

**FORMOSA CHEMICALS & FIBRE  
CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
MARCH 31, 2018 AND 2017**

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

**FORMOSA CHEMICALS & FIBRE CORPORATION  
AND SUBSIDIARIES**

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## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000023

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

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of Formosa Chemicals & Fibre Corporation and subsidiaries (the “Group”) as at March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### ***Scope of Review***

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

### ***Basis for Qualified Conclusion***

As explained in Note 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using equity method) of NT\$107,735,876 thousand and NT\$104,371,286 thousand, constituting 17% and 19% of the consolidated total assets, and total liabilities of NT\$20,052,284 thousand and NT\$21,048,451 thousand, constituting 13% and 12% of the consolidated total liabilities as at March 31, 2018 and 2017, respectively,

and total comprehensive income (including share of profit or loss of associates and joint ventures accounted for using equity method and share of other comprehensive income of associates and joint ventures accounted for using equity method) of NT\$1,208,893 thousand and NT\$1,584 thousand, constituting 5% and 0.02% of the consolidated total comprehensive income for the three-month periods then ended, respectively.

### ***Qualified Conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews and the reports of other independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

***Other matter – reviews of the other independent accountants***

We did not review the financial statements of certain investments accounted for under equity method. The investment balance amounted to NT\$89,635,025 thousand and NT\$79,317,071 thousand, constituting 15% and 14% of consolidated total assets as at March 31, 2018 and 2017, respectively, and share of profit of associates and joint ventures accounted for under the equity method amounted to NT\$6,068,873 thousand and NT\$5,143,727 thousand, constituting 24% and 67% of consolidated total comprehensive income for the periods then ended, respectively. Those financial statements were reviewed by other independent accountants, whose reports thereon have been furnished to us, and our conclusion expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the review reports of other independent accountants.

Chou, Chien-Hung

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

May 4, 2018

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

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

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

Assets		Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 25,971,392	4	\$ 29,684,599	5	\$ 43,560,725	8
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(5)	5,115,910	1	630,396	-	628,766	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	122,037,742	20	-	-	-	-
1125	Available-for-sale financial assets - current	12(5)	-	-	117,617,800	20	102,594,478	19
1140	Current contract assets		582,646	-	-	-	-	-
1150	Notes receivable, net	6(4)	11,442,872	2	10,971,286	2	7,361,241	1
1160	Notes receivable - related parties	7	2,097	-	13,006	-	2,169	-
1170	Accounts receivable, net	6(4)	22,373,956	3	21,653,085	4	18,374,935	3
1180	Accounts receivable - related parties	7	9,011,127	1	9,049,561	2	7,251,798	1
1200	Other receivables	7	6,239,850	1	7,366,582	1	6,479,069	1
1210	Other receivables - related parties	7	16,246,911	3	13,727,806	2	6,892,841	1
130X	Inventory	6(5) and 8	41,944,139	7	38,837,031	7	47,111,036	9
1470	Other current assets	7 and 8	12,400,670	2	4,291,251	1	10,569,395	2
11XX	Total current assets		273,369,312	44	253,842,403	44	250,826,453	45
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	85,694,321	14	-	-	-	-
1523	Available-for-sale financial assets - non-current	12(5)	-	-	43,994,286	8	40,192,735	7
1543	Financial assets carried at cost - non-current	12(5)	-	-	25,093,528	4	23,158,775	4
1550	Investments accounted for under equity method	6(6), 7 and 8	120,962,448	20	112,476,716	20	106,304,926	19
1600	Property, plant and equipment	6(7) and 8	124,566,847	20	125,345,618	22	125,547,615	23
1780	Intangible assets		854	-	1,042	-	1,195	-
1840	Deferred income tax assets		2,240,668	-	1,883,829	-	2,182,829	1
1900	Other non-current assets		9,615,103	2	9,689,071	2	6,421,609	1
15XX	Total non-current assets		343,080,241	56	318,484,090	56	303,809,684	55
1XXX	Total assets		\$ 616,449,553	100	\$ 572,326,493	100	\$ 554,636,137	100

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**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>							
2100	Short-term borrowings	6(8)	\$ 24,115,277	4	\$ 23,142,134	4	\$ 26,614,111	5
2110	Short-term notes and bills payable	6(8)	3,779,211	-	1,579,763	-	3,749,595	1
2120	Financial liabilities at fair value through profit or loss - current	6(9)	1,332	-	-	-	233	-
2150	Notes payable		253,821	-	199,518	-	192,828	-
2170	Accounts payable		9,954,669	1	7,500,163	1	8,771,523	2
2180	Accounts payable - related parties	7	14,101,941	2	17,949,939	3	12,883,928	2
2200	Other payables		10,260,783	2	10,693,867	2	9,788,226	2
2220	Other payables - related parties	7	92,400	-	118,800	-	94,373	-
2230	Current income tax liabilities		5,788,503	1	3,927,165	1	5,433,721	1
2320	Long-term liabilities, current portion	6(10)(11)	17,097,773	3	12,174,978	2	14,065,371	2
2399	Other current liabilities		4,185,037	1	5,139,667	1	2,902,953	-
21XX	<b>Total current liabilities</b>		<u>89,630,747</u>	<u>14</u>	<u>82,425,994</u>	<u>14</u>	<u>84,496,862</u>	<u>15</u>
	<b>Non-current liabilities</b>							
2530	Corporate bonds payable	6(10)	32,650,000	6	34,050,000	6	39,750,000	7
2540	Long-term borrowings	6(11)	25,702,168	4	29,795,576	5	37,519,252	7
2570	Deferred income tax liabilities		305,879	-	259,691	-	194,600	-
2600	Other non-current liabilities		7,129,600	1	7,294,156	2	6,882,171	1
25XX	<b>Total non-current liabilities</b>		<u>65,787,647</u>	<u>11</u>	<u>71,399,423</u>	<u>13</u>	<u>84,346,023</u>	<u>15</u>
2XXX	<b>Total liabilities</b>		<u>155,418,394</u>	<u>25</u>	<u>153,825,417</u>	<u>27</u>	<u>168,842,885</u>	<u>30</u>
	<b>Equity attributable to owners of parent</b>							
	<b>Share capital</b>	6(13)						
3110	Common stock		58,611,863	9	58,611,863	10	58,611,863	11
	<b>Capital surplus</b>	6(14)						
3200	Capital surplus		8,683,072	1	8,682,798	1	8,624,114	1
	<b>Retained earnings</b>	6(15)						
3310	Legal reserve		51,046,840	8	51,046,840	9	46,663,535	8
3320	Special reserve		46,567,089	8	46,567,089	8	41,927,550	8
3350	Unappropriated retained earnings		101,974,928	17	84,218,728	15	84,271,073	15
	<b>Other equity interest</b>	6(16)						
3400	Other equity interest		134,026,861	22	109,169,026	19	89,438,756	17
3500	Treasury stocks	6(13)	( 626,468)	-	( 626,468)	-	( 360,572)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>400,284,185</u>	<u>65</u>	<u>357,669,876</u>	<u>62</u>	<u>329,176,319</u>	<u>60</u>
36XX	<b>Non-controlling interest</b>		<u>60,746,974</u>	<u>10</u>	<u>60,831,200</u>	<u>11</u>	<u>56,616,933</u>	<u>10</u>
3XXX	<b>Total equity</b>		<u>461,031,159</u>	<u>75</u>	<u>418,501,076</u>	<u>73</u>	<u>385,793,252</u>	<u>70</u>
	<b>Significant contingent liabilities and unrecognised contract commitments</b>	9						
	<b>Significant events after the balance sheet date</b>	11						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 616,449,553</u>	<u>100</u>	<u>\$ 572,326,493</u>	<u>100</u>	<u>\$ 554,636,137</u>	<u>100</u>

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

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

Items		Notes	For the three-month periods ended March 31			
			2018		2017	
			AMOUNT	%	AMOUNT	%
4000	<b>Operating revenue</b>	6(17) and 7	\$ 98,956,552	100	\$ 89,259,531	100
5000	<b>Operating costs</b>	6(5)(12)(21)(22) and 7	( 83,205,670)	( 84)	( 74,132,446)	( 83)
5900	<b>Net operating margin</b>		15,750,882	16	15,127,085	17
	<b>Operating expenses</b>	6(12)(21)(22) and 7				
6100	Selling expenses		( 2,237,025)	( 2)	( 2,011,172)	( 2)
6200	General and administrative expenses		( 1,432,032)	( 1)	( 1,364,143)	( 2)
6000	<b>Total operating expenses</b>		( 3,669,057)	( 3)	( 3,375,315)	( 4)
6900	<b>Operating profit</b>		12,081,825	13	11,751,770	13
	<b>Non-operating income and expenses</b>					
7010	Other income	6(18) and 7	354,058	-	423,671	1
7020	Other gains and losses	6(19)	( 148,678)	-	( 2,187,758)	( 2)
7050	Finance costs	6(7)(20) and 7	( 536,384)	-	( 582,654)	( 1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	4,382,837	4	4,885,047	5
7000	<b>Total non-operating income and expenses</b>		4,051,833	4	2,538,306	3
7900	<b>Profit before income tax</b>		16,133,658	17	14,290,076	16
7950	Income tax expense	6(23)	( 1,809,237)	( 2)	( 1,568,283)	( 2)
8200	<b>Profit for the period</b>		\$ 14,324,421	15	\$ 12,721,793	14

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

Items	Notes	For the three-month periods ended March 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (net)</b>	6(16)(23)				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8316 Unrealised gain on financial assets measured at fair value through other comprehensive income		\$ 10,378,895	10	\$ -	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method		1,724,561	2	-	-
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		12,103,456	12	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 569,046 )	( 1 )	( 4,629,862 )	( 5 )
8362 Unrealised loss on valuation of available-for-sale financial assets		-	-	( 367,566 )	-
8370 Share of other comprehensive loss of associates and joint ventures accounted for under equity method		( 451,735 )	-	( 578,334 )	( 1 )
8399 Income tax relating to the components of other comprehensive income		70,341	-	526,890	1
8360 <b>Components of other comprehensive loss that will be reclassified to profit or loss</b>		( 950,440 )	( 1 )	( 5,048,872 )	( 5 )
8300 <b>Total other comprehensive income (loss) for the period</b>		\$ 11,153,016	11	( \$ 5,048,872 )	( 5 )
8500 <b>Total comprehensive income for the period</b>		\$ 25,477,437	26	\$ 7,672,921	9
<b>Net income attributable to:</b>					
8610 Owners of the parent		\$ 12,974,359	14	\$ 11,710,970	13
8620 Non-controlling interest		1,350,062	1	1,010,823	1
		\$ 14,324,421	15	\$ 12,721,793	14
<b>Total comprehensive income attributable to:</b>					
8710 Owners of the parent		\$ 23,087,942	24	\$ 9,184,281	11
8720 Non-controlling interest		2,389,495	2	( 1,511,360 )	( 2 )
		\$ 25,477,437	26	\$ 7,672,921	9
<b>Basic earnings per share</b>	6(26)	<b>Before Tax</b>	<b>After Tax</b>	<b>Before Tax</b>	<b>After Tax</b>
9710 Profit for the period from continuing operations		\$ 2.77	\$ 2.46	\$ 2.45	\$ 2.18
9720 Non-controlling interest		( 0.36 )	( 0.24 )	( 0.25 )	( 0.18 )
9750 Profit attributable to common shareholders of the parent		\$ 2.41	\$ 2.22	\$ 2.20	\$ 2.00
<b>Assuming shares held by subsidiary are not deemed as treasury stock:</b>					
Profit for the period from continuing operations		\$ 2.75	\$ 2.44	\$ 2.44	\$ 2.17
Non-controlling interest		( 0.36 )	( 0.23 )	( 0.25 )	( 0.17 )
Profit attributable to common shareholders of the parent		\$ 2.39	\$ 2.21	\$ 2.19	\$ 2.00

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

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

Equity attributable to owners of the parent														
Notes	Retained Earnings					Other Equity Interest					Treasury stocks	Total	Non-controlling interest	Total equity
	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges					
<u>For the three-month period ended March 31, 2017</u>														
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	
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	-	-	-	-	-	-	-	-	-	-	-	2,464	2,464	
Changes in the net interest of associates recognised under the equity method	-	1,472	-	-	-	-	-	-	-	-	1,472	-	1,472	
Cash dividends paid by consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	( 1,524,017)	( 1,524,017)	
Profit for the period	-	-	-	-	11,710,970	-	-	-	-	-	11,710,970	1,010,823	12,721,793	
Other comprehensive income (loss) for the period	-	-	-	-	-	( 3,434,227)	-	918,344	( 10,806)	-	( 2,526,689)	( 2,522,183)	( 5,048,872)	
Balance at March 31, 2017	<u>\$ 58,611,863</u>	<u>\$8,624,114</u>	<u>\$ 46,663,535</u>	<u>\$41,927,550</u>	<u>\$ 84,271,073</u>	<u>( \$2,445,603)</u>	<u>\$ -</u>	<u>\$ 91,851,991</u>	<u>\$ 32,368</u>	<u>( \$360,572)</u>	<u>\$329,176,319</u>	<u>\$56,616,933</u>	<u>\$385,793,252</u>	

