

**FORMOSA CHEMICALS & FIBRE
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 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**

INDEX

Items	Pages
Index	
Report of Independent Accountants	1-7
Consolidated Balance Sheets	8-9
Consolidated Statements of Comprehensive Income	10-11
Consolidated Statements of Changes in Equity	12-13
Consolidated Statements of Cash Flows	14-15
Notes to Consolidated Financial Statements	16-113

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000356

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

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Chemicals & Fibre Corporation and its subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Assessment of loss allowance for accounts receivable

Description

Refer to Note 4(10) for accounting policy on accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, and Note 6(4) for details of loss allowance for accounts receivable. As of December 31, 2018, the Group's accounts receivable amounted to NT\$29,391,703 thousand, net of loss allowance in the amount of NT\$252,085 thousand.

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

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

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

Evaluation of inventories

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for detailed information on allowance for inventory valuation losses. As of December 31, 2018, the balances and allowance for inventory valuation losses were NT\$43,919,852 thousand and NT\$1,514,677 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of petrochemical plastic products, fibers weaving and cords. As the price of petrochemical plastic products is subject to the fluctuations in international crude oil price, and the textile market is competitive, there is a higher risk for inventory valuation loss. The Group recognises inventories at the lower of cost and net realisable value, and the net realisable value is calculated based on average price less selling expenses. Since the net realisable value used in inventory valuation involves subjective judgement and high uncertainty in estimation, and the allowance for inventory valuation losses is material to the financial statements, we considered the allowance for inventory valuation losses as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

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

Other matter – audits of the other independent accountants

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for under equity method) of NT\$153,033,742 thousand and NT\$148,098,437 thousand, both constituting 26% of consolidated total assets as of December 31, 2018 and 2017, respectively, operating income of NT\$37,429,243 thousand and NT\$29,987,682 thousand, constituting 9% and 8% of consolidated total operating income for the years then ended, respectively, and comprehensive income of NT\$12,222,715 thousand and NT\$21,612,354 thousand, constituting 31% and 28% of consolidated total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein insofar as it relates to the amounts included in the financial statements relative to the subsidiary and investee companies, is based solely on the audit reports of the other independent accountants.

Other matter – parent company only financial statements

We have audited the parent company only financial statements of Formosa Chemicals & Fibre Corporation as of and for the years ended December 31, 2018 and 2017, and have expressed an unqualified opinion on such financial statements.

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

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2019

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)

Assets		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 31,209,809	5	\$ 29,684,599	5
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		4,496,354	1	630,396	-
1120	Current financial assets at fair	6(3)				
	value through other					
	comprehensive income		104,751,478	18	-	-
1125	Available-for-sale financial assets	12(5)				
	- current		-	-	117,617,800	20
1140	Current contract assets	6(17)	788,643	-	-	-
1150	Notes receivable, net	6(4)	15,086,776	3	10,971,286	2
1160	Notes receivable - related parties	7	4,429	-	13,006	-
1170	Accounts receivable, net	6(4)	20,920,208	4	21,653,085	4
1180	Accounts receivable - related	7				
	parties		8,471,495	1	9,049,561	2
1200	Other receivables	7	8,185,916	1	7,366,582	1
1210	Other receivables - related parties	7	11,376,802	2	13,727,806	2
130X	Inventory	6(5)	42,405,175	7	38,837,031	7
1470	Other current assets	7	7,312,461	1	4,291,251	1
11XX	Total current assets		255,009,546	43	253,842,403	44
Non-current assets						
1517	Non-current financial assets at	6(3)				
	fair value through other					
	comprehensive income		82,170,244	14	-	-
1523	Available-for-sale financial assets	12(5)				
	- non-current		-	-	43,994,286	8
1543	Financial assets carried at cost -	12(5)				
	non-current		-	-	25,093,528	4
1550	Investments accounted for under	6(6) and 7				
	equity method		114,476,472	19	112,476,716	20
1600	Property, plant and equipment	6(7) and 7	129,098,640	22	125,345,618	22
1780	Intangible assets		586	-	1,042	-
1840	Deferred income tax assets	6(23)	2,312,859	-	1,883,829	-
1900	Other non-current assets		8,432,585	2	9,689,071	2
15XX	Total non-current assets		336,491,386	57	318,484,090	56
1XXX	Total assets		\$ 591,500,932	100	\$ 572,326,493	100

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FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2100 Short-term borrowings	6(8)	\$ 31,948,041	5	\$ 23,142,134	4
2110 Short-term notes and bills payable	6(8)	12,490,543	2	1,579,763	-
2120 Financial liabilities at fair value through profit or loss - current	6(9)	774	-	-	-
2150 Notes payable		255,580	-	199,518	-
2170 Accounts payable		5,916,930	1	7,500,163	1
2180 Accounts payable - related parties	7	15,898,101	3	17,949,939	3
2200 Other payables	7	12,264,130	2	10,693,867	2
2220 Other payables - related parties	7	-	-	118,800	-
2230 Current income tax liabilities		5,014,075	1	3,927,165	1
2320 Long-term liabilities, current portion	6(10)(11)	16,555,497	3	12,174,978	2
2399 Other current liabilities		5,891,945	1	5,139,667	1
21XX Total current liabilities		<u>106,235,616</u>	<u>18</u>	<u>82,425,994</u>	<u>14</u>
Non-current liabilities					
2530 Corporate bonds payable	6(10)	27,850,000	5	34,050,000	6
2540 Long-term borrowings	6(11)	16,751,958	3	29,795,576	5
2570 Deferred income tax liabilities	6(23)	351,022	-	259,691	-
2600 Other non-current liabilities	6(12)	6,989,837	1	7,294,156	2
25XX Total non-current liabilities		<u>51,942,817</u>	<u>9</u>	<u>71,399,423</u>	<u>13</u>
2XXX Total liabilities		<u>158,178,433</u>	<u>27</u>	<u>153,825,417</u>	<u>27</u>
Equity attributable to owners of parent					
Share capital	6(13)				
3110 Common stock		58,611,863	10	58,611,863	10
Capital surplus	6(14)				
3200 Capital surplus		9,084,142	1	8,682,798	1
Retained earnings	6(15)				
3310 Legal reserve		56,487,920	9	51,046,840	9
3320 Special reserve		53,131,385	9	46,567,089	8
3350 Unappropriated retained earnings		84,098,904	14	84,218,728	15
Other equity interest	6(16)				
3400 Other equity interest		108,933,674	19	109,169,026	19
3500 Treasury stocks	6(13)	(539,014)	-	(626,468)	-
31XX Equity attributable to owners of the parent		<u>369,808,874</u>	<u>62</u>	<u>357,669,876</u>	<u>62</u>
36XX Non-controlling interest		<u>63,513,625</u>	<u>11</u>	<u>60,831,200</u>	<u>11</u>
3XXX Total equity		<u>433,322,499</u>	<u>73</u>	<u>418,501,076</u>	<u>73</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant events after the balance sheet date	11				
3X2X Total liabilities and equity		<u>\$ 591,500,932</u>	<u>100</u>	<u>\$ 572,326,493</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)

			For the years ended December 31			
			2018		2017	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7	\$	407,859,765	100	\$ 358,421,471	100
5000 Operating costs	6(5)(12)(21)(22) and 7	(	354,287,425)	(87)	(305,225,269)	(85)
5900 Net operating margin			53,572,340	13	53,196,202	15
Operating expenses	6(12)(21)(22) and 7					
6100 Selling expenses		(	9,192,245)	(2)	(8,665,339)	(2)
6200 General and administrative expenses		(	6,030,031)	(1)	(5,616,799)	(2)
6000 Total operating expenses		(	15,222,276)	(3)	(14,282,138)	(4)
6900 Operating profit			38,350,064	10	38,914,064	11
Non-operating income and expenses						
7010 Other income	6(18) and 7		11,705,836	3	9,591,374	3
7020 Other gains and losses	6(19)		922,620	-	1,402,771	1
7050 Finance costs	6(7)(20) and 7	(	2,299,699)	(1)	(2,322,704)	(1)
7060 Share of profit of associates and joint ventures accounted for under equity method	6(6)		15,037,424	4	19,121,378	5
7000 Total non-operating income and expenses			25,366,181	6	27,792,819	8
7900 Profit before income tax			63,716,245	16	66,706,883	19
7950 Income tax expense	6(23)	(8,275,227)	(2)	(6,670,937)	(2)
8200 Profit for the year		\$	55,441,018	14	\$ 60,035,946	17

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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)

Items	Notes	For the years ended December 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (net)	6(16)(23)				
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Actuarial losses on defined benefit plans		(\$ 165,987)	-	(\$ 658,371)	(1)
8316 Unrealised gain on financial assets measured at fair value through other comprehensive income		(10,354,331)	(2)	-	-
8320 Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(6,405,415)	(2)	(248,319)	-
8310 Other comprehensive loss that will not be reclassified to profit or loss		(16,925,733)	(4)	(906,690)	(1)
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(45,862)	-	(3,985,822)	(1)
8362 Unrealised gain on valuation of available-for-sale financial assets		-	-	18,771,483	5
8370 Share of other comprehensive income of associates and joint ventures accounted for under equity method		489,240	-	2,048,005	1
8399 Income tax relating to the components of other comprehensive income		116,104	-	385,061	-
8360 Other comprehensive income that will be reclassified to profit or loss		559,482	-	17,218,727	5
8300 Total other comprehensive (loss) income for the year		(\$ 16,366,251)	(4)	\$ 16,312,037	4
8500 Total comprehensive income for the year		\$ 39,074,767	10	\$ 76,347,983	21
Net income attributable to:					
8610 Owners of the parent		\$ 48,769,317	12	\$ 54,410,802	15
8620 Non-controlling interest		6,671,701	2	5,625,144	2
		<u>\$ 55,441,018</u>	<u>14</u>	<u>\$ 60,035,946</u>	<u>17</u>
Total comprehensive income attributable to:					
8710 Owners of the parent		\$ 33,258,356	9	\$ 70,707,693	19
8720 Non-controlling interest		5,816,411	1	5,640,290	2
		<u>\$ 39,074,767</u>	<u>10</u>	<u>\$ 76,347,983</u>	<u>21</u>
Basic earnings per share	6(24)	Before Tax	After Tax	Before Tax	After Tax
9710 Profit for the year		\$ 10.92	\$ 9.50	\$ 11.43	\$ 10.29
9720 Non-controlling interests		(1.60)	(1.14)	(1.34)	(0.96)
9750 Profit attributable to common shareholders of the parent		<u>\$ 9.32</u>	<u>\$ 8.36</u>	<u>\$ 10.09</u>	<u>\$ 9.33</u>
Assuming shares held by subsidiary are not deemed as treasury stock:					
Profit for the year		\$ 10.87	\$ 9.46	\$ 11.38	\$ 10.24
Non-controlling interests		(1.60)	(1.14)	(1.34)	(0.96)
Profit attributable to common shareholders of the parent		<u>\$ 9.27</u>	<u>\$ 8.32</u>	<u>\$ 10.04</u>	<u>\$ 9.28</u>

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)

Equity attributable to owners of the parent													
Retained Earnings						Other Equity Interest							
		Total capital surplus, additional paid-in capital				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	Treasury stocks	Total	Non-controlling interest	Total equity
Notes	Share capital - Common stock		Legal reserve	Special reserve	Unappropriated retained earnings								
For the year ended December 31, 2017													
Balance at January 1, 2017	\$ 58,611,863	\$ 8,622,642	\$ 46,663,535	\$ 41,927,550	\$ 72,560,103	\$ 988,624	\$ -	\$ 90,933,647	\$ 43,174	(\$ 360,572)	\$ 319,990,566	\$ 59,649,846	\$ 379,640,412
Profit for the year	-	-	-	-	54,410,802	-	-	-	-	-	54,410,802	5,625,144	60,035,946
Other comprehensive income (loss) for the year 6(16)	-	-	-	-	(906,690)	(3,040,875)	-	20,279,553	(35,097)	-	16,296,891	15,146	16,312,037
Total comprehensive income	-	-	-	-	53,504,112	(3,040,875)	-	20,279,553	(35,097)	-	70,707,693	5,640,290	76,347,983
Appropriations of 2016 earnings 6(15)													
Legal reserve	-	-	4,383,305	-	(4,383,305)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	4,639,539	(4,639,539)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(32,822,643)	-	-	-	-	-	(32,822,643)	-	(32,822,643)
Stocks of the parent company purchased by the subsidiary and recognised as treasury stock	-	-	-	-	-	-	-	-	-	(265,896)	(265,896)	-	(265,896)
Stocks of the parent company disposed by the subsidiary and recognised as treasury stock transaction 6(14)	-	8	-	-	-	-	-	-	-	-	8	-	8
Dividends paid to subsidiaries to adjust capital surplus 6(14)	-	43,842	-	-	-	-	-	-	-	-	43,842	-	43,842
Changes in the net interest of associates recognised under the equity method 6(14)	-	1,350	-	-	-	-	-	-	-	-	1,350	-	1,350
Expired cash dividends reclassified to capital surplus 6(14)	-	12,002	-	-	-	-	-	-	-	-	12,002	-	12,002
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	-	2,954	-	-	-	-	-	-	-	-	2,954	5,922	8,876
Cash dividends paid by consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(4,464,858)	(4,464,858)
Balance at December 31, 2017	\$ 58,611,863	\$ 8,682,798	\$ 51,046,840	\$ 46,567,089	\$ 84,218,728	(\$ 2,052,251)	\$ -	\$ 111,213,200	\$ 8,077	(\$ 626,468)	\$ 357,669,876	\$ 60,831,200	\$ 418,501,076

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FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent														

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)

