochemistry	\$ 1,201,500	\$ 1,201,500	120,150,000	50.00	\$ 1,747,346	\$ 802,038	\$ 383,776	-	
The Company	Formosa Environmental Technology Co.	Taiwan	Disposal of wastes and sewage	417,145	417,145	41,714,475	24.34	227,242	3,316	807	-	
The Company	Formosa Biomedical Technology Corp.	Taiwan	Manufacturing and sale of cosmetics	1,566,879	1,566,879	147,556,136	88.59	1,768,274	149,850	132,752	-	
The Company	Formosa Carpet Corp.	Taiwan	Yarn spinning mills, finishing of textiles and carpet manufacturing	300,000	300,000	22,037,185	100.00	208,264 (	2,575) (	2,575)	-
The Company	Formosa Synthetic Rubber Corp.	Taiwan	Manufacturing of synthetic rubber	400,000	400,000	40,000,000	33.33	216,738 (	1,044) (	348)	-
The Company	Formosa Synthetic Rubber (Hong Kong) Co., Ltd.	Hong Kong	Manufacturing of synthetic rubber	2,151,560	2,151,560	70,000,000	33.33	646,694 (	467,661) (	155,871)	-
The Company	Formosa Resources Corporation	Taiwan	Mining industry and its trading, wholesale of chemical material and international trading	5,845,940	5,845,940	584,594,000	25.00	5,384,679 (	616,440) (	154,110)	-
The Company	Formosa Group Corp. (Cayman)	Cayman Islands	Investments	377	377	-	25.00	602,394	956,246	239,062	-	
The Company	Formosa Construction Corp.	Taiwan	Development and sale of rebuilt housing, buildings and plants under urban redevelopment	100,000	100,000	10,000,000	33.33	85,486 (	6,866) (	2,288)	-
The Company	FG INC.	United States	Investments	1,980,594	1,980,594	6,000	30.00	2,003,317 (	23,864) (	7,159)	-
The Company	FCFC International (Cayman) Limited	Cayman Islands	Investments	19,499,348	17,823,278	50,000	100.00	19,177,710	-	-	-	
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Hong Kong	Investments	27,253,059	21,637,470	-	100.00	33,476,269	1,342,769	1,342,769	-	

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2018			Net profit (loss) of the investee for the six- month period ended June 30, 2018	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018	Footnote
				Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Formosa Biomedical Technology Corp.	Beyoung International Corp.	Taiwan	International trading	\$ 90,000	\$ 90,000	467,400	30.00	\$ 94,063	\$ 5,555	\$ 1,667	-
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Taiwan	Recycle of spent catalyst	252,969	252,969	19,636,218	51.00	373,711	243,674	124,274	-
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (Samoa) Co., Ltd.	Samoa	Investments	29,610	29,610	-	100.00	14,820 (	2,052) (	2,052)	-
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	7,636 (	25) (	14)	-
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	215,856	20,494	20,494	-
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	3,773,440	3,773,440	290,464,472	65.68	8,126,915	725,407	476,447	-
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	1,156,158	53,994	53,994	-

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2018			Net profit (loss) of the investee for the six-month period ended June 30, 2018	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018	Footnote
				Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
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	\$ 1,908,312	\$ 78,717	\$ 78,717	-
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	17.92	1,147,168 (	135,237) (	15,954)	-
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Hong Kong	Trading of textiles	2,958	2,958	-	50.00	7,149	3,225	1,613	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100.00	2,259,692 (	22,142) (	22,142)	-
Formosa Taffeta Co., Ltd.	Formosa Industries Corp., Vietnam	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	1,975,484	742,824	80,634	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Cayman Islands	Investments	6,241,670	5,675,253	171,028,736	100.00	6,452,779	-	-	-
Formosa Development Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	24,878	725,407	773	-
Formosa Development Co., Ltd.	Public More International Co., Ltd.	Taiwan	Employment service, manpower allocation and agency service	5,000	5,000	-	100.00	7,019	1,859	1,859	-

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.

Formosa Chemicals and Fibre Corporation and subsidiaries

Information on investments in Mainland China

For the six-month period ended June 30, 2018

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to									Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee for the six-month period ended June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2018	
					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	\$ 465,639	100.00	\$ 465,639	\$ 14,056,371	\$ -	2
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Production and market of PTA	31,831,560	1	21,637,470	4,578,501	-	26,215,971	1,342,769	100.00	1,342,769	33,476,269	-	2
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Production and sale of synthetic rubber	6,743,008	4	2,151,560	-	-	2,151,560	(467,661)	33.00	(155,871)	646,694	-	2
Formosa Biomedical Trading (Shanghai) Co., Ltd.	Investments	29,610	1	29,610	-	-	29,610	(2,052)	100.00	(2,052)	3,299	-	2
Formosa Taffeta (Zhong Shan) Co., Ltd.	Production and sale of polyester and polyamide fabrics	1,402,085	1	1,402,085	-	-	1,402,085	12,503	100.00	12,503	1,662,885	-	3

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee for the six-month period ended June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018	Book value of investments in Mainland China as of June 30, 2018	Accumulated	Footnote
												amount of investment income remitted back to Taiwan as of June 30, 2018	
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	\$ -	\$ -	\$ 15,273	(\$ 457)	100.00	(\$ 457)	\$ 5,809	\$ -	4
Formosa Taffeta (Changshu) Co., Ltd.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	2	1,334,739	-	-	1,334,739	54,063	100.00	54,063	1,038,553	-	5
Changshu Yu Yuan Development Co., Ltd.	Building and selling real estate	70,788	2	-	-	-	-	1,121	40.78	457	17,617	-	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).

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 recognised in current period is based on the financial reports reviewed by CPAs of the Taiwan parent company .

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee for the six-month period ended June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2018	Footnote
				as of January 1, 2018	Remitted to Mainland China to Taiwan							

Note 3: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2018 and that as of June 30, 2018 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, 2018 and that as of June 30, 2018 all amount to US\$570,000.

Note 5: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2018 and that as of June 30, 2018 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 June 30, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 32,418,945	\$ 37,742,835	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 and subsidiaries
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
For the six-month period ended June 30, 2018

Table 11

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 June 30, 2018	%	Balance at June 30, 2018	Purpose	Maximum balance during the six-month period ended June 30, 2018	Balance at June 30, 2018	Interest rate	Interest during the six- month period ended June 30, 2018	Others	
Formosa Taffeta (Zhongshan) Co., Ltd.	\$ 24,517	0.18	\$ -	-	\$ 12,397	0.48	\$ 1,005,180	For short-term loans from financial institutions	\$ -	\$ -	-	\$ -	-	
Formosa Taffeta (Changshu) Co., Ltd.	25,423	0.18	-	-	13,014	0.50	1,675,300	For short-term loans from financial institutions		-	-	-	-	