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

Equity attributable to owners of the parent														
	Notes	Retained Earnings				Other Equity Interest					Treasury stocks	Total	Non-controlling interest	Total equity
		Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges				
For the three-month ended March 31, 2018														
Balance at January 1, 2018		\$ 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
Effect of retrospective application and retrospective restatement		-	-	-	-	5,114,398	-	125,624,639	( 111,213,200 )	-	-	19,525,837	65,223	19,591,060
Balance after restatement at January 1, 2018		58,611,863	8,682,798	51,046,840	46,567,089	89,333,126	( 2,052,251 )	125,624,639	-	8,077	( 626,468 )	377,195,713	60,896,423	438,092,136
Changes in the net interest of associates recognised under the equity method	6(14)	-	411	-	-	-	-	-	-	-	-	411	-	411
Expired cash dividends reclassified to capital surplus	6(14)	-	( 137 )	-	-	-	-	-	-	-	-	( 137 )	-	( 137 )
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount		-	-	-	-	-	-	-	-	-	-	-	( 416 )	( 416 )
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	( 1,963,474 )	( 1,963,474 )
Profit for the period		-	-	-	-	12,974,359	-	-	-	-	-	12,974,359	1,350,062	14,324,421
Other comprehensive income (loss) for the period		-	-	-	-	11,661	( 507,796 )	10,610,786	-	( 1,068 )	-	10,113,583	1,039,433	11,153,016
Disposal of financial assets at fair value through other comprehensive income		-	-	-	-	( 344,218 )	-	344,474	-	-	-	256	( 575,054 )	( 574,798 )
Balance at March 31, 2018		\$ 58,611,863	\$8,683,072	\$ 51,046,840	\$46,567,089	\$ 101,974,928	( \$2,560,047 )	\$ 136,579,899	\$ -	\$ 7,009	( \$ 626,468 )	\$400,284,185	\$60,746,974	\$ 461,031,159

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

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

		For the three-month periods ended March 31,	
	Notes	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 16,133,658	\$ 14,290,076
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(21)	3,578,039	3,666,757
Amortisation	6(21)	711,798	684,162
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(2)(9)(19)	89,720	( 2,293 )
Loss on inventory valuation	6(5)	22,972	38,446
Interest expense	6(20)	536,384	582,654
Interest income	6(18)	( 133,205 )	( 135,511 )
Share of profit or loss of associates accounted for under the equity method		( 4,382,837 )	( 4,885,047 )
Loss (gain) on disposal and scrap of property, plant and equipment	6(19)	23,337	( 3,045 )
Gain on disposal of investments	6(19)	-	( 24,285 )
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		26,191	-
Notes receivable		( 471,586 )	( 323,490 )
Notes receivable-related parties		10,909	9,474
Accounts receivable		( 720,871 )	( 345,960 )
Accounts receivable-related parties		38,434	104,637
Other receivables		1,122,481	( 1,369,679 )
Inventories		( 3,639,505 )	( 4,992,416 )
Other current assets		( 8,109,419 )	( 5,160,329 )
Other non-current assets		-	( 69,563 )
Changes in operating liabilities			
Notes payable		54,303	( 4,042 )
Accounts payable		2,454,506	245,539
Accounts payable-related parties		( 3,847,998 )	( 501,582 )
Other payables		112,925	335,155
Other current liabilities		( 954,630 )	18,625
Accrued pension liabilities		( 208,932 )	( 103,792 )
Cash inflow generated from operations		2,446,674	2,054,491
Interest received		137,456	133,715
Interest paid		( 615,972 )	( 632,777 )
Income tax paid		( 185,862 )	-
Net cash flows from operating activities		1,782,296	1,555,429

(Continued)

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

		For the three-month periods ended March 31,	
	Notes	2018	2017
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
(Increase) decrease in other receivables-related parties		(\$ 2,519,105 )	\$ 12,948,219
Acquisition of financial assets at fair value through other comprehensive income		( 28,533 )	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		394,922	-
Proceeds from disposal of financial assets measured at cost		-	47,823
Acquisition of property, plant and equipment	6(25)	( 3,606,182 )	( 2,348,622 )
Proceeds from disposal of property, plant and equipment		12,596	13,660
Increase in other non-current assets		( 742,328 )	( 992,776 )
Net cash flows (used in) from investing activities		( 6,488,630 )	9,668,304
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		973,143	467,361
Increase in short-term notes and bills payable		2,199,448	2,250,131
(Decrease) increase in other payables-related parties		( 26,400 )	36,895
Increase in long-term borrowings		223,835	3,277,416
Payment of long-term borrowings		( 603,417 )	( 3,988,285 )
Increase in other non-current liabilities		19,277	81,970
Increase (decrease) in guarantee deposits		25,099	( 5,144 )
Payment of expired cash dividends reclassified to capital surplus		( 137 )	-
Payment of cash dividends - non-controlling interest		( 1,963,474 )	( 24,017 )
Net cash flows from financing activities		847,374	2,096,327
Effect of foreign exchange translations		145,753	( 151,246 )
Net (decrease) increase in cash and cash equivalents		( 3,713,207 )	13,168,814
Cash and cash equivalents at beginning of period		29,684,599	30,391,911
Cash and cash equivalents at end of period		\$ 25,971,392	\$ 43,560,725

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 THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(REVIEWED, NOT AUDITED)

**1. HISTORY AND ORGANISATION**

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on May 4, 2018.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

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

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

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

A. IFRS 9, 'Financial instruments'

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. IFRS 15, 'Revenue from contracts with customers'

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.

C. Amendments to IFRS 15, 'Clarifications to 'Revenue from contracts with customers'

The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of goods or services) or an agent (responsible for arranging for the goods or services to be provided); and determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. 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.

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

These amendments clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, and they clarify several of the general principles underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset's tax base. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits. The amendments are effective from January 1, 2017.

When adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group adopted IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarised below:



- A. In accordance with IFRS 9, the Group reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets at cost in the amounts of \$117,617,800, \$43,994,286 and \$25,093,528, respectively, and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current, investments accounted for under equity method, retained earnings and other equity interest in the amounts of \$4,573,903, \$112,254,609, \$86,556,189, \$2,812,561, \$5,089,978 and \$14,411,439, respectively, and decreasing non-controlling interest in the amount of \$9,769.
- B. 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.

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

A. Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'

The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The gain or loss resulting from a transaction that involves sales or contribution of assets between an investor and its associates or joint ventures is recognised either in full or partially depending on the nature of the assets sold or contributed:

- (a) If sales or contributions of assets constitute a 'business', the full gain or loss is recognised;
- (b) If sales or contributions of assets do not constitute a 'business', the partial gain or loss is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

B. 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.

C. Amendments to IAS 19, 'Plan amendment, curtailment or settlement'

When a change to a plan take place, the amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

D. IFRIC 23, 'Uncertainty over income tax treatments'

This Interpretation clarifies when there is uncertainty over income tax treatments, an entity shall

recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12, 'Income taxes' based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the first quarter of 2017 were not restated. The financial statements for the year ended December 31, 2017 and the first quarter of 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(5) and (6) for details of significant accounting policies.

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

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

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

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



Note 1: The Company planned to reorganise the investment structure through a merger of 4 investees in Mainland China, namely, Formosa Chemicals Industries (Ningbo) Co., Ltd., Formosa ABS Plastics (Ningbo) Co., Ltd., Formosa PS (Ningbo) Co., Ltd. and Formosa Phenol (Ningbo) Limited Co. After the effective date of January 1, 2018, Formosa Chemicals Industries (Ningbo) Co., Ltd. will be the surviving entity. The proposal has been resolved by Board of Directors on November 4, 2016.

Note 2: The financial statements of the entity as of and for the three-month periods ended March 31, 2018 and 2017 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary

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

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

E. Significant restrictions: None

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

As of March 31, 2018, December 31, 2017 and March 31, 2017, the non-controlling interest amounted to \$60,746,974, \$60,831,200 and \$56,616,933, respectively. The information of non-controlling interest and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		March 31, 2018		December 31, 2017		
		Amount	Ownership (%)	Amount	Ownership (%)	
Formosa Taffeta Co., Ltd.	Taiwan	\$ 44,174,926	62.60	\$ 43,310,992	62.60	-

Name of subsidiary	Principal place of business	Non-controlling interest			Description
		March 31, 2017		Ownership	
		Amount	(%)		
Formosa Taffeta Co., Ltd.	Taiwan	\$ 40,022,433	62.60	-	

Summarised financial information of the subsidiary:

Balance sheets

	Formosa Taffeta Co., Ltd.		
	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	\$ 25,835,510	\$ 23,982,143	\$ 24,498,756
Non-current assets	72,199,049	70,720,892	65,973,056
Current liabilities	11,078,518	9,413,895	9,967,375
Non-current liabilities	12,071,766	12,106,570	12,656,421
Total net assets	\$ 74,884,275	\$ 73,182,570	\$ 67,848,016

## Statements of comprehensive income

	Formosa Taffeta Co., Ltd.	
	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Revenue	\$ 10,730,423	\$ 10,254,273
Profit before income tax	552,911	634,584
Income tax expense	( 170,994)	( 125,230)
Profit for the period	381,917	509,354
Other comprehensive income (loss), net of tax	1,153,219	( 2,945,174)
Total comprehensive income (loss) for the period	\$ 1,535,136	(\$ 2,435,820)
Comprehensive income attributable to non-controlling interest	\$ 170,104	\$ 74,327

## Statements of cash flows

	Formosa Taffeta Co., Ltd.	
	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Net cash provided by (used in) operating activities	(\$ 627,113)	\$ 345,786
Net cash provided by (used in) investing activities	( 967,384)	( 722,003)
Net cash provided by (used in) financing activities	1,769,277	713,348
Effect of exchange rates on cash and cash equivalents	( 15,252)	( 187,981)
Increase in cash and cash equivalents	159,528	149,150
Cash and cash equivalents, beginning of period	4,942,919	5,653,854
Cash and cash equivalents, end of period	\$ 5,102,447	\$ 5,803,004

### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional and presentation currency.

#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

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

#### (5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- 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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash

flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(12) Inventories

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

(13) Investments accounted for using equity method /associates

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

retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Property, plant and equipment

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

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

(15) Intangible assets

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Notes and accounts payable

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

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

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

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either



discharged or cancelled or expires.

(21) Offsetting financial instruments

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

(22) Non-hedging derivatives

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.
- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant

curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(25) Treasury shares

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

(26) Dividends

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

(27) Revenue recognition

- A. Revenue is measured at the fair value of the consideration received or receivable taking into account corporate 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 Group offers customers price discounts. The Group estimates such discounts based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. 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.

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

Considering that the highly customised products have no alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognised in the reporting period in which the services are delivered to the customers. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the costs incurred relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

#### (28) Operating segments

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

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

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

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

None.

#### (2) Critical accounting estimates and assumptions

##### A. Impairment assessment of tangible assets

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

##### B. Realisability of deferred tax assets

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

C. Calculation of net defined benefit liabilities

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Cash on hand and petty cash	\$ 54,438	\$ 132,789	\$ 77,427
Checking accounts and demand deposits	4,594,236	5,714,328	7,209,773
Cash equivalents			
Time deposits	14,666,730	15,122,751	30,826,568
Bonds repurchased and commercial paper	6,655,988	8,714,731	5,446,957
	<u>\$ 25,971,392</u>	<u>\$ 29,684,599</u>	<u>\$ 43,560,725</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. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

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

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

<u>Items</u>	<u>March 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificate	\$ 619,504
Fund	4,903,800
Derivatives	229
	<u>5,523,533</u>
Valuation adjustment	(407,623)
	<u>\$ 5,115,910</u>

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

	<u>For the three-month period ended March 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	\$ 702
Fund	( 88,922)
Derivatives	( 168)
	<u>(\$ 88,388)</u>

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

	<u>March 31, 2018</u>	
Derivative Instruments	Contract Amount (Notional Principal) (in thousands)	<u>Contract Period</u>
Current items:		
Forward exchange contracts:		
Taipei Fubon	JPY 113,710	Mar. 2018 - Jun. 2018
Taipei Fubon	USD 558	Feb. 2018 - May. 2018

The Group entered into forward exchange contracts to buy USD and JPY to hedge exchange rate risk of Ninth Naphtha Cracker Project from syndicated long-term borrowings. However, these forward exchange contracts are not accounted for under hedge accounting.

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

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

	<u>March 31, 2018</u>
Current items:	
Equity instruments	
Listed stocks	\$ 25,483,949
Unlisted stocks	911,691
Valuation adjustment	<u>95,642,102</u>
	<u>\$ 122,037,742</u>
Non-current items:	
Equity instruments	
Listed stocks	\$ 10,004,391
Unlisted and emerging stocks	24,782,238
Valuation adjustment	<u>50,907,692</u>
	<u>\$ 85,694,321</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 three-month period  
ended March 31, 2018

Equity instruments at fair value through other comprehensive income

Fair value change recognised in other comprehensive income

\$ 12,091,795

Cumulative gains (losses) reclassified to retained earnings due to derecognition (including losses included in non-controlling interest)

\$ (919,272)

- B. As at March 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 \$207,732,063.
- 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 is provided in Note 12(3).
- E. The information on December 31, 2017 and March 31, 2017 is provided in Note 12(5).