		For the years ended December 31,	
	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 63,716,245	\$ 66,706,883
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(21)	14,431,281	14,472,479
Amortisation	6(21)	4,404,062	3,353,928
Net gain on financial assets and liabilities at fair value through profit or loss	6(19)	(217,379)	(4,156)
Interest expense	6(20)	2,299,699	2,322,704
Interest income	6(18)	(678,987)	(544,054)
Dividend income	6(18)	(9,633,949)	(7,464,957)
Share of profit or loss of associates accounted for under the equity method		(15,037,424)	(19,121,378)
Impairment loss (Gain on reversal of impairment loss) on property, plant and equipment	6(7)(19)	313,855	(3,090)
Gain on disposal and scrap of property, plant and equipment	6(19)	(843,722)	(840,582)
Gain on disposal of investments	6(19)	-	(2,177,153)
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets - current		(297,011)	-
Notes receivable		(4,115,490)	(3,933,535)
Notes receivable - related parties		8,577	(1,363)
Accounts receivable		732,877	(3,624,110)
Accounts receivable - related parties		578,066	(1,693,126)
Other receivables		(808,302)	(2,245,762)
Inventories		(3,960,364)	3,316,295
Other current assets		(3,021,210)	1,117,815
Other non-current assets		(40,236)	(157,561)
Changes in operating liabilities			
Notes payable		56,062	2,648
Accounts payable		(1,583,233)	(1,025,821)
Accounts payable - related parties		(2,051,838)	4,564,429
Other payables		559,066	2,590,521
Other current liabilities		752,278	2,255,339
Accrued pension liabilities		(365,335)	(303,144)
Cash inflow generated from operations		45,197,588	57,563,249
Interest received		662,438	574,670
Dividends received		24,442,383	21,910,714
Interest paid		(2,331,390)	(2,390,222)
Income tax paid		(7,379,703)	(6,418,252)
Net cash flows from operating activities		60,591,316	71,240,159

(Continued)

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other receivables-related parties		\$ 2,351,004	\$ 6,113,254
Acquisition of available-for-sale financial assets		(2,442,128)	-
Proceeds from disposal of financial assets at fair value through profit or loss		926,098	-
Shares returned from reduction in financial assets at fair value through other comprehensive income		5,780	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		771,198	-
Acquisition of available-for-sale financial assets		-	(4,134,669)
Proceeds from disposal of available-for-sale financial assets		-	6,326,172
Acquisition of financial assets measured at cost		-	(2,327,575)
Cash refund from capital reduction in financial assets measured at cost		-	23,549
Proceeds from disposal of financial assets measured at cost		-	69,754
Acquisition of investments accounted for under the equity method		(2,011,490)	(3,862,100)
Acquisition of property, plant and equipment	6(25)	(18,444,308)	(11,881,773)
Proceeds from disposal of property, plant and equipment		1,406,983	1,011,698
Acquisition of intangible assets		(130)	(432)
Increase in non-current assets		(3,188,941)	(6,802,015)
Net cash flows used in investing activities		(20,625,934)	(15,464,137)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings		8,805,907	(3,004,616)
Increase in short-term notes and bills payable		10,910,780	80,299
(Decrease) increase in other payables-related parties		(118,800)	61,322
Increase in long-term borrowings		2,861,228	12,554,576
Payment of long-term borrowings		(12,207,924)	(21,387,832)
Payment of bonds payable		(5,700,000)	(6,750,000)
Increase (decrease) in other non-current liabilities		8,749	(1,068)
Increase in guarantee deposits		52,267	30,860
Payment of cash dividends	6(25)	(41,009,931)	(32,814,574)
Payment of cash dividends - non-controlling interest		(4,729,511)	(4,464,858)
Changes in ownership interests in subsidiaries		734,114	-
Changes in non-controlling interest		2,183,363	-
Cash dividends paid from capital surplus		(532)	-
Net cash flows used in financing activities		(38,210,290)	(55,695,891)
Effect of foreign exchange translations		(229,882)	(787,443)
Net increase (decrease) in cash and cash equivalents		1,525,210	(707,312)
Cash and cash equivalents at beginning of year		29,684,599	30,391,911
Cash and cash equivalents at end of year		\$ 31,209,809	\$ 29,684,599

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 YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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 March 15, 2019.

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) 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 customer' 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.

(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 as endorsed by FSC effective from 2019 are as follows:

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

Except for the following, the above standards and interpretations have no significant impact to the 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. The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' (including reclassification of long-term prepaid rents) and lease liability will be increased by \$1,627,373 and \$839,352, respectively.

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

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", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, 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 measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with 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 were not restated. The financial statements for the year ended December 31, 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
			December 31, 2018	December 31, 2017	
The Company	Formosa Carpet Corp.	Spinning, dyeing, printing, finishing and manufacturing synthetic fibre, rug and carpet	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC Investment Corp. (Cayman)	Investing	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC International Limited (Cayman)	Investing	100.00	100.00	The Company holds more than 50% of voting rights.
FCFC Investment Corp. (Cayman)	Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	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	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)	Sale of Acrylonitrile Butadiene Styrene (ABS)	-	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)	Manufacturing Acetone and Synthetic Phenolic	-	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)	Producing and marketing of Polystyrene	-	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 Chemicals Industries (Ningbo) Co., Ltd. (Note)	Producing and marketing of PTA	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	The Company holds more than 50% of voting rights.

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Removal and disposal of waste	61.00	51.00	The Company holds more than 50% of voting rights through a 88.59% of voting rights owned company - Formosa Biochemical Technology Corp.
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (SAMOA) Co., Ltd.	Investment	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights.
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.
Formosa Biomedical Technology (SAMOA) Co., Ltd.	Formosa Biomedical Trading (Shanghai) Co., Ltd.	Importing, exporting and wholesale of healthy food	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.
The Company	Ta Shin Spining Corp.	Spinning	86.40	86.40	The Company holds more than 50% of voting rights.
The Company	Formosa Idemitsu Petrochemical Corp.	Wholesale and retail of petrochemical and plastic raw materials	50.00	50.00	The Company has substantial control and thus regards Formosa Idemitsu Petrochemical Corp. as a subsidiary.
The Company	Formosa BP Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	50.00	The Company has substantial control and thus regards Formosa BP Chemicals Corp. as a subsidiary.
The Company	Formosa Industries Corp., Vietnam	Production and marketing of textile, polyester staple fibre, cotton, hydropower	42.50	42.50	The Company has substantial control and thus regards Formosa Industries Corp. as a subsidiary.

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
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	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	46.68	65.68	Formosa Taffeta Co., Ltd. has substantial control and thus regards Formosa Advanced Technologies Co., Ltd. as a subsidiary.
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	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Production and marketing of textile, polyester staple fibre, cotton, hydropower	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of Nylon and Polyamine fabric	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric of 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	50.00	50.00	Formosa Taffeta Co., Ltd. has substantial control and thus regards Schoeller F.T.C. (Hong Kong) Co., Ltd. as a subsidiary.

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
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	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Investment	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
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	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Taffeta (Hong Kong) Co., Ltd.
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Employment services and temporary worker services	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: 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) Co., Ltd. As of January 2, 2018, Formosa Chemicals Industries (Ningbo) Co., Ltd. was the surviving entity. The proposal had been resolved by Board of Directors on November 4, 2016.

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

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

E. Significant restrictions: None

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

As of December 31, 2018 and 2017, the non-controlling interest amounted to \$63,513,625 and

\$60,831,200, respectively. The information on non-controlling interest and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2018		December 31, 2017		
		Amount	Ownership (%)	Amount	Ownership (%)	
Formosa Taffeta Co., Ltd.	Taiwan	\$ 42,991,749	62.60	\$ 43,310,992	62.60	-

Summarised financial information of the subsidiary:

Balance sheets

	Formosa Taffeta Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	\$ 23,771,559	\$ 23,982,143
Non-current assets	69,254,934	70,720,892
Current liabilities	(9,191,230)	(9,413,895)
Non-current liabilities	(8,866,573)	(12,106,570)
Total net assets	<u>\$ 74,968,690</u>	<u>\$ 73,182,570</u>

Statements of comprehensive income

	Formosa Taffeta Co., Ltd.	
	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	\$ 44,545,053	\$ 40,705,664
Profit before income tax	6,280,361	5,276,484
Income tax expense	(959,661)	(516,468)
Profit for the year	5,320,700	4,760,016
Other comprehensive (loss) income, net of tax	(3,151,652)	971,444
Total comprehensive income for the year	<u>\$ 2,169,048</u>	<u>\$ 5,731,460</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 438,852</u>	<u>\$ 582,649</u>

Statements of cash flows

	Formosa Taffeta Co., Ltd.	
	Year ended December 31, 2018	Year ended December 31, 2017
Net cash provided by (used in) operating activities	\$ 5,567,339	\$ 6,335,824
Net cash provided by (used in) investing activities	(3,051,784)	(3,917,476)
Net cash provided by (used in) financing activities	(4,041,122)	(3,094,693)
Effect of exchange rates on cash and cash equivalents	(25,456)	(34,590)
Decrease in cash and cash equivalents	(1,551,023)	(710,935)
Cash and cash equivalents, beginning of year	4,942,919	5,653,854
Cash and cash equivalents, end of year	<u>\$ 3,391,896</u>	<u>\$ 4,942,919</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

- 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.
- 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.
- 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 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- B. 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
Machinery and equipment	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 recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been 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 under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the 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.

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 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.

(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 accounts receivable

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

B. Evaluation of inventories

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

As of December 31, 2018, the carrying amount of inventories was \$42,405,175.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and petty cash	\$ 156,976	\$ 132,789
Checking accounts and demand deposits	6,914,206	5,714,328
Cash equivalents		
Time deposits	19,819,195	15,122,751
Bonds repurchased and commercial paper	4,319,432	8,714,731
	<u>\$ 31,209,809</u>	<u>\$ 29,684,599</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 year ended December 31, 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	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificate	\$ 466,353
Fund	4,085,299
	4,551,652
Valuation adjustments	(55,298)
	<u>\$ 4,496,354</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 year ended December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 2,681
Fund	215,870
Derivatives	(398)
	<u>\$ 218,153</u>

B. The Group did not pledge financial assets at fair value through profit or loss to others as collateral.

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

D. The information on December 31, 2017 is provided in Note 12(5).

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

	December 31, 2018
Current items:	
Equity instruments	
Listed stocks	\$ 25,828,364
Unlisted stocks	825,839
Valuation adjustment	78,097,275
	<u>\$ 104,751,478</u>
Non-current items:	
Equity instruments	
Listed stocks	\$ 8,739,607
Unlisted stocks	28,284,257
Valuation adjustment	45,146,380
	<u>\$ 82,170,244</u>

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

For the year ended
December 31, 2018

Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	(\$ 13,693,635)
Cumulative losses reclassified to retained earnings due to derecognition (including losses included in non-controlling interest)	(\$ 1,804,559)

- B. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$186,921,722.
- 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 is provided in Note 12(5).

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	\$ 15,086,776	\$ 10,971,286
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 15,086,776</u>	<u>\$ 10,971,286</u>
Notes receivable - related parties	<u>\$ 4,429</u>	<u>\$ 13,006</u>
Accounts receivable	\$ 21,172,293	\$ 21,910,658
Less: Allowance for uncollectible accounts	(252,085)	(257,573)
	<u>\$ 20,920,208</u>	<u>\$ 21,653,085</u>
Accounts receivable - related parties	<u>\$ 8,471,495</u>	<u>\$ 9,049,561</u>

- A. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$15,091,205 and \$10,984,292, \$29,391,703 and \$30,702,646, respectively.
- B. Information relating to credit risk is provided in Note 12(3).

(5) Inventories

December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 14,396,836	(\$ 192,566)	\$ 14,204,270
Materials	6,545,784	(521,058)	6,024,726
Work in progress	6,899,028	(16,258)	6,882,770
Finished goods	15,836,707	(784,724)	15,051,983
Other inventory	241,497	(71)	241,426
	<u>\$ 43,919,852</u>	<u>(\$ 1,514,677)</u>	<u>\$ 42,405,175</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>

A. Expense and loss incurred on inventories for the years ended December 31, 2018 and 2017 were as follows:

For the years ended December 31,		
	2018	2017
Cost of inventories sold	\$ 353,457,454	\$ 303,434,842
Loss (gain) on inventory valuation (Note)	261,996 (	86,032)
Idle capacity	707,976	1,554,522
Others	(140,001)	321,937
	<u>\$ 354,287,425</u>	<u>\$ 305,225,269</u>

Note: As the market value of petroleum related products decreased for the year ended December 31, 2018, the Group recognised related allowance for inventory valuation loss after assessment. For the year ended December 31, 2018, disposal of excess inventory resulted in gains from price recovery of inventory.

B. As of December 31, 2018, inventories pledged are described in Note 8.

(6) Investments accounted for using equity method

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Formosa Heavy Industries Corp.	\$ 7,794,074	\$ 7,694,277
Formosa Fairway Corp.	98,624	100,952
Formosa Plastics Transport Corp.	1,057,580	738,229
Formosa Petrochemical Corp.	81,480,476	82,001,789
Mai Liao Power Corp.	11,162,579	10,845,857
Hwa Ya Science Park Management Consulting Co., Ltd.	1,503	1,382
Chia-Nan Enterprise Corp.	265,338	260,483
Su Hua Transport Corp.	-	277,136
Formosa Environmental Technology Corp.	225,861	226,435
Formosa Synthetic Rubber Corp.	253,916	283,679
Formosa Synthetic Rubber Corp. (Hong Kong)	2,541,840	802,566
Formosa Resource Corp.	5,370,047	5,361,771
Formosa Group (Cayman) Corp.	631,060	348,135
Formosa Construction Corp.	82,300	87,774
FG INC.	2,208,034	2,165,787
Beyoung International Corp.	95,576	95,491
Kuang Yueh Co., Ltd.	1,191,261	1,149,965
Changshu Yu Yuan Co., Ltd.	16,403	35,008
	<u>\$ 114,476,472</u>	<u>\$ 112,476,716</u>

A. Associates

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

<u>Shareholding ratio</u>					
<u>Company name</u>	<u>Principal place of business</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Nature of relationship</u>	<u>Method of measurement</u>
Formosa Petrochemical Corp.	Taiwan	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.	
	December 31, 2018	December 31, 2017
Current assets	\$ 232,518,997	\$ 264,858,391
Non-current assets	168,219,257	161,521,779
Current liabilities	(50,039,507)	(64,714,687)
Non-current liabilities	(12,960,539)	(20,378,883)
Total net assets	<u>\$ 337,738,208</u>	<u>\$ 341,286,600</u>
Share in associate's net assets	\$ 81,563,777	\$ 82,420,714
Unrealised profit from sale of upstream transactions eliminations	27,418	(308,206)
Net differences in share capital	(110,719)	(110,719)
Carrying amount of the associate	<u>\$ 81,480,476</u>	<u>\$ 82,001,789</u>

Statements of comprehensive income

	Formosa Petrochemical Corp.	
	For the year ended December 31, 2018	For the year ended December 31, 2017
Revenue	\$ 765,493,218	\$ 622,236,734
Profit for the year from continuing operations	\$ 60,090,225	\$ 80,170,146
Other comprehensive (loss) income, net of tax	(10,066,058)	9,204,227
Total comprehensive income	<u>\$ 50,024,167</u>	<u>\$ 89,374,373</u>
Dividends received from associates	<u>\$ 14,495,039</u>	<u>\$ 13,804,799</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 December 31, 2018 and 2017, the carrying amount of the Group's individually immaterial associates amounted to \$32,995,996 and \$30,474,927, respectively.