(4) Notes and accounts receivable

	March 31, 2018	December 31, 2017	March 31, 2017
Notes receivable	\$ 11,442,872	\$ 10,971,286	\$ 7,361,241
Less: Allowance for bad debts	-	-	-
	<u>\$ 11,442,872</u>	<u>\$ 10,971,286</u>	<u>\$ 7,361,241</u>
Accounts receivable	\$ 22,631,597	\$ 21,910,658	\$ 18,647,417
Less: Allowance for bad debts	( 257,641)	( 257,573)	( 272,482)
	<u>\$ 22,373,956</u>	<u>\$ 21,653,085</u>	<u>\$ 18,374,935</u>

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

	March 31, 2018	December 31, 2017	March 31, 2017
Without past due	\$ 33,613,314	\$ 32,457,273	\$ 25,593,195
Up to 30 days	367,652	347,818	296,133
31 to 90 days	69,954	66,606	69,142
91 to 180 days	17,302	3,172	45,590
Over 181 days	6,247	7,075	4,598
	<u>\$ 34,074,469</u>	<u>\$ 32,881,944</u>	<u>\$ 26,008,658</u>

The above ageing analysis was based on past due date.

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

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

(5) Inventories

	March 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 14,012,586	(\$ 93,233)	\$ 13,919,353
Supplies	6,100,804	( 604,878)	5,495,926
Work in progress	6,803,652	( 7,978)	6,795,674
Finished goods	16,152,926	( 584,927)	15,567,999
Other inventories	165,296	( 109)	165,187
	<u>\$ 43,235,264</u>	<u>(\$ 1,291,125)</u>	<u>\$ 41,944,139</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>

	March 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 18,414,847	(\$ 146,946)	\$ 18,267,901
Materials	5,658,195	( 534,825)	5,123,370
Work in progress	7,225,107	( 17,059)	7,208,048
Finished goods	17,054,159	( 690,380)	16,363,779
Other inventory	147,938	-	147,938
	<u>\$ 48,500,246</u>	<u>(\$ 1,389,210)</u>	<u>\$ 47,111,036</u>

A. Expense and loss incurred on inventories for the three-month periods ended March 31, 2018 and 2017 were as follows:

	For the three-month periods ended March 31,	
	2018	2017
Cost of inventories sold	\$ 83,304,046	\$ 73,678,888
Loss on inventory valuation (Note)	22,972	38,446
Idle capacity	72,734	304,512
Others	( 194,082)	110,600
	<u>\$ 83,205,670</u>	<u>\$ 74,132,446</u>

Note: As the market value of petroleum related products decreased for the three-month periods ended March 31, 2018 and 2017, the Group recognised related allowance for inventory valuation loss after assessment.

B. As of March 31, 2018 and 2017, inventories pledged are described in Note 8.

(6) Investments accounted for using equity method

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Formosa Heavy Industries Corp.	\$ 7,901,533	\$ 7,694,277	\$ 7,524,343
Formosa Fairway Corp.	103,522	100,952	96,843
Formosa Plastics Transport Corp.	762,367	738,229	753,862
Formosa Petrochemical Corp.	89,635,025	82,001,789	79,317,071
Mai Liao Power Corp.	11,885,418	10,845,857	11,002,967
Hwa Ya Science Park Management Consulting Co., Ltd.	1,419	1,382	1,819
Chia-Nan Enterprise Corp.	262,939	260,483	266,667
Su Hua Transport Corp.	280,929	277,136	258,729
Formosa Environmental Technology Corp.	227,043	226,435	254,961
Formosa Synthetic Rubber Corp.	219,000	283,679	303,817
Formosa Synthetic Rubber Corp. (Hong Kong)	724,351	802,566	1,106,032
Formosa Resource Corp.	5,200,641	5,361,771	3,877,030
Formosa Group (Cayman) Corp.	303,157	348,135	184,735
Formosa Construction Corp.	86,792	87,774	90,831
FG INC.	2,117,830	2,165,787	-
Beyoung International Corp.	95,340	95,491	93,972
Kuang Yueh Co., Ltd.	1,105,473	1,149,965	1,111,071
Changshu Yu Yuan Co., Ltd.	49,669	35,008	60,176
	<u>\$ 120,962,448</u>	<u>\$ 112,476,716</u>	<u>\$ 106,304,926</u>

A. Associates

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

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

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

Balance sheets

Formosa Petrochemical Corp.			
	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	\$ 295,621,967	\$ 264,858,391	\$ 304,559,794
Non-current assets	166,543,285	161,521,779	163,719,629
Current liabilities	( 70,375,084)	( 64,714,687)	( 72,893,013)
Non-current liabilities	( 19,399,551)	( 20,378,883)	( 64,993,227)
Total net assets	<u>\$ 372,390,617</u>	<u>\$ 341,286,600</u>	<u>\$ 330,393,183</u>
Share in associate's net assets	\$ 89,932,334	\$ 82,420,714	\$ 79,789,953
Unrealised profit from sale of upstream transactions			
eliminations	( 186,590)	( 308,206)	( 362,163)
Net differences in share capital	( 110,719)	( 110,719)	( 110,719)
Carrying amount of the associate	<u>\$ 89,635,025</u>	<u>\$ 82,001,789</u>	<u>\$ 79,317,071</u>

Statements of comprehensive income

Formosa Petrochemical Corp.		
	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Revenue	\$ 181,596,519	\$ 163,992,756
Profit for the period from continuing operations	18,301,418	22,615,950
Other comprehensive income (loss), net of tax	6,327,135	( 1,287,551)
Total comprehensive income	<u>\$ 24,628,553</u>	<u>\$ 21,328,399</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

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

As of March 31, 2018, December 31, 2017 and March 31, 2017, the carrying amount of the Group's individually immaterial associates amounted to \$31,327,423, \$30,474,927 and \$26,987,855, respectively.

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Profit (loss) for the period from continuing operations	\$ 391,218	(\$ 1,902,171)
Other comprehensive loss, net of tax	( 890,751)	( 1,243,759)
Total comprehensive loss	<u>(\$ 499,533)</u>	<u>(\$ 3,145,930)</u>

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Formosa Petrochemical Corp.	<u>\$ 272,644,776</u>	<u>\$ 265,742,377</u>	<u>\$ 243,884,779</u>

B. Except for the financial statements of Formosa Petrochemical Corp., which were reviewed by the Company's appointed independent accountants, the financial statements of other investees accounted for using equity method for the three-month periods ended March 31, 2018 and 2017 were not reviewed.

C. The Board of Directors resolved to invest USD 72,600 thousand, equivalent to 33% of ownership. in FG INC in November, 2017.

D. As of March 31, 2018 and 2017, no equity investments by the Group were pledged to others.

(7) Property, plant and equipment

	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<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	-	-	3,072	13,725	3,122,964	3,139,761
Disposals	-	-	( 38,811)	2,878	-	( 35,933)
Reclassifications	( 124,220)	125,107	1,661,934	44,020	( 1,826,786)	( 119,945)
Depreciation charge	( 74)	( 367,091)	( 3,088,770)	( 122,104)	-	( 3,578,039)
Net exchange difference	25	( 105,336)	( 7,460)	( 6,754)	( 65,090)	( 184,615)
Closing net book amount	<u>\$ 8,441,885</u>	<u>\$ 22,023,482</u>	<u>\$ 78,479,341</u>	<u>\$ 2,093,641</u>	<u>\$ 13,528,498</u>	<u>\$ 124,566,847</u>
<u>At March 31, 2018</u>						
Cost	\$ 8,612,485	\$ 46,238,056	\$ 298,634,419	\$ 14,707,927	\$ 13,528,498	\$ 381,721,385
Accumulated depreciation and impairment	( 170,600)	( 24,214,574)	( 220,155,078)	( 12,614,286)	-	( 257,154,538)
	<u>\$ 8,441,885</u>	<u>\$ 22,023,482</u>	<u>\$ 78,479,341</u>	<u>\$ 2,093,641</u>	<u>\$ 13,528,498</u>	<u>\$ 124,566,847</u>

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2017</u>						
Cost	\$ 8,779,868	\$ 44,776,889	\$ 293,971,383	\$ 14,692,225	\$ 14,151,660	\$ 376,372,025
Accumulated depreciation and impairment	( 170,292)	( 22,571,577)	( 210,261,607)	( 12,411,580)	( 43,509)	( 245,458,565)
	<u>\$ 8,609,576</u>	<u>\$ 22,205,312</u>	<u>\$ 83,709,776</u>	<u>\$ 2,280,645</u>	<u>\$ 14,108,151</u>	<u>\$ 130,913,460</u>
<u>2017</u>						
Opening net book amount	\$ 8,609,576	\$ 22,205,312	\$ 83,709,776	\$ 2,280,645	\$ 14,108,151	\$ 130,913,460
Additions	-	3,021	63,329	27,101	1,871,313	1,964,764
Disposals	-	( 1,862)	( 5,595)	( 3,158)	-	( 10,615)
Reclassifications	108	1,151,400	2,412,854	45,474	( 3,551,622)	58,214
Depreciation charge	( 73)	( 367,222)	( 3,179,705)	( 119,757)	-	( 3,666,757)
Net exchange difference	( 118)	( 738,990)	( 2,443,333)	( 37,164)	( 491,846)	( 3,711,451)
Closing net book amount	<u>\$ 8,609,493</u>	<u>\$ 22,251,659</u>	<u>\$ 80,557,326</u>	<u>\$ 2,193,141</u>	<u>\$ 11,935,996</u>	<u>\$ 125,547,615</u>
<u>At March 31, 2017</u>						
Cost	\$ 8,779,102	\$ 44,866,975	\$ 291,319,452	\$ 14,584,789	\$ 11,979,505	\$ 371,529,823
Accumulated depreciation and impairment	( 169,609)	( 22,615,316)	( 210,762,126)	( 12,391,648)	( 43,509)	( 245,982,208)
	<u>\$ 8,609,493</u>	<u>\$ 22,251,659</u>	<u>\$ 80,557,326</u>	<u>\$ 2,193,141</u>	<u>\$ 11,935,996</u>	<u>\$ 125,547,615</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 three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Amount capitalised	<u>\$ 18,828</u>	<u>\$ 18,140</u>
Interest rate	<u>0.94%~3.36%</u>	<u>1.01%~2.62%</u>

- B. Under regulations, land may only be owned by individuals. The Group has obtained ownership of the agricultural land for future plant expansion which was acquired by the Group under the name of a third party, and the full amount was pledged to the Company. As of March 31, 2018, December 31, 2017 and March 31, 2017, the pledged amounts were \$822,993, \$822,993 and \$824,537, respectively.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

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

Type of loans	March 31, 2018	Interest rate range	Collateral
OA loans	\$ 1,863	0.32%	None
Secured loans	3,472,004	1.40%~4.03%	Note 8
Unsecured loans	20,641,410	1.00%~4.48%	None
Total short-term loans	<u>\$ 24,115,277</u>		
Short-term notes and bills payable	\$ 3,780,000	0.42%~0.60%	None
Short-term notes and bills payable discount	( 789)		
Net short-term notes and bills payable	<u>\$ 3,779,211</u>		
Type of loans	December 31, 2017	Interest rate range	Collateral
OA loans	\$ 7,386	0.32%~0.36%	None
Secured loans	2,798,304	1.40%~4.79%	Note 8
Unsecured loans	20,336,444	0.96%~4.57%	None
Total short-term loans	<u>\$ 23,142,134</u>		
Short-term notes and bills payable	\$ 1,580,000	0.56%~0.79%	None
Short-term notes and bills payable discount	( 237)		
Net short-term notes and bills payable	<u>\$ 1,579,763</u>		
Type of loans	March 31, 2017	Interest rate range	Collateral
Secured loans	\$ 3,179,505	1.40%~4.35%	Note 8
Unsecured loans	23,434,606	0.69%~4.60%	None
Total short-term loans	<u>\$ 26,614,111</u>		
Short-term notes and bills payable	\$ 3,750,000	0.40%~0.61%	None
Short-term notes and bills payable discount	( 405)		
Net short-term notes and bills payable	<u>\$ 3,749,595</u>		

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

Items	March 31, 2018
Current items:	
Derivatives	<u>\$ 1,332</u>

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

Items	For the three-month period ended March 31, 2018
Derivatives	\$ 1,332

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

	March 31, 2017	
Derivative Financial Liabilities	Contract Amount (Notional Principal) (In thousand dollars)	Contract Period
Current items:		
Forward foreign exchange contracts		
Taipei Fubon	USD 779	Jan. 2018 ~ Apr. 2018
Taipei Fubon	JPY 201,430	Jan. 2018 ~ May. 2018

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

(10) Bonds payable

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

The terms of nonconvertible corporate bonds were as follows:

	Issuance	Maturity	Yield	Issued principal				
Description	date	date	rate (%)	amount	March 31, 2018	December 31, 2017	March 31, 2017	Note
2012								
First issued domestic unsecured nonconvertible corporate bonds - A	2012.7.26	2016.7.26~2017.7.26	1.29	6,000,000	\$ -	\$ -	\$ 3,000,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2012.7.26	2018.7.26~2019.7.26	1.40	3,000,000	3,000,000	3,000,000	3,000,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - A	2012.12.7	2016.12.7~2017.12.7	1.23	3,000,000	-	-	1,500,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - B	2012.12.7	2018.12.7~2019.12.7	1.36	3,900,000	3,900,000	3,900,000	3,900,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7~2022.12.7	1.51	4,100,000	4,100,000	4,100,000	4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2019.1.22~2020.1.22	1.34	2,800,000	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22~2023.1.22	1.50	2,200,000	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%



Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	March 31, 2018	December 31, 2017	March 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	\$ 2,250,000	\$ 4,500,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2013.7.8	2019.7.8~2020.7.8	1.38	2,700,000	2,700,000	2,700,000	2,700,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8~2023.7.8	1.52	2,800,000	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.1.17	2025.1.17 ~ 2026.1.17	2.03	10,000,000	10,000,000	10,000,000	10,000,000	Serial bonds, to be settled 50%, 50%
<u>2014</u>								
First issued domestic unsecured nonconvertible corporate bonds-A	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	1,400,000	1,400,000	1,400,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds-B	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	4,600,000	4,600,000	4,600,000	4,600,000	Serial bonds, to be settled 50%, 50%
					39,750,000	39,750,000	46,500,000	
Less: Current portion of bonds payable					( 7,100,000)	( 5,700,000)	( 6,750,000)	
					<u>\$ 32,650,000</u>	<u>\$ 34,050,000</u>	<u>\$ 39,750,000</u>	

(11) Long-term bank loans and notes payable

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 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
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)	"	2,489,384
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi- annually after Apr. 16, 2017 with a two- year extension	LIBOR+1.55%	"	2,038,092
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	"	1,834,283

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 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	\$ 481,621
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%	"	1,588,423
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)	"	444,573
Taiwan Bank	Oct. 24, 2014 ~ Oct. 21, 2019, principal payable semi- annually after three years; interest payable quarterly	LIBOR+1.40% 3 months	"	1,863,680
Taiwan Business Bank	Jan.1, 2016 ~ Jan. 1, 2019, principal payable quarterly after 27 months	LIBOR+1.10% 3 months	"	535,240

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 31, 2018
Mega International Commercial Bank	Jan. 5, 2018~ Jan. 5, 2023, interest payable quarterly, principal payable in 5 installment semi-annually from Jan. 2021	1 to 5 years (including 5 years) rate of CBC, 4.75%	None	\$ 222,287
Chang Hwa Bank	Sep. 2017 ~ Sep. 2022, principal payable semi-annually after 36 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	389,001
Hua Nan Bank	Feb. 3, 2017 ~ Feb. 3, 2020, principal payable at maturity date	LIBOR+1.35% 3 months	"	162,084
Hua Nan Bank	Jan. 15, 2018 ~ Jan. 15, 2020, payable in full at maturity	1.03%	"	1,500,000
Sino Pac Bank	Jun. 16, 2017 ~ Jun. 16, 2019, payable in full at maturity	1.02%	"	300,000
First Commercial Bank	Sep. 15, 2017 ~ Sep. 15, 2020, payable in full at maturity	1.02%	"	2,000,000
Mizuho Corporate Bank	Aug. 18, 2017 ~ Aug. 18, 2019, payable in full at maturity	1.03%	"	900,000
E. Sun Bank	Sep. 20, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.04%	"	500,000
China Trust Bank	Sep. 22, 2017 ~ Sep. 22, 2019, payable in full at maturity	1.04%	"	500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 31, 2018
Land Bank of Taiwan	May. 25, 2017 ~ Sep. 30, 2020, payable in full at maturity	1.05%	None	\$ 200,000
KGI Bank	Jun. 20, 2017 ~ Jun. 20, 2019, payable in full at maturity	1.04%	"	1,000,000
Taipei Fubon Bank	Mar. 23, 2018 ~ Mar. 23, 2020, payable in full at maturity	1.04%	"	1,500,000
Bangkok Bank	Dec. 4, 2017 ~ Dec. 1, 2019, payable in full at maturity	1.04%	"	200,000
Far Eastern International Bank	Sep. 22, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	700,000
HSBC	Dec. 8, 2017 ~ Dec. 8, 2019, payable in full at maturity	1.02%	"	1,500,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	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., T.A.T.	411,719

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 31, 2018
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd	Jul. 2005 ~ Dec. 2018, interest payable monthly; principal payable annually	0.86%~0.87%	None	
				\$ 28,443
				35,699,941
Less: Current portion of long-term loans				( 9,997,773)
				\$ 25,702,168

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 TAIFX is higher than LIBOR+0.35%, the difference between TAIFX and LIBOR+0.35% is payable by the borrower)	"	2,555,333
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.55%	"	2,390,954
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, principal payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.45% and TAIFX+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>

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 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%	None	\$ 3,000,000
Export-Import Bank of the ROC	Jul. 27, 2012 ~ Jul. 27, 2017, principal payable semi-annually	0.96%	"	57,143
China Trust Bank	Aug. 24, 2015 ~ Aug. 24, 2020, payable in full after Aug. 24, 2018 or payable in full at maturity with a two-year extension	LIBOR+1.25% (if TAIEX is higher than LIBOR+0.35%, the difference between TAIEX and LIBOR+0.35% is payable by the borrower)	"	2,881,579
Taipei Fubon Bank	Aug. 2, 2016 ~ Aug. 2, 2018, payable at maturity date; interest payable monthly	1.14%	"	600,000
Sumitomo Mitsui Banking Corporation	Aug. 2, 2016 ~ Aug. 2, 2018, payable at maturity date; interest payable monthly	0.82%	"	1,100,000
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	2.49%~2.59%	"	5,186,843

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 31, 2017
Mega International Commercial Bank	Nov. 19, 2012 ~ Nov. 17, 2017, principal payable semi-annually	TAIFX+0.80% 3 months	None	\$ 1,152,768
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi-annually after 18 months	1 to 5 year (including 5 year) rate of CBC, 4.75%	"	936,554
Taiwan Cooperative Bank	Dec. 10, 2013 ~ Dec. 7, 2018, principal payable semi-annually	The interest rate is 1.3% plus the average of the 3- month RMB interbank lending rate of HSBC (HK) and that of China Bank (HK), 2 business days before the interest accrued (the interest rate for the third year is 6.598%, and the interest accrual period is from December to March)	"	668,340
Taiwan Cooperative Bank	Dec. 10, 2013 ~ Dec. 7, 2018, principal payable semi-annually	TAIFX+0.75% 3 months	"	1,674,547
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)	"	527,637
Taiwan Bank	Oct. 24, 2014 ~ Oct. 21, 2019, principal payable semi- annually after three years; interest payable quarterly	LIBOR+1.4% 3 months	"	2,426,880

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 31, 2017
Taiwan Business Bank	Jan. 1, 2016 ~ Jan. 1, 2019, principal payable quarterly after 27 months	LIBOR+1.1% 3 months	None	\$ 586,938
Hua Nan Bank	Feb. 3, 2017 ~ Feb. 3, 2020, interest is payable monthly; principle is repayable in installment	LIBOR+1.35% 3 months	"	153,894
Hua Nan Bank	Mar. 15, 2016 ~ Mar. 15, 2018, payable in full at maturity	1.03%	"	1,500,000
Sino Pac Bank	May. 16, 2016 ~ May. 16, 2018, payable in full at maturity	1.05%	"	300,000
O-Bank (formerly named Industrial Bank of Taiwan)	Sep. 25, 2015 ~ Sep. 25, 2018, payable in full at maturity	1.07%	"	500,000
First Commercial Bank	Sep. 16, 2015 ~ Sep. 16, 2018, payable in full at maturity	0.99%	"	1,500,000
First Commercial Bank	May. 16, 2016 ~ Sep. 16, 2018, payable in full at maturity	1.04%	"	500,000
Mizuho Corporate Bank	Aug. 19, 2016 ~ Aug. 19, 2018, payable in full at maturity	1.06%	"	900,000
E. Sun Bank	Aug. 20, 2015 ~ Aug. 20, 2018, payable in full at maturity	1.04%	"	500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 31, 2017
China Trust Bank	Sep. 23, 2016 ~ Sep. 23, 2018, payable in full at maturity	1.05%	None	\$ 500,000
KGI Bank	Jun. 20, 2016 ~ Jun. 20, 2018, payable in full at maturity	1.04%	"	1,000,000
Taipei Fubon Bank	Jan. 11, 2016 ~ Jan. 11, 2018, payable in full at maturity	1.04%	"	1,500,000
Bangkok Bank	Dec. 2, 2015 ~ Dec. 1, 2017, payable in full at maturity	1.05%	"	200,000
Far Eastern International Bank	Dec. 2, 2016 ~ Aug. 10, 2018, payable in full at maturity	1.08%	"	700,000
HSBC	Dec. 19, 2016 ~ Dec. 19, 2018, payable in full at maturity	1.03%	"	1,500,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	12,100,000
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	625,174

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	March 31, 2017
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd.	Jul. 2005 ~ Dec. 2018, interest payable monthly; principal payable annually	0.86%~1.01%	None	
				\$ 56,326
				44,834,623
Less: Current portion of long-term loans				( 7,315,371)
				\$ 37,519,252

A. The collaterals for long-term bank loans are described in Note 8.

B. The Group has signed contracts for syndicated loans with Mega Bank and others on November 14, 2013 to finance plant construction for Formosa Ha Tinh Steel Corp. Information is as follows:

(a) Total credit line: \$12,100,000

(b) Interest rate: Based on the agreement with the banks

(c) Period: 7 years

(d) Collateral: Land in Six Naphtha Cracking Plant, Mailiao Township, Yunlin County

The Group is required to meet certain financial covenants, namely liability ratio (liabilities/net equity) of less than 150% and current ratio (current assets/current liabilities) of above 100% at the end of each year. In the event the Group fails to meet the required covenants, a capital increase has to be completed by June of the following year.

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

#### (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) For the aforementioned pension plan, the Group recognised pension costs of \$51,376 and \$52,689 for the three-months periods ended March 31, 2018 and 2017, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$155,939.
- B. (a) From July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 10~20% and 10%~20% for the three-month periods ended March 31, 2018 and 2017, respectively. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2018 and 2017 were \$94,039 and \$84,868, respectively.

(13) Capital stock

- A. As of March 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 three-month periods ended March 31, 2018, and 2017 are set forth below:

Reason for reacquisition	Subsidiary	For the three-month period ended March 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 three-month period ended March 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	-	-	11,219,610
	Formosa Advanced Technologies Co.	7,316,000	-	-	7,316,000
		<u>18,535,610</u>	<u>-</u>	<u>-</u>	<u>18,535,610</u>

C. The market value of treasury stocks was \$108.5 and \$94.4 (in dollars) per share at March 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 three-month period ended March 31, 2018					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2018	\$ 2,710,554	\$ 5,514,032	\$ 203,232	\$ 29,307	\$ 9,447	\$216,226
Effect from net stockholding of associates recognised under the equity method	-	-	-	411	-	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	( 137)
At March 31, 2018	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 203,232</u>	<u>\$ 29,718</u>	<u>\$ 9,447</u>	<u>\$216,089</u>

For the three-month period ended March 31, 2017						
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2017	\$ 2,710,554	\$ 5,514,032	\$ 159,382	\$ 25,003	\$ 9,447	\$204,224
Effect from net stockholding of associates recognised under the equity method	-	-	-	1,472	-	-
At March 31, 2017	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 159,382</u>	<u>\$ 26,475</u>	<u>\$ 9,447</u>	<u>\$204,224</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 2016 and 2015 earnings had been resolved at the stockholders' meeting on June 9, 2017 and June 7, 2016, respectively. Details are as follows:

For the years ended December 31,				
2016			2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 4,383,305		\$ 2,757,819	
Special reserve	4,639,539		-	
Cash dividends	32,822,643	\$ 5.60	20,514,153	\$ 3.50
	<u>\$ 41,845,487</u>		<u>\$ 23,271,972</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 2017 net income was approved by the Board of Directors during its meeting on March 16, 2018 as follows:

For the year ended December 31, 2017		
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 5,441,080	
Special reserve	6,564,296	
Cash dividends	41,028,304	\$ 7.00
	<u>\$ 53,033,680</u>	

- G. Information relating to employees' bonuses and directors' and supervisors' remuneration is summarised in Note 6(22).