	For the year ended December 31, 2018	For the year ended December 31, 2017
Profit for the year from continuing operations	\$ 1,785,163	\$ 78,251
Other comprehensive loss, net of tax	(2,647,098)	(1,034,719)
Total comprehensive loss	<u>(\$ 861,935)</u>	<u>(\$ 956,468)</u>

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

	December 31, 2018	December 31, 2017
Formosa Petrochemical Corp.	<u>\$ 250,787,178</u>	<u>\$ 265,742,377</u>

- B. The investments accounted for using equity method were based on the investees' audited financial statements for the years ended December 31, 2018 and 2017.
- C. On May 4, 2018, the Board of Directors resolved to increase its capital in Formosa Synthetic

Rubber Corp. (Hong Kong) amounting to US\$65 million, equivalent to a 31.82% equity interest.

D. The Board of Directors resolved to invest USD72,600 thousand, equivalent to 33% of ownership, in FG INC. on November 2, 2017.

E. The Group's associate, Formosa Plastic Transport Corp., merged with Su Hua Transport Corp. on July 1, 2018, and Formosa Plastic Transport Corp. was the surviving company after the merger.

F. As of December 31, 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	3,613,705	1,030,848	332,403	161,642	14,332,403	19,471,001
Disposals	(342,679)	(283)	(187,840)	(7,444)	(25,015)	(563,261)
Reclassifications	-	1,488,140	10,848,784	186,088	(12,453,806)	69,206
Depreciation charge	(294)	(1,485,971)	(12,494,837)	(450,179)	-	(14,431,281)
Impairment loss	-	(37,937)	(275,918)	-	-	(313,855)
Net exchange difference	(31)	(73,261)	(336,074)	(2,533)	(66,889)	(478,788)
Closing net book amount	<u>\$ 11,836,855</u>	<u>\$ 23,292,338</u>	<u>\$ 77,835,894</u>	<u>\$ 2,049,450</u>	<u>\$ 14,084,103</u>	<u>\$ 129,098,640</u>
<u>At December 31, 2018</u>						
Cost	\$ 12,007,208	\$ 48,397,930	\$ 299,599,240	\$ 14,826,895	\$ 14,084,103	\$ 388,915,376
Accumulated depreciation and impairment	(170,353)	(25,105,592)	(221,763,346)	(12,777,445)	-	(259,816,736)
	<u>\$ 11,836,855</u>	<u>\$ 23,292,338</u>	<u>\$ 77,835,894</u>	<u>\$ 2,049,450</u>	<u>\$ 14,084,103</u>	<u>\$ 129,098,640</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	-	11,884	203,377	207,007	11,247,250	11,669,518
Disposals	(43,196)	(28,735)	(94,182)	(5,003)	-	(171,116)
Reclassifications	108	2,203,995	10,182,040	202,435	(12,526,624)	61,954
Depreciation charge	(290)	(1,471,045)	(12,505,276)	(495,868)	-	(14,472,479)
Reversal of impairment loss	-	-	-	3,090	-	3,090
Net exchange difference	(44)	(550,609)	(1,546,359)	(30,430)	(531,367)	(2,658,809)
Closing net book amount	<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>At December 31, 2017</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>

- 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:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Amount capitalised	<u>\$ 84,574</u>	<u>\$ 84,752</u>
Interest rate	<u>0.98%~4.45%</u>	<u>0.98%~3.03%</u>

- B. On May 4, 2018, the Board of Directors, considering future growth of the business, resolved to purchase office buildings and other property in the Taipei CBD complex, located on Nanjing East Road of the Neihu District in Taipei, from non-related parties, Trans Globe Life Insurance Inc. and Meifu Development Co. Ltd. The total transaction amount is \$4,675 million.
- C. Under the 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, who has pledged the full amount to the Company. As of December 31, 2018 and 2017, the pledged amount totaled \$822,993.

- D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- E. The Group recognised impairment loss (gain from reversal) for the years ended December 31, 2018 and 2017. Details of such loss are as follows:

	For the years ended December 31,			
	2018		2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss —				
Buildings	\$ 37,937	\$ -	\$ -	\$ -
Impairment loss —				
Machinery and equipment	275,918	-	-	-
Reversal of impairment loss —				
Transportation equipment	-	-	(3,090)	-
	<u>\$ 313,855</u>	<u>\$ -</u>	<u>(\$ 3,090)</u>	<u>\$ -</u>

- F. The impairment loss (gain from reversal) reported by operating segments is as follows:

	For the years ended December 31,			
	2018		2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Engineering and Utility				
Division	\$ 313,855	\$ -	\$ -	\$ -
Other divisions	-	-	(3,090)	-
	<u>\$ 313,855</u>	<u>\$ -</u>	<u>(\$ 3,090)</u>	<u>\$ -</u>

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

Type of loans	December 31, 2018	Interest rate range	Collateral
Secured loans	\$ 3,638,538	1.40%~3.88%	Note 8
Unsecured loans	28,309,503	0.90%~4.35%	None
Total short-term loans	<u>\$ 31,948,041</u>		
Short-term notes and bills payable	\$ 12,500,000	0.50%~0.88%	None
Short-term notes and bills payable discount	(9,457)		
Net short-term notes and bills payable	<u>\$ 12,490,543</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>		

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

Items	December 31, 2018
Current items:	
Derivatives	<u>\$ 774</u>
A. Amounts recognised in loss in relation to financial liabilities at fair value through profit or loss are listed below:	
	For the year ended
	December 31, 2018
Derivatives	<u>(\$ 774)</u>

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

	December 31, 2018	
Derivative Financial Liabilities	Contract Amount (Notional Principal) (in thousand dollars)	Contract Period
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	JPY 50,000	2018.12-2019.02
Taipei Fubon Bank	JPY 56,800	2018.12-2019.02
Chang Hwa Bank	JPY 50,000	2018.12-2019.01
Chang Hwa Bank	JPY 50,210	2018.12-2019.01

(10) Bonds payable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Bonds payable		
Domestic unsecured nonconvertible corporate bonds	\$ 34,050,000	\$ 39,750,000
Less: Current portion	(6,200,000)	(5,700,000)
	<u>\$ 27,850,000</u>	<u>\$ 34,050,000</u>

The terms of nonconvertible corporate bonds were as follows:

<u>Description</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>Yield rate (%)</u>	<u>Issued principal amount</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Note</u>
<u>2012</u>							
First issued domestic unsecured nonconvertible corporate bonds - B	2012.7.26	2018.7.26~2019.7.26	1.40	\$ 3,000,000	\$ 1,500,000	\$ 3,000,000	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	1,950,000	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	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	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2021.12.7~2022.12.7	1.50	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	December 31, 2018	December 31, 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	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	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8~2023.7.8	1.52	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.1.17	2025.1.17~2026.1.17	2.03	10,000,000	10,000,000	10,000,000	Serial bonds, to be settled 50%, 50%
<u>2014</u>							
First issued domestic unsecured nonconvertible corporate bonds-A	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	1,400,000	1,400,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds-B		2028.7.4 ~					Serial bonds, to be settled
	2014.7.4	2029.7.4	2.03	4,600,000	4,600,000	4,600,000	50%, 50%
					34,050,000	39,750,000	
Less: Current portion of bonds payable					(6,200,000)	(5,700,000)	
					<u>\$ 27,850,000</u>	<u>\$ 34,050,000</u>	

(11) Long-term bank loans and notes payable

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
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
Sumitomo Mitsui Banking Corporation	Dec. 6, 2018 ~ Dec. 6, 2020, principal payable semi- annually; interest payable monthly	0.80%	"	800,000
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)	"	2,047,950
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 ten million payable semi- annually after Apr. 16, 2017 with a two- year extension	LIBOR+1.55%	"	1,847,774
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	"	1,662,997

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 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	\$ 465,706
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%	"	1,382,340
Mega International Commercial Bank	Jan. 5, 2018~ Jan. 5, 2023, interest payable quarterly, principal payable in 5 installment semiannually from Jan. 2021	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	461,228
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%	"	376,147
Hua Nan Bank	Feb. 3, 2017 ~ Feb. 3, 2020, principal payable at maturity date	LIBOR+1.35%	"	148,892
Hua Nan Bank	Nov. 15, 2018 ~ Jan. 15, 2020, payable in full at maturity	1.03%	"	700,000
Sino Pac Bank	Jun. 19, 2018 ~ Jun. 19, 2020, payable in full at maturity	1.02%	"	300,000
First Commercial Bank	Sep. 20, 2018 ~ Sep. 15, 2020, payable in full at maturity	1.02%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
Mizuho Corporate Bank	Aug. 17, 2018 ~ Aug. 17, 2020, payable in full at maturity	1.03%	None	\$ 900,000
E. Sun Bank	Nov. 20, 2018 ~ Nov. 19, 2021, payable in full at maturity	1.03%	"	200,000
China Trust Bank	Sep. 20, 2018 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	500,000
KGI Bank	Oct. 23, 2018 ~ Jun. 20, 2020, payable in full at maturity	1.04%	"	200,000
Taipei Fubon Bank	Oct. 23, 2018 ~ Mar. 23, 2020, payable in full at maturity	1.04%	"	200,000
Bangkok Bank	Dec. 3, 2018 ~ Dec. 2, 2020, payable in full at maturity	1.03%	"	200,000
Far Eastern International Bank	Sep. 22, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	700,000
HSBC	Dec. 10, 2018 ~ Dec. 10, 2020, payable in full at maturity	1.01%	"	1,500,000
Mega International Commercial Bank	Sep. 20, 2018 ~ Sep. 20, 2020, payable in full at maturity	0.98%	"	1,000,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
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	6,722,222
Hua Nan Bank China Trust Bank ANZ	Apr. 1, 2018 ~ Mar. 31, 2021, principal payable annually	4.40%~4.45%	Endorsement and guarantees of Formosa Taffeta Co.,.	292,199
				27,107,455
Less: Current portion of long-term loans				(10,355,497)
				<u>\$ 16,751,958</u>

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 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)
				<u>\$ 29,795,576</u>

- A. The collaterals for long-term bank loans are described in Note 8.
- B. The Group has signed contracts for syndicated loans with Mega Bank and others on November 14, 2013 to finance plant construction for Formosa Ha Tinh Steel Corp. Information is as follows:
- (a) Total credit line: \$12,100,000
 - (b) Interest rate: Based on the agreement with the banks
 - (c) Period: 7 years
 - (d) Collateral: Land in Six Naphtha Cracking Plant, Mailiao Township, Yunlin County
- The 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 \$5,043,547.

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$ 11,410,796	\$ 11,640,955
Fair value of plan assets	(4,736,712)	(4,601,536)
Net defined benefit liability	<u>\$ 6,674,084</u>	<u>\$ 7,039,419</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 11,640,955	(\$ 4,601,536)	\$ 7,039,419
Current service cost	118,619	-	118,619
Interest (expense) income	145,511	(58,502)	87,009
Settlement profit or loss	(60)	60	-
	<u>11,905,025</u>	<u>(4,659,978)</u>	<u>7,245,047</u>
Remeasurements:			
Return on plan assets	-	(127,505)	(127,505)
Change in financial assumptions	4,890	-	4,890
Experience adjustments	<u>141,995</u>	<u>-</u>	<u>141,995</u>
	<u>146,885</u>	<u>(127,505)</u>	<u>19,380</u>
Pension fund contribution	-	(241,790)	(241,790)
Paid pension	(641,114)	<u>292,561</u>	(348,553)
Balance at December 31	<u>\$ 11,410,796</u>	<u>(\$ 4,736,712)</u>	<u>\$ 6,674,084</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 11,147,801	(\$ 4,463,607)	\$ 6,684,194
Current service cost	128,630	-	128,630
Interest (expense) income	<u>139,347</u>	<u>(56,860)</u>	<u>82,487</u>
	<u>11,415,778</u>	<u>(4,520,467)</u>	<u>6,895,311</u>
Remeasurements:			
Return on plan assets	-	13,805	13,805
Change in financial assumptions	257,231	-	257,231
Experience adjustments	<u>725,138</u>	<u>-</u>	<u>725,138</u>
	<u>982,369</u>	<u>13,805</u>	<u>996,174</u>
Pension fund contribution	-	(434,145)	(434,145)
Paid pension	(757,192)	<u>339,271</u>	(417,921)
Balance at December 31	<u>\$ 11,640,955</u>	<u>(\$ 4,601,536)</u>	<u>\$ 7,039,419</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or

foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	1.50%	1.25%
Future salary increases	1%~2.85%	1%~2.5%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.35%	Decrease 0.35%
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 202,857)	\$ 211,283	\$ 304,064	(\$ 343,959)
	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.35%	Decrease 0.35%

December 31, 2017

Effect on present value of defined benefit obligation	(\$ 223,498)	\$ 233,243	\$ 336,594	(\$ 313,055)
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The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$146,615.

- 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% for the years ended December 31, 2018 and 2017. 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 years ended December 31, 2018 and 2017 were \$407,794 and \$358,705, respectively.

(13) Capital stock

- A. As of December 31, 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 years ended December 31, 2018 and 2017 are set forth below:

Reason for reacquisition	Subsidiary	For the year ended December 31, 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 year ended December 31, 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	7,936,000	(3,000)	15,249,000
		<u>18,535,610</u>	<u>8,886,000</u>	<u>(3,000)</u>	<u>27,418,610</u>

C. The market value of treasury stocks was \$105 and \$103 (in dollars) per share at December 31, 2018 and 2017, respectively.

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

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the 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 year ended December 31, 2018					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates and subsidiaries recognised using equity method	Difference between stock price and book value of subsidiaries acquired or disposed	Others
At January 1, 2018	\$ 2,710,554	\$ 5,514,032	\$ 203,232	\$ 24,965	\$ 13,789	\$216,226
Dividends allocated to subsidiaries	-	-	58,076	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	(22,638)	-	-
Changes in ownership interests in subsidiaries	-	-	8,484	369,565	(13,789)	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(532)
Overdue dividends transferred to capital surplus	-	-	-	-	-	2,178
At December 31, 2018	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 269,792</u>	<u>\$ 371,892</u>	<u>\$ -</u>	<u>\$217,872</u>

	For the year ended December 31, 2017					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates and subsidiaries recognised using equity method	Difference between stock price and book value of subsidiaries acquired or disposed	Others
At January 1, 2017	\$ 2,710,554	\$ 5,514,032	\$ 159,382	\$ 23,615	\$ 10,835	\$204,224
Dividends allocated to subsidiaries	-	-	43,842	-	-	-
Disposal of treasury shares	-	-	8	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	1,350	2,954	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	12,002
At December 31, 2017	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 203,232</u>	<u>\$ 24,965</u>	<u>\$ 13,789</u>	<u>\$216,226</u>

(15) Retained earnings

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

The special reserve includes:

- (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. The resolution of the appropriations of the 2018 net income was approved by the Board of Directors during its meeting on March 15, 2019 as follows:

For the year ended December 31, 2018		
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 4,876,932	
Special reserve	7,040,540	
Cash dividends	36,339,355	\$ 6.20
	<u>\$ 48,256,827</u>	

- G. Information relating to employees' bonuses and directors' and supervisors' remuneration is

summarised in Note 6(22).

(16) 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 restatement	8,077	125,624,639	-	(2,052,251)	123,580,465
Revaluation:					
–Group	-	(12,149,629)	-	-	(12,149,629)
–Associates	-	(3,388,175)	-	-	(3,388,175)
Revaluation transferred to retained earnings:					
–Group	-	675,556	-	-	675,556
–Associates	-	399	-	-	399
Cash flow hedges:					
–Associates	(23,942)	-	-	-	(23,942)
Currency translation differences:					
–Group	-	-	-	(326,915)	(326,915)
–Tax of Group	-	-	-	116,104	116,104
–Associates	-	-	-	449,811	449,811
At December 31, 2018	<u>(\$ 15,865)</u>	<u>\$ 110,762,790</u>	<u>\$ -</u>	<u>(\$1,813,251)</u>	<u>\$ 108,933,674</u>

	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	-	17,333,899	-	17,333,899
–Associates	-	2,945,654	-	2,945,654
Cash flow hedges:				
–Associates	(35,097)	-	-	(35,097)
Currency translation differences:				
–Group	-	-	(2,563,384)	(2,563,384)
–Tax of Group	-	-	385,061	385,061
–Associates	-	-	(862,552)	(862,552)
At December 31, 2017	<u>\$ 8,077</u>	<u>\$ 111,213,200</u>	<u>(\$ 2,052,251)</u>	<u>\$ 109,169,026</u>

(17) Operating revenue

	For the years ended December 31,	
	2018	2017
Sales revenue	\$ 406,840,725	\$ 357,471,640
Service revenue	521,498	526,313
Other operating revenue	497,542	423,518
	<u>\$ 407,859,765</u>	<u>\$ 358,421,471</u>

A. Contract assets

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:

	December 31, 2018
Contract assets—revenue	<u>\$ 788,643</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.

(18) Other income

	For the years ended December 31,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 401,947	\$ 336,764
Interest from current account with others	253,268	176,156
Other interest income	23,772	31,134
	<u>678,987</u>	<u>544,054</u>
Rental revenue	139,011	134,619
Dividend income	9,633,949	7,464,957
Other revenue-others	1,253,889	1,447,744
	<u>\$ 11,705,836</u>	<u>\$ 9,591,374</u>

(19) Other gains and losses

	For the years ended December 31,	
	2018	2017
Gain on disposal of property, plant and equipment	\$ 843,722	\$ 840,582
Gain on disposal of investments	-	2,177,153
Net currency exchange gain (loss)	526,467	(1,334,333)
Net gain on financial assets (liabilities) at fair value through profit or loss	217,379	4,156
(Impairment loss) Gain from reversal of property, plant and equipment	(313,855)	3,090
Other losses	(351,093)	(287,877)
	<u>\$ 922,620</u>	<u>\$ 1,402,771</u>

(20) Finance costs

	For the years ended December 31,	
	2018	2017
Interest expense:		
Bank loans	\$ 1,536,209	\$ 1,546,746
Corporate bonds	632,286	710,152
Current account with others	2,119	9,933
Discount	170,878	90,473
Other interest expenses	42,781	50,152
	<u>2,384,273</u>	<u>2,407,456</u>
Less: Capitalisation of qualifying assets	(84,574)	(84,752)
Finance costs	<u>\$ 2,299,699</u>	<u>\$ 2,322,704</u>

(21) Expenses by nature

	For the years ended December 31,	
	2018	2017
Depreciation charges on property, plant and equipment	\$ 14,431,281	\$ 14,472,479
Employee benefit expense	15,556,789	14,807,455
Amortisation	4,404,062	3,353,928
	<u>\$ 34,392,132</u>	<u>\$ 32,633,862</u>

(22) Employee benefit expense

	For the years ended December 31,	
	2018	2017
Wages and salaries	\$ 13,248,674	\$ 12,685,503
Labor and health insurance fees	1,027,251	953,547
Pension costs	613,422	569,822
Other personnel expenses	667,442	598,583
	<u>\$ 15,556,789</u>	<u>\$ 14,807,455</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 years ended December 31, 2018 and 2017, employees' remuneration (bonuses) was accrued at \$54,403 and \$58,908, respectively. The aforementioned amount was recognised in salary expenses.

For the years ended December 31, 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 profit or loss for 2017. Employees' compensation for 2017 has 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.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	\$ 7,385,863	\$ 6,094,734
Land value increment tax is included in profit or loss	129,638	-
Tax on undistributed surplus earnings	753,050	690,712
Adjustments in respect of prior years	226,234	(295,673)
Total current tax	<u>8,494,785</u>	<u>6,489,773</u>
Deferred tax:		
Origination and reversal of temporary differences	8,093	181,371
Impact of tax rate changes	(229,688)	-
Effect of exchange rate	2,037	(207)
Total deferred tax	<u>(219,558)</u>	<u>181,164</u>
Income tax expense	<u>\$ 8,275,227</u>	<u>\$ 6,670,937</u>

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

	For the years ended December 31,	
	2018	2017
Currency translation differences	\$ 63,416	\$ 385,061
Impact of change in tax rate	52,688	-
	<u>\$ 116,104</u>	<u>\$ 385,061</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	\$ 14,285,845	\$ 13,410,971
Expenses disallowed by tax regulation	(6,564,204)	(6,485,352)
Tax exempt and repealed income by tax regulation	(225,653)	(18,511)
Effect from investment tax credits	-	(24,998)
Effect from net operating loss carryforward	(3,997)	(422,340)
Effect from allowance for deferred tax assets	-	(105,343)
Effect from changes in tax regulation of overseas subsidiaries	(325,686)	(78,612)
Additional 10% tax on undistributed earnings	753,050	690,712
Under provision of prior year's income tax	226,234	(295,673)
Effect from Alternative Minimum Tax	-	83
Land value increment tax included in profit or loss	129,638	-
Income tax expense	<u>\$ 8,275,227</u>	<u>\$ 6,670,937</u>

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

For the year ended December 31, 2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Currency translation differences	\$ 298,568	\$ -	\$ 116,104	\$ 414,672
Unrealised gain from downstream transactions	50,246	57,745	-	107,991
Loss on inventory	141,336	59,522	-	200,858
Accrued pension liabilities	925,362	75,105	-	1,000,467
Impairment loss	156,623	65,363	-	221,986
Others	262,306	104,579	-	366,885
Net operating loss carryforward	49,388	(49,388)	-	-
	<u>1,883,829</u>	<u>312,926</u>	<u>116,104</u>	<u>2,312,859</u>
Deferred tax liabilities:				
Temporary differences:				
Unrealised gain on financial assets	(641)	641	-	-
Investment income accounted for using equity method	(170,157)	(114,136)	-	(284,293)
Unrealised exchange gain	(28,934)	28,934	-	-
Depreciation useful life difference	(59,959)	1,102	-	(58,857)
Others	-	(7,872)	-	(7,872)
	<u>(259,691)</u>	<u>(91,331)</u>	<u>-</u>	<u>(351,022)</u>
	<u>\$ 1,624,138</u>	<u>\$ 221,595</u>	<u>\$ 116,104</u>	<u>\$ 1,961,837</u>

For the year ended December 31, 2017				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Deferred tax assets:				
Temporary differences:				
Currency translation differences	\$ -	\$ -	\$ 298,568	\$ 298,568
Unrealised gain from downstream transactions	82,938	(32,692)	-	50,246
Loss on inventory	129,183	12,153	-	141,336
Accrued pension liabilities	1,028,109	(102,747)	-	925,362
Impairment loss	181,181	(24,558)	-	156,623
Others	192,606	69,700	-	262,306
Net operating loss carryforward	118,937	(69,549)	-	49,388
	<u>1,732,954</u>	<u>(147,693)</u>	<u>298,568</u>	<u>1,883,829</u>
Deferred tax liabilities:				
Temporary differences:				
Currency translation differences	(86,493)	-	86,493	-
Unrealised gain on financial assets	-	(641)	-	(641)
Investment income accounted for using equity method	(156,601)	(13,556)	-	(170,157)
Unrealised exchange gain	(69,412)	40,478	-	(28,934)
Depreciation useful life difference	-	(59,959)	-	(59,959)
	<u>(312,506)</u>	<u>(33,678)</u>	<u>86,493</u>	<u>(259,691)</u>
	<u>\$ 1,420,448</u>	<u>(\$ 181,371)</u>	<u>\$ 385,061</u>	<u>\$ 1,624,138</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount filed/ assessed	Unused amount	Tax assets	Expiry year
2009	Assessed	\$ 26,982	\$ 26,982	2019
2010	Assessed	16,770	16,770	2020
2011	Assessed	21,568	21,568	2021
2012	Assessed	29,604	29,604	2022
2013	Assessed	7,312	7,312	2023
2014	Assessed	1,628,743	1,628,743	2024
2015	Assessed	2,479,959	2,479,959	2025
2016	Amount filed	1,802,222	1,802,222	2026
2017	Amount filed	123,516	123,516	2027
		<u>\$ 6,136,676</u>	<u>\$ 6,136,676</u>	

December 31, 2017

<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Tax assets</u>	<u>Expiry year</u>
2009	Assessed	\$ 32,113	\$ 32,113	2019
2010	Assessed	16,770	16,770	2020
2011	Assessed	21,568	21,568	2021
2012	Assessed	29,604	29,604	2022
2013	Assessed	690,068	690,068	2023
2014	Assessed	2,899,108	2,899,108	2024
2015	Assessed	4,584,718	4,584,718	2025
2016	Amount filed	2,197,336	1,906,811	2026
2017	Amount filed	126,738	126,738	2027
		<u>\$ 10,598,023</u>	<u>\$ 10,307,498</u>	

- E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deductible temporary differences	<u>\$ 31,475</u>	<u>\$ 80,000</u>

- F. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.
- G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 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.

(24) 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 year ended December 31, 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	\$ 63,716,223	\$ 55,441,018		\$ 10.92	\$ 9.50
Net income of non- controlling interest	(9,367,386)	(6,671,701)		(1.60)	(1.14)
Profit attributable to ordinary shareholders of the parent	<u>\$ 54,348,837</u>	<u>\$ 48,769,317</u>	<u>5,833,768</u>	<u>\$ 9.32</u>	<u>\$ 8.36</u>
For the year ended December 31, 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	\$ 66,706,883	\$ 60,035,946		\$ 11.43	\$ 10.29
Net income of non- controlling interest	(7,858,050)	(5,625,144)		(1.34)	(0.96)
Profit attributable to ordinary shareholders of the parent	<u>\$ 58,848,833</u>	<u>\$ 54,410,802</u>	<u>5,833,768</u>	<u>\$ 10.09</u>	<u>\$ 9.33</u>

- 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 year ended December 31, 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	\$ 63,716,223	\$ 55,441,018		\$ 10.87	\$ 9.46
Net income of non- controlling interest	(9,367,386)	(6,671,701)		(1.60)	(1.14)
Profit attributable to ordinary shareholders of the parent	<u>\$ 54,348,837</u>	<u>\$ 48,769,317</u>	<u>5,861,186</u>	<u>\$ 9.27</u>	<u>\$ 8.32</u>

For the year ended December 31, 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	\$ 66,706,883	\$ 60,035,946		\$ 11.38	\$ 10.24
Net income of non- controlling interest	(7,858,050)	(5,625,144)		(1.34)	(0.96)
Profit attributable to ordinary shareholders of the parent	<u>\$ 58,848,833</u>	<u>\$ 54,410,802</u>	<u>5,861,186</u>	<u>\$ 10.04</u>	<u>\$ 9.28</u>

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2018	2017
Purchase of fixed assets	\$ 19,471,001	\$ 11,669,518
Add: Opening balance of payable on equipment	577,616	789,871
Less: Ending balance of payable on equipment	(1,604,309)	(577,616)
Cash paid during the year	<u>\$ 18,444,308</u>	<u>\$ 11,881,773</u>

B. Financing activities with partial cash payments:

	For the years ended December 31,	
	2018	2017
Appropriation for cash dividends	\$ 41,028,304	\$ 32,822,643
Add: Opening balance of dividends payable	44,056	35,987
Less: Ending balance of dividends payable	(62,429)	(44,056)
Cash dividends paid during the year	<u>\$ 41,009,931</u>	<u>\$ 32,814,574</u>