(16) Other equity items

	<u>Hedging reserve</u>	<u>Unrealised gain (loss)</u>	<u>Available-for-sale investment</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2018	\$ 8,077	\$ -	\$ 111,213,200	(\$ 2,052,251)	\$109,169,026
Effects of retrospective application and retrospective restatement	-	125,624,639	( 111,213,200)	-	14,411,439
Balance at January 1, 2018 after restatment	8,077	125,624,639	-	( 2,052,251)	123,580,465
Revaluation:					-
–Group	-	8,897,886	-	-	8,897,886
–Associates	-	1,712,900	-	-	1,712,900
Revaluation transferred to retained earnings:					-
–Associates	-	344,474	-	-	344,474
Cash flow hedges:					-
–Associates	( 1,068)	-	-	-	( 1,068)
Currency translation differences:					-
–Group	-	-	-	( 127,470)	( 127,470)
–Tax of Group	-	-	-	70,341	70,341
–Associates	-	-	-	( 450,667)	( 450,667)
At March 31, 2018	<u>\$ 7,009</u>	<u>\$ 136,579,899</u>	<u>\$ -</u>	<u>(\$ 2,560,047)</u>	<u>\$134,026,861</u>

	<u>Hedging reserve</u>	<u>Available-for-sale investment</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2017	\$ 43,174	\$ 90,933,647	\$ 988,624	\$ 91,965,445
Unrealised gain (loss) on available-for-sale investments:				
–Group	-	927,373	-	927,373
–Associates	- (	9,029)	- (	9,029)
Cash flow hedges:				
–Associates	( 10,806)	-	- (	10,806)
Currency translation differences:				
–Group	-	- (	3,402,618)	( 3,402,618)
–Tax of Group	-	-	526,890	526,890
–Associates	-	- (	558,499)	( 558,499)
At March 31, 2017	<u>\$ 32,368</u>	<u>\$ 91,851,991</u>	<u>(\$ 2,445,603)</u>	<u>\$ 89,438,756</u>

(17) Operating revenue

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Sales revenue	\$ 98,705,676	\$ 89,002,328
Service revenue	114,943	141,665
Other operating revenue	135,933	115,538
	<u>\$ 98,956,552</u>	<u>\$ 89,259,531</u>

(18) Other income

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Interest income:		
Interest income from bank deposits	\$ 63,228	\$ 80,922
Interest from current account with others	60,423	50,465
Other interest income	9,554	4,124
	<u>133,205</u>	<u>135,511</u>
Rental revenue	35,721	34,850
Other revenue-others	185,132	253,310
	<u>\$ 354,058</u>	<u>\$ 423,671</u>

(19) Other gains and losses

	For the three-month periods ended March 31,	
	2018	2017
(Loss) gain on disposal of property, plant and equipment	(\$ 23,337)	\$ 3,045
Gain on disposal of investments	-	24,285
Net currency exchange loss	21,607	( 2,158,851)
Net (loss) gain on financial assets (liabilities) at fair value through profit or loss	( 89,720)	2,293
Other losses	( 57,228)	( 58,530)
	<u>(\$ 148,678)</u>	<u>(\$ 2,187,758)</u>

(20) Finance costs

	For the three-month periods ended March 31,	
	2018	2017
Interest expense:		
Bank loans	\$ 349,055	\$ 381,805
Corporate bonds	161,978	182,949
Current account with others	1,221	3,411
Discount	32,692	19,219
Other interest expenses	10,266	13,410
	<u>555,212</u>	<u>600,794</u>
Less: Capitalisation of qualifying assets	( 18,828)	( 18,140)
Finance costs	<u>\$ 536,384</u>	<u>\$ 582,654</u>

(21) Expenses by nature

	For the three-month periods ended March 31,	
	2018	2017
Depreciation charges on property, plant and equipment	\$ 3,578,039	\$ 3,666,757
Employee benefit expense	3,729,852	3,721,933
Amortisation	711,798	684,162
	<u>\$ 8,019,689</u>	<u>\$ 8,072,852</u>

(22) Employee benefit expense

	For the three-month periods ended March 31,	
	2018	2017
Wages and salaries	\$ 3,173,535	\$ 3,191,085
Labor and health insurance fees	255,644	248,041
Pension costs	145,415	137,557
Other personnel expenses	155,258	145,250
	<u>\$ 3,729,852</u>	<u>\$ 3,721,933</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of profit before income tax of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation. The ratio shall not be lower than 0.05% and shall not be higher than 0.5% for employees' compensation.

B. For the three-month periods ended March 31, 2018 and 2017, employees' remuneration (bonuses) was accrued at \$14,050 and \$12,865, respectively.

For the three-month periods ended March 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 the profit or loss for 2017. Employees' compensation of 2017 has not 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:

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the period	\$ 2,017,583	\$ 1,611,028
Adjustments in respect of prior years	29,617	-
Total current tax	<u>2,047,200</u>	<u>1,611,028</u>
Deferred tax:		
Origination and reversal of temporary differences	( 15,575)	( 45,571)
Impact of change in tax rate	( 221,154)	-
Effect of exchange rate	( 1,234)	2,826
Total deferred tax	<u>( 237,963)</u>	<u>( 42,745)</u>
Income tax expense	<u>\$ 1,809,237</u>	<u>\$ 1,568,283</u>

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Currency translation differences	<u>\$ 70,341</u>	<u>\$ 526,890</u>

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

C. Under the amendments to the Income Tax Act which was promulgated by the President of the

Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(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 three-month period ended March 31, 2018				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 16,133,658	\$ 14,324,421		\$ 2.77	\$ 2.46
Net income of non- controlling interest	( 2,097,532)	( 1,350,062)		( 0.36)	( 0.24)
Profit attributable to ordinary shareholders of the parent	\$ 14,036,126	\$ 12,974,359	5,833,768	\$ 2.41	\$ 2.22

	For the three-month period ended March 31, 2017				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 14,290,076	\$ 12,721,793		\$ 2.45	\$ 2.18
Net income of non- controlling interest	( 1,437,979)	( 1,010,823)		( 0.25)	( 0.18)
Profit attributable to ordinary shareholders of the parent	\$ 12,852,097	\$ 11,710,970	5,842,651	\$ 2.20	\$ 2.00

B. Employees' bonus could be distributed in the form of stock. Since there is no significant impact when calculating diluted earnings per share, basic earnings per share equals diluted earnings per share.

C. If stocks of the parent company held by subsidiaries are not treated as treasury stocks, the calculation of basic earnings per share is as follows:



For the three-month period ended March 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	\$ 16,133,658	\$ 14,324,421		\$ 2.75	\$ 2.44
Net income of non- controlling interest	( 2,097,532)	( 1,350,062)		( 0.36)	( 0.23)
Profit attributable to ordinary shareholders of the parent	<u>\$ 14,036,126</u>	<u>\$ 12,974,359</u>	<u>5,861,186</u>	<u>\$ 2.39</u>	<u>\$ 2.21</u>

For the three-month period ended March 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	\$ 14,290,076	\$ 12,721,793		\$ 2.44	\$ 2.17
Net income of non- controlling interest	( 1,437,979)	( 1,010,823)		( 0.25)	( 0.17)
Profit attributable to ordinary shareholders of the parent	<u>\$ 12,852,097</u>	<u>\$ 11,710,970</u>	<u>5,861,186</u>	<u>\$ 2.19</u>	<u>\$ 2.00</u>

(25) Non-cash transactions

Investing activities with partial cash payments:

	For the three-month periods ended March 31,	
	2018	2017
Purchase of fixed assets	\$ 3,139,761	\$ 1,964,764
Add: Opening balance of payable on equipment	577,616	789,871
Less: Ending balance of payable on equipment	( 111,195)	( 406,013)
Cash paid during the period	<u>\$ 3,606,182</u>	<u>\$ 2,348,622</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 activities	973,143	2,199,448	-	( 379,582)	2,793,009
Impact of changes in foreign exchange rate	-	-	-	( 191,031)	( 191,031)
At March 31, 2018	<u>\$ 24,115,277</u>	<u>\$ 3,779,211</u>	<u>\$ 39,750,000</u>	<u>\$ 35,699,941</u>	<u>\$ 103,344,429</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

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

(2) Significant related party transactions

A. Sales of goods:

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Sales of goods:		
— Associates	\$ 8,697,033	\$ 7,170,484
— Other related parties	<u>14,069,594</u>	<u>12,563,369</u>
	<u>\$ 22,766,627</u>	<u>\$ 19,733,853</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:

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Purchases of goods:		
— Associates		
Formosa Petrochemical Corp.	\$ 41,232,331	\$ 35,193,225
Others	41	71
— Other related parties	<u>6,749,463</u>	<u>5,480,075</u>
	<u>\$ 47,981,835</u>	<u>\$ 40,673,371</u>

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

C. Receivables from related parties:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Receivables from related parties:			
— Associates	\$ 2,958,836	\$ 3,115,452	\$ 2,570,778
— Other related parties	<u>6,054,388</u>	<u>5,947,115</u>	<u>4,683,189</u>
	<u>9,013,224</u>	<u>9,062,567</u>	<u>7,253,967</u>
Other receivables:			
— Other related parties	<u>63</u>	<u>-</u>	<u>1,313</u>
	<u>\$ 9,013,287</u>	<u>\$ 9,062,567</u>	<u>\$ 7,255,280</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>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Payables to related parties:			
— Associates			
Formosa Petrochemical Corp.	\$ 11,474,659	\$ 14,889,016	\$ 10,474,925
— Other related parties	<u>2,627,282</u>	<u>3,060,923</u>	<u>2,409,003</u>
	<u>\$ 14,101,941</u>	<u>\$ 17,949,939</u>	<u>\$ 12,883,928</u>

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

E. Expansion and repair project

(a)Expansion and repair project:

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Expansion and repair works of factory sites		
— Associates	\$ 118,980	\$ 31,122
— Other related parties	<u>-</u>	<u>73,531</u>
	<u>\$ 118,980</u>	<u>\$ 104,653</u>

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Payables to related parties:			
— Associates	\$ 32,093	\$ 2,262	\$ 3,867
— Other related parties	<u>-</u>	<u>2,032</u>	<u>14,776</u>
	<u>\$ 32,093</u>	<u>\$ 4,294</u>	<u>\$ 18,643</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>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
— Associates			
Formosa Group (Cayman) Corp.	\$ 4,259,500	\$ 4,259,500	\$ -
Formosa Heavy Industries Corp.	250,000	-	1,700,000
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	2,922,098	2,192,592	1,099,225
Others	<u>83,356</u>	<u>82,222</u>	<u>460,000</u>
	<u>7,514,954</u>	<u>6,534,314</u>	<u>3,259,225</u>
— Other related parties			
Formosa Plastics Marine Co., Ltd.	5,729,357	4,190,892	3,633,616
Formosa Ha Tinh (Cayman) Co., Ltd.	<u>3,002,600</u>	<u>3,002,600</u>	<u>-</u>
	<u>8,731,957</u>	<u>7,193,492</u>	<u>3,633,616</u>
	<u>\$ 16,246,911</u>	<u>\$ 13,727,806</u>	<u>\$ 6,892,841</u>

#### (ii) Interest income

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
— Associates		
Formosa Group (Cayman) Corp.	\$ 14,788	\$ 16,383
Formosa Synthetic Rubber (Ninbo) Co., Ltd.	19,727	8,700
Others	<u>10</u>	<u>1,973</u>
	<u>34,525</u>	<u>27,056</u>
— Other related parties		
Nan Ya Technology Corp.	-	1,999
Formosa Plastics Marine Co., Ltd.	14,789	12,678
Formosa Ha Tinh (Cayman) Limited	10,424	8,559
Others	<u>-</u>	<u>171</u>
	<u>25,213</u>	<u>23,407</u>
	<u>\$ 59,738</u>	<u>\$ 50,463</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 three-month

periods ended March 31, 2018 and 2017, respectively.

(b) Loans from related parties:

(i) Ending balance of payables to related parties

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
— Associates			
Formosa Heavy Industries Corp.	\$ 92,400	\$ 118,800	\$ 54,800
— Other related parties			
Sino-Asia Steel (Ningbo) Co., Ltd.	-	-	39,573
	<u>\$ 92,400</u>	<u>\$ 118,800</u>	<u>\$ 94,373</u>

(ii) Interest expense

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
— Associates	\$ 298	\$ 235
— Other related parties	-	249
	<u>\$ 298</u>	<u>\$ 484</u>

The loan terms from associates are in accordance with the contract's repayment schedule after the loan is made; interest is paid at a rate of 1.41% and 1.41%~3.48% per annum for the three-month periods ended March 31, 2018 and 2017, respectively.

G. Receivables for payment on behalf of others

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
— Other related parties	<u>\$ 8,603</u>	<u>\$ 16,608</u>	<u>\$ -</u>

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

H. Operating expenses

	<u>For the three-month periods ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	\$ 127,535	\$ 349,464
Formosa Plastics Transport (Ningbo) Corp.	190,021	91,319
	<u>\$ 317,556</u>	<u>\$ 440,783</u>

## I. Rental revenue

		For the three-month periods ended March 31,	
		2018	2017
— Associates			
Formosa Petrochemical Corp.	\$	5,036	\$ 5,036
Others		2,856	3,092
		<u>7,892</u>	<u>8,128</u>
— Other related parties			
Nan Ya Plastics Corp.		6,598	6,630
Formosa Plastics Building Parking Lot		3,945	3,837
Formosa Network Technology Corp.		3,850	3,850
Others		7,820	7,835
		<u>22,213</u>	<u>22,152</u>
	\$	<u>30,105</u>	<u>\$ 30,280</u>

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

## J. Property transactions:

### Acquisition of property, plant and equipment

		For the three-month periods ended March 31,	
		2018	2017
Purchase of property, plant and equipment			
— Associates	\$	101,618	\$ 12,537
— Other related parties		-	108
	\$	<u>101,618</u>	<u>\$ 12,645</u>

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

## (3) Key management compensation

		For the three-month periods ended March 31,	
		2018	2017
Salaries	\$	52,714	\$ 55,134
Post-employment benefits		416	465
	\$	<u>53,130</u>	<u>\$ 55,599</u>



## 8. PLEDGED ASSETS

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

Pledged assets	Book value			Purpose
	March 31, 2018	December 31, 2017	March 31, 2017	
Property, plant and equipment	\$ 5,990,506	\$ 6,107,499	\$ 6,418,447	Collateral for bank loans
Inventory	21,264	21,264	21,264	Limited transfer for land tax reassessment and collateral
	<u>\$ 6,011,770</u>	<u>\$ 6,128,763</u>	<u>\$ 6,439,711</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

- (1) Capital expenditures of property, plant and equipment that were contracted but not yet paid amounted to \$5,825,544 thousand, RMB 310,614 thousand and VND 389,197,046 thousand.
- (2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 25,890 thousand, JPY 1,585,656 thousand, EUR 2,133 thousand and CHF 225 thousand.
- (3) The provision of endorsements and guarantees to others are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Formosa Industries Corp.	\$ 4,778,840	\$ 4,898,311	\$ 4,978,395
Formosa Resources Corp.	3,130,400	3,208,660	-
Formosa Group (Cayman) Corp.	18,200,000	21,639,800	30,184,320
Formosa Ha Tinh (Cayman) Corp.	19,021,599	19,361,369	15,665,646
Formosa Taffeta (Zhong Shan) Co., Ltd.	328,195	282,720	485,280
Formosa Taffeta (Vietnam) Co., Ltd.	383,402	98,141	194,724
Formosa Taffeta (Changshu) Co., Ltd.	476,368	329,353	405,171
Formosa Taffeta (Dong Nai) Co., Ltd.	2,665,920	2,472,112	2,681,736
Public More Internation Co., Ltd.	3,000	3,000	3,000
	<u>\$ 48,987,724</u>	<u>\$ 52,293,466</u>	<u>\$ 54,598,272</u>

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

- A. Beginning in 2013, the Group's investment accounted for using equity method, Formosa Synthetic Rubber Corp. (Ningbo), entered into a syndicated loan contract with the syndicated banking group including Hua Nan Bank, arranging the credit facilities of USD130 million and RMB300 million to meet the operation needs. The Company is required to issue a promissory note equivalent to the shareholding ratio of 33.33% and is obliged to facilitate the repayment for the borrower whenever necessary.
- B. Beginning in 2012, the Group's consolidated entity, Formosa Phenol (Ningbo) Limited Co., entered into a syndicated loan contract with the syndicated banking group including Mega International Commercial Bank, Taiwan Cooperative Bank and Bank of Taiwan, arranging the credit facilities of USD244 million and RMB310 million to meet the capital needs of building

the plant. The Company is required to issue a promissory note and is obliged to facilitate the repayment of the borrower whenever necessary.

C. The Company's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided a bank loan facility of USD835 million to meet the operation needs. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower has fulfilled its obligation for repayment.

D. The Group's consolidated entity, Formosa Chemicals Industries (Ningbo) Limited Co., entered into a syndicated loan contract with the syndicated banking group led by Mega International Commercial Bank, arranging the credit facilities of USD155 million or equivalent value in RMB to meet the capital needs of building the plant. The Company is required to issue a promissory note and is obliged to facilitate the repayment of the borrower whenever necessary.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On May 4, 2018, the Board of Directors resolved the following significant proposals:

A. In respect of the Formosa Tower's urban renewal plan (hereafter referred to as "the Plan"), the consent declaration to the Plan has been submitted to Formosa Construction Corp. under the resolution of the Board on December 20, 2017. Formosa Construction Corp. was also commissioned for the related implementing procedures, including filing an urban renewal proposal with the Taipei City Government. The Company plans to commission the construction on its own land. Aiming to set forth duties and obligations under the law of both parties as well as the payment timeline, the Company entered into an agreement with Formosa Construction Corp.

B. The Company plans to purchase property including the office building located in T · CBD, Sec. 6 Nanjing East Rd., Neihu District, Taipei City, from the non-related parties, TransGlobe Life Insurance Inc. and Meifu Development Co., Ltd. The total consideration is expected to be \$4,675 million.

C. The Company plans to increase its investment by US\$65 million in Formosa Synthetic Rubber (Hong Kong) Co., Ltd. to strengthen the financial structure of its indirect investee, Formosa Synthetic Rubber (Ningbo) Co., Ltd. The Company's shareholding ratio will be raised from 31.8182% to 32.5301% after the investment.

#### 12. OTHERS

##### (1) Litigation

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

judgement on the administrative lawsuit has been rendered. Meanwhile, the Company filed an administrative appeal with the Executive Yuan.

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

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

Because of the Changhua plant shutdown, the Company assessed that part of idle production equipment may not be recoverable. Accordingly, the Company recognised impairment loss on property, plant and equipment amounting to \$466,785 for the year ended December 31, 2016.

On November 16, 2017, the Company received a violation decision from Changhua County Government of an enhanced fine amounting to NT\$12.44 billion pursuant to Article 7 of Environmental Impact Assessment Act. The fine was levied on the ground that the indigenous coal used in the combined heat and power system is contrary to that indicated in the Environmental Impact Statement. The lawyers have filed an appeal with the Environmental Protection Administration (EPA) on behalf of the Company on November 22, 2017. On December 19, 2017, Changhua County 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 gearing ratios at March 31, 2018, December 31, 2017 and March 31, 2017 were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Total borrowings	\$ 103,344,429	\$ 100,742,451	\$ 121,698,329
Less: cash and cash equivalents	( 25,971,392)	( 29,684,599)	( 43,560,725)
Net debt	77,373,037	71,057,852	78,137,604
Total equity	461,031,159	418,501,076	385,793,252
Total capital	<u>\$ 538,404,196</u>	<u>\$ 489,558,928</u>	<u>\$ 463,930,856</u>
Gearing ratio	14%	15%	17%

### (3) Financial instruments

#### A. Financial instruments by category

Except those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables (including related parties)), are approximate to their fair values. Because the interest rates of the long-term loans (including portion maturing within one year or one operating cycle, whichever is longer) are close to the market interest rate, thus the carrying amount is a reasonable basis for the estimation of fair value. The fair value information of financial instruments measured at fair value is provided in Note 12(4).

#### B. Risk management policies

To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk,

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

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions.
- ii. Management has set up a policy to manage its foreign exchange risk against its

- functional currency. Each entity hedges its entire foreign exchange risk exposure.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2) and (9).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, VND and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2018				
Foreign Currency				
	<u>Amount (In Thousands)</u>	<u>Exchange Rate</u>	<u>Book Value (NTD)</u>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 1,039,769	29.12	\$	30,278,073
JPY : NTD	456,752	0.27		123,323
EUR : NTD	2,514	35.82		90,051
<u>Non-monetary items</u>				
RMB : NTD	\$ 9,376,187	4.63	\$	43,411,746
USD : NTD	627,753	29.12		18,280,167
VND : NTD	7,525,860,141	0.0013		9,783,618
JPY : NTD	2,592,043	0.27		699,852
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 331,109	29.12	\$	9,641,894
JPY : NTD	406,236	0.27		109,684
USD : RMB	375,441	29.12		10,932,842
EUR : NTD	759	35.82		27,187

December 31, 2017				
Foreign Currency				
	Amount (In Thousands)	Exchange Rate	Book Value (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
March 31, 2017				
Foreign Currency				
	Amount (In Thousands)	Exchange Rate	Book Value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 514,398	30.34	\$	15,606,835
JPY : NTD	307,020	0.27		82,895
<u>Non-monetary items</u>				
RMB : NTD	\$ 6,842,180	4.4	\$	30,105,592
USD : NTD	518,515	30.34		15,731,745
VND : NTD	7,970,063,713	0.0013		10,361,083
JPY : NTD	579,420	0.27		156,443
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 54,947	30.34	\$	1,667,092
JPY : NTD	507,807	0.27		137,108
USD : RMB	387,423	30.34		11,754,414
USD : VND	266,000	30.34		8,070,440

- v. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2018 and 2017 amounted to \$21,607 and (\$2,158,851) respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange

variation:

For the three-month period ended March 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%	\$ 302,781	\$ -	-
JPY : NTD	1%	1,233		-
EUR : NTD	1%	901		-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$ -	\$ 434,117	
USD : NTD	1%	-	182,802	
VND : NTD	1%	-	97,836	
JPY : NTD	1%	-	6,999	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 96,419	\$ -	-
JPY : NTD	1%	1,097		-
USD : RMB	1%	109,328		-
USD : VND	1%	272		-

For the three-month period ended March 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%	\$ 156,068	\$ -
JPY : NTD	1%	829	-
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	\$ 301,056
USD : NTD	1%	-	157,317
VND : NTD	1%	-	103,611
JPY : NTD	1%	-	1,564
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 16,671	\$ -
JPY : NTD	1%	1,371	-
USD : RMB	1%	117,544	-
USD : VND	1%	80,704	-

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks and open-end funds. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2018 and 2017 would have increased/decreased by \$51,146 and \$5,219, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,077,321 and \$1,380,078, 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 three-month periods ended March 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 three-month periods ended March 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 periods then ended would have been \$285,600 and \$372,127 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 three-month period ended March 31, 2018		
	<u>Accounts receivable</u>	<u>Contract assets</u>	<u>Notes receivable</u>
At January 1_IAS 39	\$ 257,573	\$ -	\$ -
Adjustments under new standards	-	-	-
At January 1_IFRS 9	257,573	-	-
Effect of exchange rate changes	68	-	-
At March 31	<u>\$ 257,641</u>	<u>\$ -</u>	<u>\$ -</u>

(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>March 31, 2018</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 24,115,277	\$ -	\$ -	\$ -
Short-term notes and bills payable	3,779,211	-	-	-
Notes payable (including related parties)	253,821	-	-	-
Accounts payable (including related parties)	24,056,610	-	-	-
Other payables (including related parties)	10,353,183	-	-	-
Bonds payable	7,100,000	6,200,000	9,050,000	17,400,000
Long-term borrowings	9,997,772	15,143,604	10,514,108	44,457
<u>December 31, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 23,142,134	\$ -	\$ -	\$ -
Short-term notes and bills payable	1,579,763	-	-	-
Notes payable (including related parties)	199,518	-	-	-
Accounts payable (including related parties)	25,450,101	-	-	-
Other payables (including related parties)	10,812,667	-	-	-
Bonds payable	5,700,000	6,200,000	4,800,000	23,050,000
Long-term borrowings	6,474,979	16,009,033	13,786,543	-

<u>March 31, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 26,614,111	\$ -	\$ -	\$ -
Short-term notes and bills payable	3,749,595	-	-	-
Notes payable (including related parties)	192,828	-	-	-
Accounts payable (including related parties)	21,655,451	-	-	-
Other payables (including related parties)	9,882,599	-	-	-
Bonds payable	6,750,000	7,100,000	10,700,000	21,950,000
Long-term borrowings	7,315,371	24,388,827	13,130,425	-
<u>Derivative financial liabilities:</u>				
<u>March 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ 1,332	\$ -	\$ -	\$ -
<u>December 31, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -
<u>March 31, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ 233	\$ -	\$ -	\$ -

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

(4) Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable (including related parties),

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

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

<u>March 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	\$ 630,700	\$ -	\$ -	\$ 630,700
Derivative instruments	-	229	-	229
Fund	-	4,484,981	-	4,484,981
Financial assets at fair value through other comprehensive income				
Equity securities	<u>163,120,089</u>	<u>3,957,892</u>	<u>40,654,082</u>	<u>207,732,063</u>
	<u>\$ 163,750,789</u>	<u>\$ 8,443,102</u>	<u>\$ 40,654,082</u>	<u>\$ 212,847,973</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,332</u>	<u>\$ -</u>	<u>\$ 1,332</u>

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 398	\$ -	\$ 398
Beneficiary certificate	629,998	-	-	629,998
Available-for-sale financial assets				
Equity securities	152,470,961	4,567,223	-	157,038,184
Fund	-	4,573,902	-	4,573,902
	<u>\$ 153,100,959</u>	<u>\$ 9,141,523</u>	<u>\$ -</u>	<u>\$ 162,242,482</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>March 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 682	\$ -	\$ 682
Beneficiary certificate	628,084	-	-	628,084
Available-for-sale financial assets				
Equity securities	133,409,065	4,782,262	-	138,191,327
Fund	-	4,595,886	-	4,595,886
	<u>\$ 134,037,149</u>	<u>\$ 9,378,830</u>	<u>\$ -</u>	<u>\$ 143,415,979</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 233	\$ -	\$ 233

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 three-month periods ended March 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 three-month period ended March 31, 2018:

	<u>For the three-month period ended March 31, 2018</u>	
	<u>Non-derivative equity instrument</u>	
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	(	1,774,708)
Effect of exchange rate changes	(	133,114)
At March 31	\$	<u>40,654,082</u>

G. For the three-month periods ended March 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 March 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	\$ 20,427,802	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple,	The higher the multiple, the higher the fair value
	20,226,280	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:

			March 31, 2018	
			<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
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>204,278</u>	\$ <u>204,278</u>

(5) Effects on initial application of IFRS 9

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 profit or loss	Measured at fair value through other comprehensive income - current	Measured at fair value through other comprehensive income - non-current	Measured at cost	Total	Retained earnings	Other equity	Non-controlling interest
	Fair value							
<b>IAS 39</b>	\$ 630,396	\$ 117,617,800	\$ 43,994,286	\$ 25,093,528	\$ 187,336,010	\$ -	\$ -	\$ -
Transferred into and measured at fair value	4,573,903	( 4,573,903)	-	-	-	-	-	-
through profit or loss								
Transfer into and	-	-	25,093,528	( 25,093,528)	-	-	-	-
measured at fair value								
through other								
comprehensive								
income – non-current								
Fair value adjustment	-	( 789,288)	17,468,375	-	16,679,087	5,089,978	14,411,439	( 9,769)
<b>IFRS 9</b>	<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 other comprehensive income (equity instruments)” amounting to \$204,015,097, and retained earnings and other equity were increased and non-controlling interest was decreased in the amounts of \$5,089,978, \$14,411,439 and \$9,769, respectively, on initial application of IFRS 9.