(26) 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	8,805,907	10,910,780	(5,700,000)	(9,346,696)	4,669,991
Impact of changes in foreign exchange rate	-	-	-	183,597	183,597
At December 31, 2018	<u>\$ 31,948,041</u>	<u>\$ 12,490,543</u>	<u>\$ 34,050,000</u>	<u>\$ 27,107,455</u>	<u>\$ 105,596,039</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Formosa Petrochemical Corp.	Associate
Formosa Heavy Industries Corp.	"
Formosa Heavy Industries (Ningbo) Corp.	"
Formosa Plastics Transport Corp.	"
Su Hua Transport Corp. (Su Hua Transport Corp. was merged into Formosa Plastics Transport Corp. on July 1, 2018, and Formosa Plastics Transport Corp. was the surviving company.)	"
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 party
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.	"
Formosa Automobile Sales Corporation	"
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.	"

Names of related parties	Relationship with the Group
Formosa Plastics Marine Co., Ltd.	Other related party
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 Yuang Textile Co., Ltd.	"
Yu Maowu Complex Co., Ltd.	"
Kuang Yueh (Vietnam) Co., Ltd.	"
Hua Ya Power Corp.	"
Asia Pacific Technology Corp.	"
Ya Tai Development Co., Ltd.	"
Kong You Industrial Co., Ltd.	"
Hong Jing Metal Corp	"
Formosa Industrues (Ningbo) Co., Ltd.	"
Nanya Plastic Industry (Anshan) Co.,Ltd.	"
South Asia Electronic Materials (Kunshan) Co., Ltd.	"
Nan Ya Construction Materials Co., Ltd.	"
Nan Ya Plastics Film (Nantong) Co., Ltd.	"
Nan Ya Plastics (Hui Zhou) Co., Ltd	"
Nan Ya Chemical Fiber (Kunshan) Co., Ltd.	"
Nanya (Xiamen) Plastic Co.,Ltd	"
Taisu Heavy Industry (Guangzhou) Co., Ltd.	"
Asia Pactfic Investnent Co.	"
Nan Ya Printed Circuit Board Corp.	"

Names of related parties	Relationship with the Group
Formosa Automobile Corp.	Other related party
Taisuwang Commerce and Trade Co., Ltd.	"
Huaya Steel Co., Ltd.	"
Fuxin Special Steel Co., Ltd.	"

(2) Significant related party relationships

A. Sales of goods:

	For the years ended December 31,	
	2018	2017
Sales of goods:		
— Associates	\$ 33,510,757	\$ 26,786,015
— Other related parties	58,844,020	47,007,315
	<u>\$ 92,354,777</u>	<u>\$ 73,793,330</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 years ended December 31,	
	2018	2017
Purchases of goods:		
— Associates		
Formosa Petrochemical Corp.	\$ 167,550,868	\$ 134,705,980
Others	1,286	1,232
— Other related parties	28,628,521	21,604,849
	<u>\$ 196,180,675</u>	<u>\$ 156,312,061</u>

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

C. Receivables from related parties:

	December 31, 2018	December 31, 2017
Receivables from related parties:		
— Associates	\$ 2,606,441	\$ 3,115,452
— Other related parties	5,869,483	5,947,115
	<u>\$ 8,475,924</u>	<u>\$ 9,062,567</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>December 31, 2018</u>	<u>December 31, 2017</u>
Payables to related parties:		
— Associates		
Formosa Petrochemical Corp.	\$ 12,554,549	\$ 14,889,016
Others	54	-
— Other related parties	<u>3,343,498</u>	<u>3,060,923</u>
	<u>\$ 15,898,101</u>	<u>\$ 17,949,939</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 years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Expansion and repair works of factory sites		
— Associates	\$ 419,893	\$ 216,599
— Other related parties	<u>270,484</u>	<u>179,523</u>
	<u>\$ 690,377</u>	<u>\$ 396,122</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Payables to related parties:		
— Associates	\$ 35	\$ 2,262
— Other related parties	<u>10,126</u>	<u>2,032</u>
	<u>\$ 10,161</u>	<u>\$ 4,294</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>December 31, 2018</u>	<u>December 31, 2017</u>
— Associates		
Formosa Group (Cayman) Corp.	\$ -	\$ 4,259,500
Formosa Heavy Industries Corp.	5,900,000	-
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	-	2,192,592
Others	170,160	82,222
	<u>6,070,160</u>	<u>6,534,314</u>
— Other related parties		
Formosa Plastics Marine Co., Ltd.	5,306,642	4,190,892
Formosa Ha Tinh (Cayman) Co., Ltd.	-	3,002,600
	<u>5,306,642</u>	<u>7,193,492</u>
	<u>\$ 11,376,802</u>	<u>\$ 13,727,806</u>

(ii) Interest income

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
— Associates		
Formosa Group (Cayman) Corp.	\$ 32,211	\$ 31,827
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	97,427	-
Formosa Heavy Industries Corp.	36,920	-
Others	4,739	70,823
	<u>171,297</u>	<u>102,650</u>
— Other related parties		
Nan Ya Technology Corp.	-	1,200
Formosa Plastics Marine Co., Ltd.	64,582	52,230
Formosa Ha Tinh (Cayman) Co., Ltd.	17,373	-
Others	-	22,500
	<u>81,955</u>	<u>75,930</u>
	<u>\$ 253,252</u>	<u>\$ 178,580</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 years ended December 31, 2018 and 2017, respectively.

(b) Loans from related parties:

(i) Ending balance of payables to related parties

	December 31, 2018	December 31, 2017
— Associates		
Formosa Heavy Industries Corp.	\$ -	\$ 118,800

(ii) Interest expense

	For the years ended December 31,	
	2018	2017
— Associates	\$ 349	\$ 1,422
— Other related parties	-	622
	\$ 349	\$ 2,044

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 years ended December 31, 2018 and 2017, respectively.

G. Receivables for payment on behalf of others

	December 31, 2018	December 31, 2017
— Other related parties	\$ 3,369	\$ 16,608

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

H. Operating expenses

	For the years ended December 31,	
	2018	2017
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	\$ 1,275,615	\$ 1,287,304
Formosa Plastics Transport (Ningbo) Corp.	873,302	844,522
	\$ 2,148,917	\$ 2,131,826

I. Rental revenue

	For the years ended December 31,	
	2018	2017
— Associates		
Formosa Petrochemical Corp.	\$ 20,144	\$ 20,144
Others	11,394	12,370
	31,538	32,514
— Other related parties		
Nan Ya Plastics Corp.	26,489	25,984
Formosa Plastics Building Parking Lot	15,365	15,780
Formosa Network Technology Corp.	15,400	15,400
Others	31,448	31,265
	88,702	88,429
	\$ 120,240	\$ 120,943

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 years ended December 31,	
	2018	2017
Purchase of property, plant and equipment		
— Associates	\$ 276,376	\$ 149,137
— Other related parties	147,998	108
	<u>\$ 424,374</u>	<u>\$ 149,245</u>

(b) Disposal of property, plant and equipment:

	For the years ended December 31,			
	2018		2017	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Associates	<u>\$ 24,967</u>	<u>\$ -</u>	<u>\$ 390</u>	<u>\$ -</u>

(c) Acquisition of financial assets

	Accounts	No. of shares	Objects	For the year ended December 31, 2018
				Consideration
Formosa Synthetic Rubber Corp. (Hong Kong)	Investments accounted for using equity method	65,000,000	Formosa Synthetic Rubber Corp. (Hong Kong)	\$ 2,011,490
Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	56,740,747	Formosa Ha Tinh (Cayman) Limited	2,242,487
				<u>\$ 4,253,977</u>

				For the year ended December 31, 2017	
	Accounts	No. of shares	Objects	Consideration	
Formosa Resources Corp.	Investments accounted for using equity method	168,344,000	Formosa Resources Corp. (Cayman) Limited	\$	1,683,440
FG Inc.	Investments accounted for using equity method	6,600	FG Inc.		2,178,660
Formosa Ha Tinh (Cayman) Limited	Financial assets measured at cost	75,471,717	Formosa Ha Tinh (Cayman) Limited		2,322,552
				\$	<u>6,184,652</u>

(d) Disposal of financial assets

For the year ended December 31, 2018					
	Accounts	No. of shares	Objects	Proceeds	Gain/(Loss)
Nan Ya Technology Corporation	Investments accounted for using equity method	84,022,000	Formosa Advanced Technologies Co., Ltd.	\$ <u>3,039,857</u>	Note

For the year ended December 31, 2017: None.

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

K. Donation:

For the years ended December 31,		
	2018	2017
— Other related parties	\$ <u>3,612</u>	\$ <u>11,990</u>

L. Details of affiliates endorsed/guaranteed for the Group's borrowings are provided in Note 6(11).

(3) Key management compensation

For the years ended December 31,		
	2018	2017
Salaries	\$ 172,209	\$ 173,767
Post-employment benefits	<u>1,627</u>	<u>2,740</u>
	\$ <u>173,836</u>	\$ <u>176,507</u>

8. PLEDGED ASSETS

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

Pledged assets	Book value		Purpose
	December 31, 2018	December 31, 2017	
Property, plant and equipment	\$ 5,908,848	\$ 6,107,499	Collateral for bank loans Limited transfer for land tax reassessment and collateral
Inventory	21,264	21,264	
	<u>\$ 5,930,112</u>	<u>\$ 6,128,763</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

COMMITMENTS

The details of commitments and contingencies as of December 31, 2018 were as follows:

- (1) Capital expenditures of property, plant and equipment that were contracted but not yet paid amounted to \$6,733,966 thousand, RMB631,955 thousand and VND220,520,903 thousand.
- (2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD225,798 thousand, JPY2,918,946 thousand, CHF175 thousand and EUR7,345 thousand.
- (3) The provision of endorsements and guarantees to others are as follows:

	December 31, 2018	December 31, 2017
Formosa Industries Corp.	\$ 5,043,547	\$ 4,898,311
Formosa Resources Corp.	3,303,798	3,208,660
Formosa Group (Cayman) Corp.	19,208,125	21,639,800
Formosa Ha Tinh (Cayman) Corp.	21,268,361	19,361,369
Formosa Taffeta (Zhong Shan) Co., Ltd.	230,363	282,720
Formosa Taffeta (Vietnam) Co., Ltd.	307,028	98,141
Formosa Taffeta (Changshu) Co., Ltd.	272,011	329,353
Formosa Taffeta (Dong Nai) Co., Ltd.	3,080,801	2,472,112
Public More Internation Co., Ltd.	3,000	3,000
	<u>\$ 52,717,034</u>	<u>\$ 52,293,466</u>

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

- A. The Group's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided a bank loan facility of USD2.22 billion and 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.
- B. The Group's consolidated entity, Formosa Chemicals Industries (Ningbo) Limited Co., entered into a syndicated loan contract with the syndicated banking group lead by Mega International Commercial Bank, arranging the credit facilities of USD155 million or equal value of 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

- A. The Board of Directors has resolved the appropriation of 2018 earnings on March 15, 2019. Details are provided in Note 6(15) F.
- B. On March 15, 2019, the Board of Directors of the Company and the Company's subsidiary, Formosa Taffeta Co., Ltd, during their meeting resolved to increase its capital in the investee, FG Inc., in proportion to its original ownership of 30% and 3% amounting to US\$45 million and US\$4,500 thousand, respectively, and the Group's total investment in FG Inc. was US\$122,100 thousand when the capital increase was completed.

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\$1.244 billion pursuant to Article 7 of Environmental Impact Assessment Act. The fine was levied on the ground that the indigenous coal used in the combined heat and power system is contrary to that indicated in the Environmental Impact Statement. The lawyers have 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 December 31, 2018 and 2017, the Group's debt-to-capital ratio were both 15%.

(3) Financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 4,496,354	\$ 630,396
Financial assets at fair value through other comprehensive income	186,921,722	-
Financial assets at amortised cost	95,487,943	92,669,447
Available-for-sale financial assets		
Available-for-sale financial assets	-	161,612,086
Financial assets at cost	-	25,093,528
	<u>\$ 286,906,019</u>	<u>\$ 280,005,457</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ 774	\$ -
Financial liabilities at amortised cost	140,218,069	137,431,256
	<u>\$ 140,218,843</u>	<u>\$ 137,431,256</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. Financial 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 minimize 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 (Company treasury) under policies approved by the board of directors. Company 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 Note 6 (9).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.
- 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 (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:

December 31, 2018				
	Foreign Currency			Book Value
	Amount	Exchange Rate		
	(In Thousands)			(NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 689,795	30.73	\$	21,197,400
JPY : NTD	481,746	0.28		134,889
<u>Non-monetary items</u>				
RMB : NTD	\$ 10,526,674	4.48	\$	47,159,500
USD : NTD	683,546	30.73		21,005,369
VND : NTD	7,623,579,853	0.0013		9,910,654
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 55,502	30.73	\$	1,705,576
JPY : NTD	113,665	0.28		31,826
USD : RMB	80,857	30.73		2,484,736
USD : VND	365,100	30.73		11,219,523

December 31, 2017

	Foreign Currency		Book Value	
	Amount			
	(In Thousands)	Exchange Rate		(NTD)
<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

- 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 years ended December 31, 2018 and 2017 amounted to \$526,467 and (\$1,334,333), respectively.

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

For the year ended December 31, 2018				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 211,974	\$	-
JPY : NTD	1%	1,349		-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$ -	\$	471,595
USD : NTD	1%	-		210,054
VND : NTD	1%	-		99,107
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 17,056	\$	-
JPY : NTD	1%	318		-
USD : RMB	1%	24,847		-
USD : VND	0%	112,195		-
For the year ended December 31, 2017				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 178,672	\$	-
JPY : NTD	1%	1,223		-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$ -	\$	408,185
USD : NTD	1%	-		170,830
VND : NTD	1%	-		96,091
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 20,721	\$	-
JPY : NTD	1%	752		-
USD : RMB	1%	97,290		-
USD : VND	1%	70,894		-

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. 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, beneficiary certificate and fund. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, components of equity for the years ended December 31, 2018 and 2017 would have increased/decreased by \$35,965 and \$5,232, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,869,217 and \$1,523,428, 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 years ended December 31, 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 years ended December 31, 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 years then ended would have been \$216,860 and \$301,046 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 year ended December 31, 2018			
	Accounts receivable	Contract assets	Notes receivable
At January 1_IAS 39	\$ 257,573	-	-
Adjustments under new standards	-	-	-
At January 1_IFRS 9	257,573	-	-
Effect of exchange rate changes	-	-	-
At December 31	<u>\$ 257,573</u>	<u>\$ -</u>	<u>\$ -</u>

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

	December 31, 2018	December 31, 2017
Not past due	\$ 43,945,602	\$ 41,519,840
Up to 30 days	720,658	347,818
31 to 90 days	61,387	66,606
91 to 180 days	7,346	3,172
Over 180 days	-	7,075
	<u>\$ 44,734,993</u>	<u>\$ 41,944,511</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	
<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Bonds payable	\$ 6,200,000	\$ 2,750,000	\$ 6,600,000	\$18,500,000
Long-term borrowings	10,355,497	14,069,212	2,682,746	-

		Between 1	Between 3	
<u>December 31, 2017</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Bonds payable	\$ 5,700,000	\$ 6,200,000	\$ 4,800,000	\$23,050,000
Long-term borrowings	6,474,978	16,009,033	13,786,543	-

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

Derivative financial liabilities:

		Between 1	Between 3	
<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ 774	\$ -	\$ -	\$ -

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

- 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 that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in stock investment, private equity fund market, and most derivative instruments is included in Level 2.