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

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

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Financial assets held for trading		
Beneficiary certificates	\$ 619,504	\$ 619,504
Non-hedging derivatives	398	682
	<u>619,902</u>	<u>620,186</u>
Valuation adjustment of financial assets held for trading	10,494	8,580
	<u>\$ 630,396</u>	<u>\$ 628,766</u>

i. The Group recognised net profit amounting to \$2,775 and \$1,145 on financial assets held for trading for the year ended December 31, 2017 and the first quarter of 2017.

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

	<u>December 31, 2017</u>	
<u>Derivative instruments</u>	<u>Contract amount (notional principal)</u>	<u>Contract period</u>
Forward exchange contracts		
Taipei Fubon Bank	JPY 192,020	2017.11~2018.02
	<u>March 31, 2017</u>	
<u>Derivative instruments</u>	<u>Contract amount (notional principal)</u>	<u>Contract period</u>
Forward exchange contracts		
Taipei Fubon Bank	JPY 26,970	2017.03~2017.06
Taipei Fubon Bank	USD 1,311	2017.02~2017.05

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) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Current items:		
Listed stocks	\$ 25,540,146	\$ 25,658,353
Unlisted shares	825,839	825,839
Fund	4,903,800	4,903,800
Valuation adjustment of available-for-sale financial assets	<u>88,589,604</u>	<u>73,498,189</u>
	119,859,389	104,886,181
Less: Accumulated impairment	( 2,241,589)	( 2,291,703)
	<u>\$ 117,617,800</u>	<u>\$ 102,594,478</u>
Non-current items:		
Listed stocks	\$ 9,075,966	\$ 9,418,267
Valuation adjustment of available-for-sale financial assets	<u>37,437,306</u>	<u>33,387,553</u>
	46,513,272	42,805,820
Less: Accumulated impairment	( 2,518,986)	( 2,613,085)
	<u>\$ 43,994,286</u>	<u>\$ 40,192,735</u>

- i. The Group recognised \$17,333,899 and \$927,373 in other comprehensive income for fair value change for the year ended December 31, 2017 and the first quarter of 2017, respectively.
- ii. As of December 31, 2017 and March 31, 2017, no available-for-sale financial assets held by the Group were pledged to others.



(c) Financial assets at cost

<u>Items</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Mai Liao Harbor Administration Corp.	\$ 539,260	\$ 539,260
Formosa Plastic Corp. U.S.A	818,316	818,316
Taiwan Stock Exchange Corp.	1,800	1,800
Taiwan Aerospace Corp.	10,702	10,702
Yi-Jih Development Corp.	3,000	3,000
Chinese Television System Corp.	38,419	38,419
Formosa Plastics Maritime Corp.	1,750	1,750
Formosa Development Corp.	90,010	90,010
Formosa Network Technology Corp.	15,497	15,848
Formosa Plastics Marine Corp.	15,000	15,000
Formosa Ocean Group Marine Investment Corp.	856,948	856,948
Guangyuan Investment Corp.	50,000	50,000
Taiwan Leader Biotech Corp.	21,033	21,033
Toa Resin Corp., Ltd.	3,000	3,000
Shin Yun Natural Gas Corp.	3,100	3,100
Wk Technology Fund IV Ltd.	262	23,812
Syntronix Corporation	4,417	4,417
United Performance Materials Corp.	8,400	8,400
Association of R.O.C. in Xiamen	137	134
Nan Ya Optical Corp.	294,583	294,583
United Biopharma, Inc.	613,159	620,900
Formosa Lithium Iron Oxide Corp.	53,000	53,000
Mega Growth Venture Capital Co., Ltd.	25,000	25,000
Formosa Ha Tinh (Cayman) Limited	21,166,194	19,199,804
UBI Pharma Inc.	667,607	667,605
	<u>25,300,594</u>	<u>23,365,841</u>
Less: Accumulated impairment	( 207,066)	( 207,066)
	<u>\$ 25,093,528</u>	<u>\$ 23,158,775</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. As of December 31, 2017 and March 31, 2017, no financial assets at cost held by the Group were pledged to others.

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

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

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<u>Accounts receivable</u>		
Up to 30 days	\$ 347,818	\$ 296,133
31 to 90 days	66,606	69,142
91 to 180 days	3,172	45,590
Over 180 days	7,075	4,598
	<u>\$ 424,671</u>	<u>\$ 415,463</u>

The above ageing analysis was based on past due date.

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

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

	For the three-month period ended March 31, 2017		
	Individual provision	Group provision	Total
At January 1	\$ 156,022	\$ 118,382	\$ 274,404
Effect of exchange rate	-	( 1,922)	( 1,922)
At March 31	<u>\$ 156,022</u>	<u>\$ 116,460</u>	<u>\$ 272,482</u>

(6) Effects of initial application of IFRS 15

- A. The significant accounting policies applied on revenue recognition for the three-month period ended March 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 three-month period ended March 31, 2017 are as follows:

	For the three-month period ended March 31, 2017	
Sales revenue	\$	89,002,328
Service revenue		141,665
Other operating revenue		115,538
	<u>\$</u>	<u>89,259,531</u>

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

		March 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract assets		\$ 582,646	\$ -	\$ 582,646
Inventories	Note	41,944,139	42,453,564	( 509,425)
Retained earnings		101,974,928	102,001,119	( 26,191)

		For the three-month period ended March 31, 2017		
Comprehensive income statement items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Operating revenue		\$ 98,956,552	\$ 98,866,294	\$ 90,258
Operating costs	Note	( 83,205,670)	( 83,089,221)	( 116,449)
Gross profit from operations		15,750,882	15,777,073	( 26,191)

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: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), and (10); 12(3) and (4).
- J. Significant intragroup transactions during the reporting periods: Please refer to table 7.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

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

- A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

#### 14. SEGMENT INFORMATION

##### (1) General information

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

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

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

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

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

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

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

##### (2) Measurement of segment information

The Group has not yet amortised tax expenses or non-recurring gains and losses to reportable segments. Furthermore, not all reportable segments' profit or loss include significant non-cash items besides depreciation and amortisation. Reporting amount and reports for operating decision-maker are the same.

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

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

For the three-month period ended March 31, 2018

	For the three-month period ended March 31, 2018								
	1st	2nd	3rd						
	Petrochemical	Petrochemical	Petrochemical	Plastics Division,	Formosa ABS	Formosa	Formosa		
	Div	Div	Div and	Plastics	Plastics	Taffeta	Advanced		
			Formosa	Co., Ltd.	Co., Ltd.	Co., Ltd.	Technologies	Reconciliation	Total
			Chemical	and Formosa PS			Co., Ltd.	and offset	
			Industries				Other divisions		
External revenue	\$ 14,825,098	\$ 14,624,479	\$ 17,163,588	\$ 28,936,355	\$ 6,565,056	\$ 2,047,736	\$ 14,794,240	\$ -	\$ 98,956,552
Internal revenue	21,392,072	9,061,466	462,194	4,459,279	72,714	-	3,675,110	( 39,122,835)	-
Total revenue	<u>\$ 36,217,170</u>	<u>\$ 23,685,945</u>	<u>\$ 17,625,782</u>	<u>\$ 33,395,634</u>	<u>\$ 6,637,770</u>	<u>\$ 2,047,736</u>	<u>\$ 18,469,350</u>	<u>(\$ 39,122,835)</u>	<u>\$ 98,956,552</u>
Segment profit (loss)	<u>\$ 2,553,160</u>	<u>\$ 3,248,224</u>	<u>\$ 1,840,147</u>	<u>\$ 3,569,646</u>	<u>\$ 386,956</u>	<u>\$ 352,073</u>	<u>\$ 7,553,070</u>	<u>(\$ 3,369,582)</u>	<u>\$ 16,133,694</u>
Total assets of segments	<u>\$ 38,998,683</u>	<u>\$ 36,587,381</u>	<u>\$ 35,282,043</u>	<u>\$ 51,953,799</u>	<u>\$ 88,468,817</u>	<u>\$12,994,623</u>	<u>\$ 468,958,511</u>	<u>(\$ 116,794,304)</u>	<u>\$ 616,449,553</u>

For the three-month period ended March 31, 2017

	1st	2nd	3rd						
	Petrochemical	Petrochemical	Petrochemical	Plastics Division,		Formosa		Reconciliation	
	Div	Div	Div and	Formosa ABS	Formosa	Advanced	Other divisions	and offset	Total
			Chemical	Co., Ltd.	Taffeta	Technologies			
			Industries	and Formosa PS	Co., Ltd.	Co., Ltd.			
External revenue	\$ 14,249,808	\$ 11,016,602	\$ 16,079,691	\$ 25,533,555	\$ 6,225,494	\$ 2,089,305	\$ 14,065,076	\$ -	\$ 89,259,531
Internal revenue	20,108,624	9,347,755	852,595	3,422,447	87,555	-	3,232,774	( 37,051,750)	-
Total revenue	<u>\$ 34,358,432</u>	<u>\$ 20,364,357</u>	<u>\$ 16,932,286</u>	<u>\$ 28,956,002</u>	<u>\$ 6,313,049</u>	<u>\$ 2,089,305</u>	<u>\$ 17,297,850</u>	<u>(\$ 37,051,750)</u>	<u>\$ 89,259,531</u>
Segment profit (loss)	<u>\$ 3,952,424</u>	<u>\$ 2,600,262</u>	<u>\$ 1,567,213</u>	<u>\$ 2,848,344</u>	<u>\$ 470,645</u>	<u>\$ 277,162</u>	<u>\$ 4,712,517</u>	<u>(\$ 1,774,491)</u>	<u>\$ 14,654,076</u>
Total assets of segments	<u>\$ 40,183,324</u>	<u>\$ 36,052,794</u>	<u>\$ 36,665,552</u>	<u>\$ 50,471,994</u>	<u>\$ 80,891,687</u>	<u>\$ 11,577,173</u>	<u>\$ 400,359,797</u>	<u>(\$ 101,566,184)</u>	<u>\$ 554,636,137</u>

(4) Reconciliation for segment income (loss)

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



## Formosa Chemicals and Fibre Corporation and subsidiaries

## Loans to others

For the three-month period ended March 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 three-month period ended March 31, 2018 (Note 3)	Balance at March 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	\$ 6,000,000	\$ 6,000,000	\$ -	1.41	1	2	Additional operating capital	\$ -	-	\$ -	\$ 100,071,046	\$ 200,142,092	-
0	The Company	Formosa Idemitsu Petrochemical Corp.	Other receivables-related parties	Yes	800,000	800,000	-	1.41	1	2	Additional operating capital	-	-	-	100,071,046	200,142,092	-
0	The Company	Nan Ya Plastics Corp.	Other receivables-related parties	Yes	6,000,000	6,000,000	-	1.41	1	2	Additional operating capital	-	-	-	100,071,046	200,142,092	-
0	The Company	Formosa Biomedical Technology Corp.	Other receivables-related parties	Yes	600,000	600,000	-	1.41	2	1	Additional operating capital	-	-	-	80,056,837	160,113,674	-
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	7,250,000	7,250,000	250,000	1.41	2	1	Additional operating capital	-	-	-	80,056,837	160,113,674	-
0	The Company	Formosa Plastics Marine Corp.	Other receivables-related parties	Yes	6,698,602	5,999,357	5,729,357	1.41	2	1	Additional operating capital	-	-	-	80,056,837	160,113,674	-
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	-	-	-	100,071,046	200,142,092	-
0	The Company	Formosa Carpet Corp.	Other receivables-related parties	Yes	100,000	100,000	15,400	1.41	2	1	Additional operating capital	-	-	-	80,056,837	160,113,674	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the three-month period ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					March 31, 2018 (Note 3)	(Note 8)				(Note 5)	(Note 6)	(Note 7)	(Note 7)				
					Item	Value				(Note 7)	(Note 7)						
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	\$ -	-	\$ -	\$ 80,056,837	\$ 160,113,674	-
0	The Company	Formosa Group (Cayman) Limited	Other receivables-related parties	Yes	4,259,500	4,259,500	4,259,500	1.41	2	1	Additional operating capital	-	-	-	80,056,837	160,113,674	-
0	The Company	Tah Shin Spinning Corp.	Other receivables-related parties	Yes	100,000	100,000	-	1.41	2	1	Additional operating capital	-	-	-	80,056,837	160,113,674	-
0	The Company	Formosa Petrochemical Corp.	Other receivables-related parties	Yes	6,000,000	6,000,000	-	1.41	1	2	Additional operating capital	-	-	-	100,071,046	200,142,092	-
0	The Company	Formosa Ha Tinh (Cayman) Limited	Other receivables-related parties	Yes	3,002,600	3,002,600	3,002,600	1.41	2	1	Additional operating capital	-	-	-	80,056,837	160,113,674	-
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	-	-	-	632,580	1,581,450	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Heavy Industries Corp.	Receivables from related party	Yes	83,356	83,356	83,356	3.48	2	1	Additional operating capital	-	-	-	5,532,507	13,831,268	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Receivables from related party	Yes	2,301,557	2,278,403	2,278,403	3.48	2	1	Additional operating capital	-	-	-	5,532,507	13,831,268	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the three-month period ended March 31, 2018 (Note 3)	Balance at March 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 from related (Ningbo) Co., Ltd.	Receivables from related party	Yes	\$ 2,922,098	\$ 2,922,098	\$ 2,922,098	3.48	2	1	Additional operating capital	\$ -	-	\$ -	\$ 5,532,507	\$ 13,831,268	-