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

- B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, short-term notes and bills payable, notes payable (including related parties), accounts payable (including related parties) and other payables (including related parties) are approximate to their fair values. The carrying amounts of long-term borrowings (including current portion) 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>December 31, 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	\$ 479,490	\$ -	\$ -	\$ 479,490
Fund	-	4,016,864	-	4,016,864
Financial assets at fair value through other comprehensive income				
Equity securities	142,424,813	2,970,628	41,526,281	186,921,722
	<u>\$ 142,904,303</u>	<u>\$ 6,987,492</u>	<u>\$ 41,526,281</u>	<u>\$ 191,418,076</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 774	\$ -	\$ 774
December 31, 2017	<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	\$ -	\$ -	\$ -	\$ -

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 years ended December 31, 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 year ended December 31, 2018:

	For the year ended December 31, 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	(	1,210,334)
Effect of exchange rate changes		174,711
At December 31	\$	41,526,281

G. For the years ended December 31, 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 December 31, 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	\$	18,453,269	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value
		1,116,542	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value
		21,956,470	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:

		December 31, 2018		
		Recognised in other comprehensive		
		Favourable	Unfavourable	
	Input	Change	change	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%	\$ <u>184,533</u>	\$ <u>184,533</u>
Equity instruments	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	± 1%	\$ <u>11,165</u>	\$ <u>11,165</u>

(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:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal

payments;

- (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (v) The disappearance of an active market for that financial asset because of financial difficulties;
 - (vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (i) Financial assets at 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 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	Fair value									
	\$ 630,396	\$ 117,617,800	\$ 43,994,286	\$ 25,093,528	\$ 187,336,010	\$ -	\$ -	\$ -		
Transferred into and measured at fair value through profit or loss	4,573,903	(4,573,903)	-	-	-	-	-	-		
Transfer into and measured at fair value through other comprehensive income – non-current	-	-	25,093,528	(25,093,528)	-	-	-	-		
Fair value adjustment	-	(789,288)	17,468,375	-	16,679,087	5,089,978	14,411,439	(9,769)		
IFRS 9	<u>\$ 5,204,299</u>	<u>\$ 112,254,609</u>	<u>\$ 86,556,189</u>	<u>\$ -</u>	<u>\$ 204,015,097</u>	<u>\$ 5,089,978</u>	<u>\$ 14,411,439</u>	<u>(\$ 9,769)</u>		

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 profit or loss” and “financial assets at fair value through other comprehensive income (equity instruments)” amounting to \$4,573,903 and \$198,810,798, respectively, 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 is as follows:

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

	<u>December 31, 2017</u>
Financial assets held for trading	
Beneficiary certificates	\$ 619,504
Non-hedging derivatives	<u>398</u>
	619,902
Valuation adjustment of financial assets held for trading	<u>10,494</u>
	<u>\$ 630,396</u>

i. The Group recognised net profit amounting to \$2,775 on financial assets held for trading for the year ended December 31, 2017.

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

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

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>
Non-hedging derivatives	<u>\$ -</u>

The Group recognised gain on valuation of financial assets at fair value through profit or loss amounting to \$1,381 for the year ended December 31, 2017.

(c) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	\$ 25,540,146
Unlisted shares	825,839
Fund	4,903,800
Valuation adjustment of available-for-sale financial assets	<u>88,589,604</u>
	119,859,389
Less: Accumulated impairment	(<u>2,241,589</u>)
	<u>\$ 117,617,800</u>
Non-current items:	
Listed stocks	\$ 9,075,966
Valuation adjustment of available-for-sale financial assets	<u>37,437,306</u>
	46,513,272
Less: Accumulated impairment	(<u>2,518,986</u>)
	<u>\$ 43,994,286</u>

- i. The Group recognised \$17,333,899 in other comprehensive income for fair value change for the year ended December 31, 2017.
- ii. The Group recognised \$7,161,297 as dividend income from available-for-sale financial assets for the year ended December 31, 2017.
- iii. As of December 31, 2017, no available-for-sale financial assets held by the Group was pledged to others.

(d) Financial assets at cost

Items	December 31, 2017
Mai Liao Harbor Administration Corp.	\$ 539,260
Formosa Plastic Corp. U.S.A	818,316
Taiwan Stock Exchange Corp.	1,800
Taiwan Aerospace Corp.	10,702
Yi-Jih Development Corp.	3,000
Chinese Television System Corp.	38,419
Formosa Plastics Maritime Corp.	1,750
Formosa Development Corp.	90,010
Formosa Network Technology Corp.	15,497
Formosa Plastics Marine Corp.	15,000
Formosa Ocean Group Marine Investment Corp.	856,948
Guangyuan Investment Corp.	50,000
Taiwan Leader Biotech Corp.	21,033
Toa Resin Corp., Ltd.	3,000
Shin Yun Natural Gas Corp.	3,100
Wk Technology Fund IV Ltd.	262
Syntronix Corporation	4,417
United Performance Materials Corp.	8,400
Association of R.O.C. in Xiamen	137
Nan Ya Optical Corp.	294,583
United Biopharma, Inc.	613,159
Formosa Lithium Iron Oxide Corp.	53,000
Mega Growth Venture Capital Co., Ltd.	25,000
Formosa Ha Tinh (Cayman) Limited	21,166,194
UBI Pharma Inc.	667,607
	<u>25,300,594</u>
Less: Accumulated impairment	(207,066)
	<u>\$ 25,093,528</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 as dividend income from investment in financial assets measured at cost for the year ended December 31.
- iii. As of December 31, 2017, no financial assets at cost held by the Group was pledged to others.

D. Credit risk information as of December 31, 2017 is 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, 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>Accounts receivable</u>	
Up to 30 days	\$ 347,818
31 to 90 days	66,606
91 to 180 days	3,172
Over 180 days	<u>7,075</u>
	<u>\$ 424,671</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>

(6) Effects of initial application of IFRS 15

- A. The significant accounting policies applied on revenue recognition for the year ended December 31, 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 year ended December 31, 2017 are as follows:

	<u>For the year ended December 31, 2017</u>
Sales revenue	\$ 357,471,640
Service revenue	526,313
Other operating revenue	423,518
	<u>\$ 358,421,471</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:

		<u>December 31, 2017</u>		
<u>Balance sheet items</u>	<u>Description</u>	<u>Balance by using IFRS 15</u>	<u>Balance by using previous accounting policies</u>	<u>Effects from changes in accounting policy</u>
Contract assets		\$ 788,643	\$ -	\$ 788,643
Inventories	Note	42,405,175	43,207,232	(802,057)
Retained earnings		193,718,209	193,713,192	5,017

		<u>For the year ended December 31, 2017</u>		
<u>Comprehensive income statement items</u>	<u>Description</u>	<u>Balance by using IFRS 15</u>	<u>Balance by using previous accounting policies</u>	<u>Effects from changes in accounting policy</u>
Operating revenue		\$ 407,859,765	\$ 407,561,017	\$ 298,748
Operating costs	Note	(354,287,425)	(353,875,851)	(411,574)
Gross profit from operations		53,572,340	53,685,166	(112,826)

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: Please refer to table 6.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 8.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), and (9); 12(3) and (4).
- J. Significant intragroup transactions during the reporting periods: Please refer to table 9.

(2) Information on investees

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

(3) Information on investments in Mainland China

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

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: responsible for production of purified terephthalic acid.

Plastics Division: 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 year ended December 31, 2018

	1st	2nd	3rd						
	Petrochemical	Petrochemical	Petrochemical	Plastics Division,	Formosa	Formosa	Formosa	Reconciliation	Total
	Div	Div	Div and	Plastics	Taffeta	Advanced	Other divisions	and offset	
			Chemical	Co., Ltd.	Co., Ltd.	Technologies			
			Industries	and Formosa PS		Co., Ltd.			
External revenue	\$ 58,349,628	\$ 61,240,514	\$ 70,701,049	\$ 118,074,185	\$ 27,207,360	\$ 8,785,525	\$ 63,501,504	\$ -	\$ 407,859,765
Internal revenue	84,842,999	35,661,638	4,898,096	17,329,694	386,125	-	12,124,178	(155,242,730)	-
Total revenue	<u>\$ 143,192,627</u>	<u>\$ 96,902,152</u>	<u>\$ 75,599,145</u>	<u>\$ 135,403,879</u>	<u>\$ 27,593,485</u>	<u>\$ 8,785,525</u>	<u>\$ 75,625,682</u>	<u>(\$ 155,242,730)</u>	<u>\$ 407,859,765</u>
Segment profit (loss)	<u>\$ 8,596,978</u>	<u>\$ 12,857,003</u>	<u>\$ 4,805,996</u>	<u>\$ 6,643,628</u>	<u>\$ 5,255,762</u>	<u>\$ 1,750,953</u>	<u>\$ 31,851,030</u>	<u>(\$ 8,045,105)</u>	<u>\$ 63,716,245</u>
Segment income									
(loss):									
Total depreciation and amortisation	<u>\$ 3,832,045</u>	<u>\$ 2,633,442</u>	<u>\$ 3,130,805</u>	<u>\$ 2,188,764</u>	<u>\$ 715,860</u>	<u>\$ 1,177,441</u>	<u>\$ 5,156,986</u>	<u>\$ -</u>	<u>\$ 18,835,343</u>
Interest expense	<u>\$ 238,403</u>	<u>\$ 418,244</u>	<u>\$ 112,981</u>	<u>\$ 426,453</u>	<u>\$ 103,358</u>	<u>\$ -</u>	<u>\$ 1,024,448</u>	<u>(\$ 24,188)</u>	<u>\$ 2,299,699</u>
Investment income accounted for using equity method									<u>\$ 15,037,424</u>
Not included in segments' income measurement, but regularly provided to operating decision-maker:									
Income tax expense									<u>\$ 8,275,227</u>
Total assets of segments	<u>\$ 38,733,909</u>	<u>\$ 30,995,726</u>	<u>\$ 35,938,602</u>	<u>\$ 52,609,221</u>	<u>\$ 80,499,503</u>	<u>\$12,674,574</u>	<u>\$ 462,209,074</u>	<u>(\$ 122,159,677)</u>	<u>\$ 591,500,932</u>

For the year ended December 31, 2017

	1st	2nd	3rd						
	Petrochemical	Petrochemical	Petrochemical	Plastics Division,	Formosa	Formosa		Reconciliation	Total
	Div	Div	Div and	Formosa ABS	Taffeta	Advanced	Other divisions	and offset	
			Formosa	Plastics	Co., Ltd.	Technologies			
			Chemical	Co., Ltd.	Co., Ltd.	Co., Ltd.			
			Industries	and Formosa PS					
External revenue	\$ 52,968,882	\$ 44,562,042	\$ 63,633,217	\$ 108,787,174	\$ 25,424,545	\$ 7,888,494	\$ 55,157,117	\$ -	\$ 358,421,471
Internal revenue	68,447,633	32,119,723	2,606,251	13,277,723	289,294	-	10,399,329	(127,139,953)	-
Total revenue	<u>\$ 121,416,515</u>	<u>\$ 76,681,765</u>	<u>\$ 66,239,468</u>	<u>\$ 122,064,897</u>	<u>\$ 25,713,839</u>	<u>\$ 7,888,494</u>	<u>\$ 65,556,446</u>	<u>(\$ 127,139,953)</u>	<u>\$ 358,421,471</u>
Segment profit (loss)	<u>\$ 9,573,599</u>	<u>\$ 6,333,121</u>	<u>\$ 6,840,480</u>	<u>\$ 11,859,834</u>	<u>\$ 4,504,908</u>	<u>\$ 1,587,964</u>	<u>\$ 34,453,352</u>	<u>(\$ 8,446,375)</u>	<u>\$ 66,706,883</u>
Segment income									
(loss):									
Total depreciation and amortisation	<u>\$ 1,976,078</u>	<u>\$ 1,614,305</u>	<u>\$ 1,522,854</u>	<u>\$ 1,417,207</u>	<u>\$ 779,922</u>	<u>\$ 976,198</u>	<u>\$ 9,539,843</u>	<u>\$ -</u>	<u>\$ 17,826,407</u>
Interest expense	<u>\$ 233,644</u>	<u>\$ 510,723</u>	<u>\$ 208,536</u>	<u>\$ 516,171</u>	<u>\$ 117,088</u>	<u>\$ -</u>	<u>\$ 879,765</u>	<u>(\$ 143,223)</u>	<u>\$ 2,322,704</u>
Investment income accounted for using equity method									<u>\$ 19,021,711</u>
Not included in segments' income measurement, but regularly provided to operating decision-maker:									
Income tax expense									<u>\$ 5,908,938</u>
Total assets of segments	<u>\$ 39,731,368</u>	<u>\$ 35,711,870</u>	<u>\$ 27,658,451</u>	<u>\$ 50,584,771</u>	<u>\$ 85,504,160</u>	<u>\$12,175,822</u>	<u>\$ 439,102,883</u>	<u>(\$ 118,142,832)</u>	<u>\$ 572,326,493</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.

(5) Information on products and services

	For the years ended December 31,	
	2018	2017
Sales revenue	\$ 406,840,725	\$ 357,471,640
Service revenue	521,498	526,313
Other operating income	497,542	423,518
	<u>\$ 407,859,765</u>	<u>\$ 358,421,471</u>

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 167,225,945	\$ 77,947,452	\$ 146,018,780	\$ 73,976,497
China	171,382,664	35,579,188	158,371,150	37,937,648
Others	69,251,156	24,005,171	54,031,541	23,121,586
	<u>\$ 407,859,765</u>	<u>\$ 137,531,811</u>	<u>\$ 358,421,471</u>	<u>\$ 135,035,731</u>

(7) Major customer information

The information on customers with over 10% of sales revenue in the statement of comprehensive income for the years ended December 31, 2018 and 2017: None.

Formosa Chemicals and Fibre Corporation and subsidiaries

Loans to others

For the year ended December 31, 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 year ended December 31, 2018 (Note 3)	Balance at December 31, 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	\$ 6,000,000	\$ -	1.41	1	2	Additional operating capital	\$ -	-	\$ -	\$ 92,452,218	\$ 184,904,437	-
0	The Company	Formosa Idemitsu Petrochemical Corp.	Other receivables-related parties	Yes	800,000	800,000	-	1.41	1	2	Additional operating capital	-	-	-	92,452,218	184,904,437	-
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	-	-	-	92,452,218	184,904,437	-
0	The Company	Formosa Biomedical Technology Corp.	Other receivables-related parties	Yes	600,000	600,000	46,600	1.41	2	1	Additional operating capital	-	-	-	73,961,775	147,923,549	-
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	16,100,000	13,900,000	5,900,000	1.41	2	1	Additional operating capital	-	-	-	73,961,775	147,923,549	-
0	The Company	Formosa Plastics Marine Co., Ltd.	Other receivables-related parties	Yes	8,517,427	8,026,642	5,306,642	1.41	2	1	Additional operating capital	-	-	-	73,961,775	147,923,549	-
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	-	-	-	92,452,218	184,904,437	-
0	The Company	Formosa Carpet Corp.	Other receivables-related parties	Yes	100,000	100,000	200	1.41	2	1	Additional operating capital	-	-	-	73,961,775	147,923,549	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 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
													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	\$ -	-	\$ -	\$ 73,961,775	\$ 147,923,549	-
0	The Company	Formosa Group (Cayman) Limited	Other receivables-related parties	Yes	4,259,500	-	-	1.41	2	1	Additional operating capital	-	-	-	73,961,775	147,923,549	-
0	The Company	Tah Shin Spinning Corp.	Other receivables-related parties	Yes	100,000	100,000	-	1.41	2	1	Additional operating capital	-	-	-	73,961,775	147,923,549	-
0	The Company	Formosa Petrochemical Corp.	Other receivables-related parties	Yes	18,500,000	6,000,000	-	1.41	1	2	Additional operating capital	-	-	-	92,452,218	184,904,437	-
0	The Company	Formosa Ha Tinh (Cayman) Limited	Other receivables-related parties	Yes	3,002,600	-	-	1.41	2	1	Additional operating capital	-	-	-	73,961,775	147,923,549	-
0	The Company	Formosa Plastics Transport Corp.	Other receivables-related parties	Yes	200,000	-	-	1.41	2	1	Additional operating capital	-	-	-	73,961,775	147,923,549	-
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	-	-	-	592,973	1,482,432	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Heavy Industries (Ningbo) Corp.	Receivables from related party	Yes	170,160	170,160	170,160	3.48	2	1	Additional operating capital	-	-	-	5,762,753	14,406,882	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Receivables from related party	Yes	2,301,557	1,979,232	1,979,232	3.48	2	1	Additional operating capital	-	-	-	5,762,753	14,406,882	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 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) Limited Co.	Receivables from related party	Yes	\$ 5,115,363	\$ -	\$ -	3.48	2	1	Additional operating capital	\$ -	-	\$ -	\$ 5,762,753	\$ 14,406,882	-

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 September 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 year ended December 31, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2018 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
			Relationship with the endorser/ guarantor (Note 2)											
0	The Company	Formosa Industries Corp., Vietnam	1	\$ 14,760,441	\$ 5,082,112	\$ 5,043,547	\$ 5,043,547	\$ -	1.36	\$ 480,751,536	Y	N	N	-
0	The Company	Formosa Group (Cayman) Limited	6	240,375,768	21,133,750	19,208,125	19,208,125	-	5.19	480,751,536	N	N	N	-
0	The Company	Formosa Ha Tinh (Cayman) Limited	6	240,375,768	21,185,781	21,185,781	15,915,686	-	5.73	480,751,536	N	N	N	-
0	The Company	Formosa Resources Corporation	6	240,375,768	3,229,060	3,303,798	3,303,798	-	0.89	480,751,536	N	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhongshan) Co., Ltd.	2	44,793,582	1,410,525	1,013,595	230,363	-	1.47	89,587,165	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	2	44,793,582	1,567,250	1,535,750	307,028	-	2.23	89,587,165	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	2	44,793,582	2,037,425	1,689,325	272,011	-	2.45	89,587,165	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	2	44,793,582	4,705,160	4,668,680	3,080,801	-	6.77	89,587,165	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Ha Tinh (Cayman) Co., Ltd.	6	44,793,582	7,125,084	7,125,084	5,352,675	-	10.34	89,587,165	N	N	N	-
2	Formosa Development Co., Ltd.	Public More Internation Company Co., Ltd.	2	188,563	3,000	3,000	3,000	-	1.03	377,127	Y	N	N	-

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

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

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

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

Note 3: In accordance with Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 130% of the Company's net assets, the limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount. For companies having business relationship with the Company and thus being provided endorsements/guarantees, the limit on endorsements to a single party is the higher value of purchasing or selling.

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

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

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

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

Formosa Chemicals and Fibre Corporation and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
For the year ended December 31, 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 December 31, 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	\$ 49,184,848	7.65	\$ 49,184,848	-
The Company	Stocks_Asia Pacific Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	63,621,500	2,567,128	14.97	2,567,128	-
The Company	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	413,327,750	31,206,245	5.21	31,206,245	-
The Company	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	334,815,409	18,414,847	10.79	18,414,847	-
The Company	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	15,498,339	229,375	3.14	229,375	-
The Company	Mega Private US Dollar Money Market Funds	-	Financial assets at fair value through profit or loss - current	12,477,992	4,016,864	-	4,016,864	-
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	921,812	17.98	921,812	-
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	10,804,064	2.92	10,804,064	-
The Company	Stocks_Taiwan Stock Exchange Corp.	-	Financial assets at fair value through other comprehensive income- non-current	13,872,225	1,297,053	2.00	1,297,053	-
The Company	Stocks_Taiwan Aerospace Corp.	-	Financial assets at fair value through other comprehensive income- non-current	1,070,151	22,270	0.79	22,270	-
The Company	Stocks_Yi-Jih Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	300,000	14,670	1.51	14,670	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks_Chinese Television System Corp.	-	Financial assets at fair value through other comprehensive income- non-current	2,376,202	\$ 41,679	1.41	\$ 41,679	-
The Company	Stocks_Formosa Plastics Maritime Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	355,880	194,730	18.22	194,730	-
The Company	Stocks_Formosa Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	15,246,336	266,354	18.00	266,354	-
The Company	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,925,000	82,719	12.50	82,719	-
The Company	Stocks_Formosa Plastics Marine Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,428,500	611,132	15.00	611,132	-
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	4,770,852	19.00	4,770,852	-
The Company	Stocks_Guangyuan Investment Corp.	-	Financial assets at fair value through other comprehensive income- non-current	5,000,000	30,100	3.91	30,100	-
The Company	Stocks_Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	2,500,000	19,525	1.25	19,525	-
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	16,417,976	11.43	16,417,976	-
Tah Shin Spinning Corp.	Stocks_Nan Ya Technology Corp.	-	Financial assets at fair value through other comprehensive income - current	6,367	350	-	350	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	910,919	13,482	0.18	13,482	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Lithium Iron Oxide Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	5,300,000	15,423	15.14	15,423	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	283,120	8,007	1.21	8,007	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Biomedical Technology Corp.	Stocks_Taiwan Leader Biotech Corp.	-	Financial assets at fair value through other comprehensive income- non-current	2,100,000	\$ 37,842	4.67	\$ 37,842	-
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	5,555	0.46	5,555	-
Formosa Biomedical Technology Corp.	Stocks_United Biopharma, Inc.	-	Financial assets at fair value through other comprehensive income- non-current	22,179,750	340,016	12.63	340,016	-
Formosa Biomedical Technology Corp.	Stocks_UBI Pharma Inc.	-	Financial assets at fair value through other comprehensive income- non-current	26,597,922	262,521	18.81	262,521	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Chemicals & Fibre Corp.	Parent company	Financial assets at fair value through other comprehensive income - current	12,169,610	1,277,809	0.21	1,277,809	-
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	64	-	64	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	482,194	36,406	0.01	36,406	-
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	403,500	2.35	403,500	-
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	424,106	0.25	424,106	-
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	39,814,166	3.83	39,814,166	-
Formosa Taffeta Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets at fair value through other comprehensive income- non-current	174,441	3,224	0.45	3,224	-
Formosa Taffeta Co., Ltd.	Stocks_Toa Resin Corp., Ltd.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	14,400	37,437	10.00	37,437	-
Formosa Taffeta Co., Ltd.	Stocks_Shin Yun Natural Gas Corp.	-	Financial assets at fair value through other comprehensive income- non-current	676,441	16,309	1.20	16,309	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Taffeta Co., Ltd.	Stocks_Wk Technology Fund IV Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	1,348,731	\$ 8,874	3.17	\$ 8,874	-
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	49,816	9.53	49,816	-
Formosa Taffeta Co., Ltd.	FG INC.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	600	202,719	3.00	202,719	-
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	5,524,232	3.85	5,524,232	-
Formosa Development Co., Ltd.	Stocks_Formosa Taffeta Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income- non-current	2,243,228	77,504	0.13	77,504	-
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	-	134	0.11	134	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	146,388	14,785	-	14,785	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	2,907,512	219,517	0.04	219,517	-
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	1,601,145	0.26	1,601,145	-
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	120,990	0.01	120,990	-
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	405,692	0.24	405,692	-
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	24,917	4.77	24,917	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets at fair value through other comprehensive income- non-current	59,945	1,075	0.15	1,075	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates_Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	15,147,454	\$ 224,084	-	\$ 224,084	-
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	255,406	-	255,406	-

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 (13).

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 year ended December 31, 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)		Gain (loss) on disposal		Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		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	\$ 4,016,864
The Company	Formosa Synthetic Rubber (Hong Kong) Corp.	Investments accounted for under equity method	-	-	70,000,000	802,566	65,000,000	2,011,490	-	-	-	-	135,000,000	2,541,840
The Company	FCFC Investment Corp. (Cayman)	Investments accounted for under equity method	-	-	56,000	40,547,409	-	4,578,501	-	-	-	-	56,000	46,663,473
The Company	FCFC International Limited (Cayman)	Investments accounted for under equity method	-	-	50,000	15,984,457	-	1,676,070	-	-	-	-	50,000	16,418,149
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Investments accounted for under equity method	-	-	-	27,329,416	-	4,578,501	-	-	-	-	-	32,972,128
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Investments accounted for under equity method	-	-	-	10,290,172	-	4,578,501	-	-	-	-	-	32,972,128
FCFC International (Cayman) Limited	Formosa Ha Tinh (Cayman) Limited	Financial assets at fair value through other comprehensive income- non-current	-	-	564,707,472	15,675,823	56,470,747	1,676,070	-	-	-	-	621,178,219	16,417,976
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	Note 5	7,711,010	424,106
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd	Investments accounted for under equity method	Nan Ya Technology Corp.	Other related parties	290,464,472	7,347,846	-	-	84,022,000	3,039,857	2,177,715	Note 6	206,442,472	5,350,424

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 December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
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	\$ 5,524,232

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

Note 6: The amount of gains or losses on disposal which are reclassified as capital surplus is \$980,948 (including non-controlling interest).shall be replaced by 10% of equity

Formosa Chemicals and Fibre Corporation and subsidiaries
Disposal of real estate reaching \$300 million or 20% of paid-in capital or more
For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
Formosa Taffeta Co., Ltd.	No.540、543、543-1, Beiming section, Dounan Township, Yunlin County	2018/3/16	1991/10/30	\$ 124,320	\$ 401,841	\$ 401,841	\$ 275,299	Home Mark Co., Ltd.	-	Disposal of idle land	Valuation amount of \$331,160 by EuroAsia Real Estate Appraisers Firm	NA
Formosa Taffeta Co., Ltd.	No.514、514-1、536、537、538、539、540-2、543-6, Beiming section, Dounan Township, Yunlin County	2018/5/4	1991/10/30 2004/3/31 2011/5/27	218,350	810,514	810,514	591,918	Shih Hsing Auto Parts Co., Ltd.	-	Disposal of idle land	Valuation amount of \$672,437 by EuroAsia Real Estate Appraisers Firm	NA

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate disposed of should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

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

Note 4: Including expense for transaction.

Formosa Chemicals and Fibre Corporation and subsidiaries
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
For the year ended December 31, 2018

Table 6

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:

Real estate acquired by	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	Reason for acquisition of real estate and status of the real estate	Other commitments
The Company	Building in Neihu TCBD	May 3, 2018	\$ 3,674,500	Fully paid	TransGlobe Life Insurance Inc.	-	-	-	-	\$ -	- 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 TCBD	May 3, 2018	1,000,500	Fully paid	Meifu Development Co., Ltd.	-	-	-	-	-	- 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 year ended December 31, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions											
			Transaction			(Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 1)
The Company	Formosa Plastics Corp.	Other related parties	Sales	(\$ 2,277,294) (	1)	30 days	\$ -	-	\$ 150,018	1	-
The Company	Nan Ya Plastics Corp.	Other related parties	Sales	(35,324,798) (	13)	30 days	-	-	2,688,279	11	-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Sales	(1,978,969) (	1)	60 days	-	-	Notes receivable 331,826	46	-
The Company	Formosa Taffeta (Dong Nai) Corp.	Subsidiary	Sales	(422,916) (	-	60 days	-	-	Accounts receivable 312,250	1	-
The Company	Formosa Petrochemical Corp.	Associates	Sales	(29,555,975) (	11)	30 days	-	-	95,768	-	-
The Company	Formosa Chemicals Industries (Ningbo) Co.,	Subsidiary	Sales	(35,330,793) (	13)	90 days	-	-	2,373,456	9	-
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Sales	(3,840,746) (	1)	30 days	-	-	10,181,135	40	-
The Company	PFG Fiber Glass Corp.	Other related parties	Sales	(469,828) (	-	30 days	-	-	611,177	2	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary	Sales	(14,075,304) (	5)	30 days	-	-	38,797	-	-
The Company	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	(395,189) (	-	30 days	-	-	1,282,036	5	-
The Company	Formosa Plastics Corp.	Other related parties	Purchases	7,875,854	3	30 days	-	-	(36,265	-	-
The Company	Nan Ya Plastics Corp.	Other related parties	Purchases	8,970,281	3	30 days	-	-	(638,997) (	4)	-
The Company	Formosa Petrochemical Corp.	Associates	Purchases	151,546,891	51	30 days	-	-	(756,311) (	4)	-
The Company	Formosa Petrochemical Corp.	Associates	Purchases	151,546,891	51	30 days	-	-	(11,687,951) (	67)	-
Formosa BP Chemicals Corp.	The Company	Parent company	Sales	(1,572,389) (	23)	30 days	-	-	121,400	10	-

			Differences in transaction terms compared to third party transactions (Note 1)							Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction									
			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 Industries Corp.	Nan Ya Plastics Corp.	Other related parties	Purchases	\$ 5,570,846	19	30 days	\$ -	-	(\$ 761,428)	(31)	-	
Formosa Idemitsu Petrochemical Corp.	The Company	Parent company	Sales	(1,779,531)	(10)	30 days	-	-	31,837	3	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Europe Co., Ltd.	Associates	Sales	(365,115)	(2)	30 days after closing date	-	-	37,789	4	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals Taiwan Corp.	Associates	Sales	(610,664)	(4)	30 days after closing date	-	-	79,674	9	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Associates	Sales	(1,044,817)	(6)	30 days after closing date	-	-	60,968	7	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates	Sales	(1,072,655)	(6)	30 days after closing date	-	-	63,536	7	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (U.S.A) Co., Ltd.	Associates	Sales	(163,063)	(1)	30 days after closing date	-	-	11,173	1	-	
Formosa Taffeta Co., Ltd.	Quang Viet Enterprise Co., Ltd.	Associates	Sales	(393,650)	(1)	Pay by mail transfer 60 days after delivery	-	-	41,091	2	-	
Formosa Taffeta Co., Ltd.	Yugen Co., Ltd.	Other related parties	Sales	(340,846)	(1)	Pay 120 days after delivery	-	-	84,289	4	-	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Corp.	Subsidiary	Sales	(158,160)	(1)	60 days after monthly billings	-	-	47,640	2	-	
Formosa Taffeta Co., Ltd.	Schoeller F.T.C.(Hong Kong) Co., Ltd.	Subsidiary	Sales	(101,998)	-	Pay 120 days after delivery			5,829	-	-	

Table 7, Page 3

							Differences in transaction terms compared to third party transactions					
Transaction							(Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 1)	
Formosa Taffeta Co., Ltd.	Formosa Petrochemical Corp.	Other related parties	Purchases	\$ 10,916,187	47	Pay every 15 days by mail transfer	\$ -	-	(\$ 397,563)	(27)	-	
Formosa Taffeta Co., Ltd.	Nan Ya Plastics Corp.	Other related parties	Purchases	793,906	3	Pay every 15 days by mail transfer	-	-	(72,264)	(5)	-	
Formosa Taffeta Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	339,048	1	Pay every 15 days by mail transfer	-	-	(19,816)	(1)	-	
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties	Sales	(6,161,227)	(70)	60 days	-	-	1,006,359	63		
Formosa Advanced Technologies Co., Ltd.	Nan Ya PCB (Kunshan) Corp.	Other related parties	Purchases	152,357	2	45 days after inspection	-	-	(22,116)	(5)		
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates	Sales	(416,462)	(25)	60 days	-	-	210,492	69	-	
Formosa Taffeta (Vietnam) Co., Ltd.	Formosa Industries Corp.,Vietnam	Associates	Purchases	229,715	11	60 days	-	-	(13,943)	(12)	-	
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Associates	Sales	(295,886)	(7)	60 days	-	-	58,448	5	-	
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta Co., Ltd.	Parent company	Sales	(422,296)	(10)	60 days	-	-	112,770	10	-	
Formosa Taffeta (Dong Nai) Co., Ltd.	Kuang Yueh Co., Ltd.	Other related parties	Sales	(146,486)	(3)	60 days	-	-	23,855	2	-	
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Industries Corp.,Vietnam	Associates	Purchases	635,272	15	60 days	-	-	(32,911)	(7)	-	

Table 7, Page 4

			Differences in transaction terms compared to third party transactions									
			(Note 1)							Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term		Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 1)
Formosa Taffeta (Dong Nai) Co., Ltd.	Nan Ya Plastics Corp.	Other related parties	Purchases	\$ 171,232	4	60 days	\$ -	-	(\$	20,741)	(4)	-
Formosa Taffeta (Changshu) Co., Ltd	Jiaxing Quang Viet Garment Co., Ltd.	Associates	Sales	(152,808)	(12)	Pay by mail transfer 60 days after delivery	-	-		19,878	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 year ended December 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 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	\$	150,018	12.76	\$	-	\$	150,018	\$	-
The Company	Nan Ya Plastics Corp.	Other related parties		2,688,279	12.08		-		2,688,279		-
The Company	Formosa Petrochemical Corp.	Associates		2,373,456	11.61		-		2,373,456		-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Notes receivable	331,826	3.35		-		320,169		-
			Accounts receivable	312,250					305,313		
The Company	Formosa Industries Corp., Vietnam	Subsidiary		611,177	7.82		-		497,709		-
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary	Accounts receivable	10,181,135	3.92		-		7,007,316		-
			Other receivables	1,589,317					433,780		
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary		1,282,036	11.48		-		1,282,036		-
Formosa BP Chemicals Corp	The Company	Parent company		121,400	13.82		-		118,984		-
Formosa BP Chemicals Corp	BP Chemicals (Malaysia) SDN Corp.	Associates		665,096	3.99		-		665,096		-
Formosa Power (Ningbo) Co., Ltd	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates		261,567	15.25		-		261,567		-
Formosa Power (Ningbo) Co., Ltd	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties		226,780	10.48		-		226,780		-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties		672,866	19.31		-		672,866		-
Formosa Industries Corp., Vietnam	The Company	Parent company		102,238	4.26		-		102,238		-
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties		1,006,359	6.29		-		553,008		-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates		210,492	2.52		-		85,779		-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta Co., Ltd.	Parent company		112,770	1.93		-		81,544		-

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 year ended December 31, 2018

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	1	Sales revenue	(\$ 35,330,793)	In regular terms	(9)
0	The Company	Formosa Idemitsu Petrochemical Corp.	1	Sales revenue	(14,075,304)	In regular terms	(3)

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 year ended December 31, 2018

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
The Company	Tah Shin Spinning Corp.	Taiwan	Spinning	\$ 5,549	\$ 85,188	1,728,000	86.40	\$ 45,584	\$ 5,153	\$ 4,453	-
The Company	Formosa Taffeta Co., Ltd.	Taiwan	Spinning	719,003	719,003	630,022,431	37.40	25,099,714	4,737,406	1,713,634	-
The Company	Formosa Heavy Industries Corp.	Taiwan	Machinery	2,497,721	2,497,721	651,706,181	32.91	7,794,074	454,628	151,415	-
The Company	Formosa Fairway Corporation	Taiwan	Transportation	33,320	33,320	4,697,951	33.33	98,624 (	2,038) (	680)	-
The Company	Formosa Plastics Transport Corp.	Taiwan	Transportation	299,272	17,255	6,566,384	33.33	1,057,580	40,949	13,620	-
The Company	Formosa Petrochemical Corp.	Taiwan	Chemistry	25,842,468	25,842,468	2,300,799,801	24.15	81,480,476	60,090,225	14,849,180	-
The Company	Mai-Liao Power Corp.	Taiwan	Electricity generation	5,985,531	5,985,531	547,030,137	24.94	11,162,579	532,067	132,714	-
The Company	FCFC Investment Corp. (Cayman)	Cayman Islands	Investments	30,268,758	25,690,257	50,000	100.00	46,663,473	2,759,114	2,759,114	-
The Company	Hwa Ya Science Park Management Consulting Co, Ltd.	Taiwan	Management	340	340	33,000	33.00	1,503	1,216	401	-
The Company	Chia-Nan Enterprise Corporation	Taiwan	Electricity generation	225,034	225,034	12,448,800	30.00	265,338	61,829	18,549	-
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	2,631,258	2,790,510	1,399,965	-
The Company	Su Hua Transport Corp.	Taiwan	Transportation	-	50,000	-	-	-	19,523	4,881	-
The Company	Formosa Industries Corp., Vietnam	Vietnam	Textile, polyester staple fibre, cotton	8,435,801	8,435,801	-	42.50	8,130,115	1,202,739	511,164	-

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018		Investment income (loss) recognised by the Company for the year ended December 31, 2018		Footnote
				Balance as at December 31, 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	\$ 2,124,803	\$ 1,529,586	\$ 759,481	-		
The Company	Formosa Environmental Technology Co.	Taiwan	Disposals of wastes and sewage	417,145	417,145	41,714,475	24.34	225,861	1,363	332	-		
The Company	Formosa Biomedical Technology Corp.	Taiwan	Manufacturing and sale of cosmetics	1,566,879	1,566,879	147,556,136	88.59	1,310,614	406,170	359,828	-		
The Company	Formosa Carpet Corp.	Taiwan	Yarn spinning mills, finishing of textiles and carpet manufacturing	300,000	300,000	22,037,185	100.00	208,442 (	2,408) (	2,408)	-	
The Company	Formosa Synthetic Rubber Corp.	Taiwan	Manufacturing of synthetic rubber	400,000	400,000	40,000,000	33.33	253,916	12,293	4,098	-		
The Company	Formosa Synthetic Rubber (Hong Kong) Co., Ltd.	Hong Kong	Manufacturing of synthetic rubber	4,163,050	2,151,560	135,000,000	33.33	2,541,840 (	816,124) (	272,014)	-	
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	5,370,047 (	926,170) (	231,542)	-	
The Company	Formosa Group Corp. (Cayman)	Cayman Islands	Investments	377	377	12,500	25.00	631,060	1,071,096	267,774	-		
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	82,300 (	16,422) (	5,474)	-	
The Company	FG INC.	United States	Investments	1,980,594	1,980,594	6,000	30.00	2,009,968 (	52,883) (	15,865)	-	
The Company	FCFC International (Cayman) Limited	Cayman Islands	Investments	19,499,348	17,823,278	50,000	100.00	16,418,149 (	78) (	78)	-	
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Hong Kong	Investments	26,215,971	21,637,470	-	100.00	32,972,128	1,780,855	1,780,855	-		

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 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	\$ 95,577	\$ 10,610	\$ 3,180	-
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Taiwan	Recycle of spent catalyst	353,389	252,969	23,486,218	61.00	711,863	708,606	363,725	-
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (Samoa) Co., Ltd.	Samoa	Investments	29,610	29,610	-	100.00	(779)	(6,076)	(6,076)	-
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	9,104	2,789	1,567	-
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	217,235	18,065	13,708	-
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	2,681,906	3,773,440	206,442,472	46.68	5,350,424	1,420,293	838,593	-
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	1,133,880	60,477	60,477	-
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	1,963,366	139,974	139,974	-

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Formosa Taffeta Co., Ltd.	Kuang Yueh Co., Ltd.	Taiwan	Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	\$ 213,771	\$ 213,771	18,595,352	17.99	\$ 1,191,261	\$ 768,584	\$ 116,954	-
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Hong Kong	Trading of textiles	2,958	2,958	-	50.00	5,663	6,206	3,103	-
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	2,281,893 (	5,943) (	5,943)	-
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	2,008,842	1,181,028	121,457	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Cayman Islands	Investments	6,241,670	5,675,253	171,028,736	100.00	5,524,284	-	-	-
Formosa Development Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	23,914	1,420,293	1,508	-
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Taiwan	Employment service, manpower allocation and agency service	5,000	5,000	-	100.00	9,994	4,834	4,834	-

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

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

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2018' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2018' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Formosa Chemicals and Fibre Corporation and subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2018

Table 11

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	\$ 4,834,511	1	\$ 4,051,414	\$ -	\$ -	\$ 4,051,414	\$ 978,259	100.00	\$ 978,259	\$ 14,165,686	\$ -	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	1,780,855	100.00	1,780,855	32,972,128	-	2
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Production and sale of synthetic rubber	12,777,478	4	2,151,560	2,011,490	-	4,163,050	(816,124)	33.00	(272,014)	2,541,840	-	2
Formosa Biomedical Trading (Shanghai) Co., Ltd.	Investments	29,610	1	29,610	-	-	29,610	(6,076)	100.00	(6,076)	(779)	-	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	94,273	100.00	94,273	1,695,852	-	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 Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
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	\$ 7,203	100.00	\$ 7,203	\$ 13,154	-	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	60,688	100.00	60,688	1,016,281	-	5
Changshu Yu Yuan Development Co., Ltd.	Building and selling real estate	70,788	2	-	-	-	- (	240)	40.78 (	98)	16,403	-	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. It's paid-in capital is RMB\$13,592,920.

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

Note 3: The Company's paid-in capital, accumulative remittance from Taiwan as of January 2, 2018 and that as of December 31, 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 December 31, 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 December 31, 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 December 31, 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	\$ 34,430,435	\$ 40,028,811	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 year ended December 31, 2018

Table 12

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing					
	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	Others	
Formosa Taffeta (Zhongshan) Co., Ltd.	\$ 33,068	0.12	\$ -	-	\$ 3,305	0.14	\$ 1,013,595	For short-term loans from financial institutions	\$ -	\$ -	-	\$ -	-	
Formosa Taffeta (Changshu) Co., Ltd.	63,966	0.23	-	-	12,463	0.53	1,689,325	For short-term loans from financial institutions	-	-	-	-	-	