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 March 31, 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 three-month period ended March 31, 2018

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
0	The Company	Formosa Industries Corp., Vietnam		1	\$ 13,985,750	\$ 4,796,891	\$ 4,778,840	\$ 4,778,840	\$ -	1.19	\$ 520,369,439	Y	N	N	-
0	The Company	Formosa Group (Cayman) Limited		6	260,184,720	21,133,750	18,200,000	18,200,000	-	4.55	520,369,439	N	N	N	-
0	The Company	Formosa Ha Tinh (Cayman) Limited		6	260,184,720	15,137,328	15,080,363	15,080,363	-	3.77	520,369,439	N	N	N	-
0	The Company	Formosa Resources Corporation		6	260,184,720	3,142,225	3,130,400	3,130,400	-	0.78	520,369,439	N	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhongshan) Co., Ltd.		2	46,070,079	1,410,525	960,465	328,195	-	1.36	92,140,158	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.		2	46,070,079	1,567,250	1,455,250	383,402	-	2.05	92,140,158	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.		3	46,070,079	2,037,425	1,600,775	476,368	-	2.26	92,140,158	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.		2	46,070,079	4,599,520	4,423,960	2,665,920	-	6.24	92,140,158	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Ha Tinh (Cayman) Co., Ltd.		6	46,070,079	5,273,383	5,072,102	3,941,236	-	7.16	92,140,158	N	N	N	-
2	Formosa Development Co., Ltd.	Public More Internation Company Co., Ltd.		2	182,401	3,000	3,000	3,000	-	1.07	364,803	N	N	N	-

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

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

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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

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

Note 5: 'Y' represents cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, or provision to the party in Mainland China.

Formosa Chemicals and Fibre Corporation and subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
For the three-month period ended March 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 March 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	\$ 50,645,784	7.65	\$ 50,645,784	-
The Company	Stocks_Asia Pacific Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	63,621,500	3,420,292	14.97	3,420,292	-
The Company	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	413,327,750	33,727,544	5.21	33,727,544	-
The Company	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	334,815,409	30,803,018	11.15	30,803,018	-
The Company	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	15,498,339	296,018	3.16	296,018	-
The Company	Mega Private US Dollar Money Market Funds	-	Financial assets at fair value through profit or loss - current	14,977,992	4,484,981	-	4,484,981	-
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	718,459	17.98	718,459	-
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	10,275,310	2.92	10,275,310	-
The Company	Stocks_Taiwan Stock Exchange Corp.	-	Financial assets at fair value through other comprehensive income- non-current	13,872,225	1,082,981	2.00	1,082,981	-
The Company	Stocks_Taiwan Aerospace Corp.	-	Financial assets at fair value through other comprehensive income- non-current	1,070,151	26,176	0.79	26,176	-
The Company	Stocks_Yi-Jih Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	300,000	5,919	1.51	5,919	-
The Company	Stocks_Chinese Television System Corp.	-	Financial assets at fair value through other comprehensive income- non-current	2,376,202	42,653	1.41	42,653	-

Securities held by	Marketable securities ( Note 1 )	Relationship with the securities issuer ( Note 2 )	General ledger account	As of March 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks_Formosa Plastics Maritime Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	355,880	\$ 188,798	18.22	\$ 188,798	-
The Company	Stocks_Formosa Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	15,246,336	257,065	18.00	257,065	-
The Company	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,925,000	85,498	12.50	85,498	-
The Company	Stocks_Formosa Plastics Marine Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,428,500	900,561	15.00	900,561	-
The Company	Stocks_Formosa Ocean Group Marine Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,622	5,737,353	19.00	5,737,353	-
The Company	Stocks_Guangyuan Investment Corp.	-	Financial assets at fair value through other comprehensive income- non-current	5,000,000	34,100	3.91	34,100	-
The Company	Stocks_Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	2,500,000	19,575	1.25	19,575	-
FCFC International (Cayman) Limited	Stocks_Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets at fair value through other comprehensive income- non-current	564,707,472	15,293,182	11.43	15,293,182	-
Tah Shin Spinning Corp.	Stocks_Nan Ya Technology Corp.	-	Financial assets at fair value through other comprehensive income - current	6,367	586	-	586	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	877,879	17,399	0.18	17,399	-
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	29,945	15.14	29,945	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	395,120	11,549	1.69	11,549	-
Formosa Biomedical Technology Corp.	Stocks_Taiwan Leader Biotech Corp.	-	Financial assets at fair value through other comprehensive income- non-current	2,100,000	25,704	5.20	25,704	-
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	5,911	0.46	5,911	-

Table 3, Page 2

Securities held by	Marketable securities ( Note 1 )	Relationship with the securities issuer ( Note 2 )	General ledger account	As of March 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Biomedical Technology Corp.	Stocks_United Biopharma, Inc.	-	Financial assets at fair value through other comprehensive income- non-current	22,179,750	\$ 414,096	12.63	\$ 414,096	-
Formosa Biomedical Technology Corp.	Stocks_UBI Pharma Inc.	-	Financial assets at fair value through other comprehensive income- non-current	26,597,922	394,181	18.81	394,181	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Chemicals & Fibre Corp.	Parent company	Financial assets at fair value through other comprehensive income - current	12,169,610	1,320,403	0.21	1,320,403	-
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	66	-	66	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	482,194	39,347	0.01	39,347	-
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	537,600	2.35	537,600	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	11,566,010	1,064,079	0.39	1,064,079	-
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	43,284,208	3.83	43,284,208	-
Formosa Taffeta Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets at fair value through other comprehensive income- non-current	174,441	4,243	0.45	4,243	-
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	48,742	10.00	48,742	-
Formosa Taffeta Co., Ltd.	Stocks_Shin Yun Natural Gas Corp.	-	Financial assets at fair value through other comprehensive income- non-current	644,230	15,049	1.20	15,049	-
Formosa Taffeta Co., Ltd.	Stocks_Wk Technology Fund IV Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	1,926,759	15,020	3.17	15,020	-
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	62,217	9.53	62,217	-

Securities held by	Marketable securities ( Note 1 )	Relationship with the securities issuer ( Note 2 )	General ledger account	As of March 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Taffeta Co., Ltd.	FG INC	Other related parties	Financial assets at fair value through other comprehensive income- non-current	600	\$ 192,093	3.00	\$ 192,093	-
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	190,009,706	5,241,489	3.85	5,241,489	-
Formosa Development Co., Ltd.	Stocks_Formosa Taffeta Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income- non-current	2,293,228	73,613	0.14	73,613	-
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	-	139	0.11	139	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	146,388	15,224	-	15,224	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	672,512	54,877	0.01	54,877	-
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	1,654,517	0.26	1,654,517	-
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	131,535	0.01	131,535	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	7,521,215	691,952	0.25	691,952	-
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	31,118	4.77	31,118	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets at fair value through other comprehensive income- non-current	59,945	1,414	0.15	1,414	-
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates_Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	25,512,583	376,145	-	376,145	-
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates_Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	20,396,748	254,555	-	254,555	-

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 three-month period ended March 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 March 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
Formosa Taffeta Co., Ltd.	Nan Ya Technology Corp.	Financial assets at fair value through other comprehensive income- non-current	-	-	15,421,010	\$ 1,175,081	-	\$ -	3,855,000	\$ 330,905	\$ 1,253,452	\$ -	11,566,010	\$ 1,064,079

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach \$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In case that shares were issued with no par value or a par value other than NT\$10 per share, the 20% of paid-in capital level shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Formosa Chemicals and Fibre Corporation 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 three-month period ended March 31, 2018

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions						
			Transaction						Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Percentage of total purchases			Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote ( Note 1 )	
				Amount	(sales)								
The Company	Formosa Plastics Corp.	Other related parties	Sales	(\$	520,329)	(1)	30 days	\$	-	-	\$ 224,355	1	-
The Company	Nan Ya Plastics Corp.	Other related parties	Sales	(	8,293,898)	(12)	30 days		-	-	2,892,911	11	-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Sales	(	393,322)	(1)	60 days		-	-	Notes receivable 119,365 Accounts receivable 245,191	17 1	- -
The Company	Formosa Petrochemical Corp.	Associates	Sales	(	7,586,994)	(11)	30 days		-	-	2,619,040	10	-
The Company	Formosa Chemicals Industries (Ningbo) Co.,	Subsidiary	Sales	(	9,778,553)	(14)	90 days		-	-	10,508,123	39	-
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Sales	(	915,587)	(1)	30 days		-	-	486,947	2	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary	Sales	(	3,729,697)	(5)	30 days		-	-	1,316,610	5	-
The Company	Formosa Taffeta (Dong Nai) Corp.	Subsidiary	Sales	(	112,559)	-	60 days		-	-	83,852	-	-
The Company	Formosa Plastics Corp.	Other related parties	Purchases		1,849,551	3	30 days		-	-	( 670,710)	(4)	-
The Company	Nan Ya Plastics Corp.	Other related parties	Purchases		2,446,350	4	30 days		-	-	( 841,372)	(5)	-
The Company	Formosa Petrochemical Corp.	Associates	Purchases		37,646,798	68	30 days		-	-	( 10,540,466)	(65)	-
Formosa BP Chemicals Corp.	The Company	Parent company	Sales	(	437,164)	(22)	30 days		-	-	165,008	14	-
Formosa BP Chemicals Corp.	BP Chemicals (Malaysia) SDN Corp.	Associates	Sales	(	392,257)	(20)	30 days		-	-	389,810	34	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Sales	(	146,198)	(8)	30 days		-	-	40,327	3	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Purchases		562,579	51	45 days		-	-	( 198,863)	(81)	-

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote ( Note 1 )	
			Purchases (sales)	Amount	(sales)	Credit term							
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates	Sales	(\$ 836,109)	(44)	30 days	\$ -	-	\$ 329,322	47	-		
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties	Sales	( 593,710)	(31)	30 days	-	-	239,410	34	-		
Formosa Power (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	( 147,385)	(8)	30 days	-	-	57,318	8	-		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	( 1,913,178)	(10)	90 days	-	-	705,898	4	-		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	582,889	3	90 days	-	-	( 319,050)	(2)	-		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Petrochemical Corp.	Associates	Purchases	486,438	3	90 days	-	-	( 155,720)	(1)	-		
Formosa Industries Corp.	Formosa Taffeta (Dong Nai) Corp.	Associates	Sales	( 158,042)	(2)	60 days	-	-	101,044	4	-		
Formosa Industries Corp.	Nan Ya Plastics Corp.	Other related parties	Purchases	1,252,641	18	30 days	-	-	( 527,944)	(27)	-		
Formosa Idemitsu Petrochemical Corp.	The Company	Parent company	Sales	( 467,088)	(9)	30 days	-	-	158,552	12	-		
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals Taiwan Corp.	Associates	Sales	( 156,854)	(3)	30 days after closing date	-	-	70,507	5	-		
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Associates	Sales	( 280,187)	(5)	30 days after closing date	-	-	89,229	7	-		
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates	Sales	( 331,322)	(6)	30 days after closing date	-	-	134,740	10	-		
Formosa Taffeta Co., Ltd.	Quang Viet Enterprise Co., Ltd.	Associates	Sales	( 135,633)	(2)	Pay by mail transfer 60	-	-	Notes receivable 184 Accounts receivable 107,712	- 4	- -		

Table 5, Page 2

							Differences in transaction terms compared to third party transactions					
Transaction									Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote ( Note 1 )	
Formosa Taffeta Co., Ltd.	Formosa Petrochemical Corp.	Other related parties	Purchases	\$ 2,528,623	45	Pay every 15 days by mail transfer	\$ -	-	(\$ 577,735)	(31)	-	
Formosa Taffeta Co., Ltd.	Nan Ya Plastics Corp.	Other related parties	Purchases	215,156	4	Pay every 15 days by mail transfer	-	-	( 69,901)	(4)	-	
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties	Sales	( 1,401,038)	(68)	60 days after monthly billings	-	-	945,290	62	-	

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 three-month period ended March 31, 2018

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 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	\$	224,355	9.65	\$	-	\$	222,485	\$	-
The Company	Nan Ya Plastics Corp.	Other related parties		2,892,911	10.97		-		2,892,440		-
The Company	Formosa Petrochemical Corp.	Associates	Accounts receivable	2,619,040	11.37		-		2,619,040		-
			Other receivables	96,059			-		45,407		-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Notes receivable	119,365	3.49		-		75,910		-
			Accounts receivable	245,191			-	-	168,084		-
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Accounts receivable	486,947	8.54		-		306,045		-
			Other receivables	75,307			-	-	40,452		-
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary	Accounts receivable	10,508,123	4.26		-		2,942,140		-
			Other receivables	1,386,592			-	-	-		-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary		1,316,610	12.00		-		1,316,610		-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates		134,740	9.25		-		97,440		-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates		329,322	14.09		-		329,322		-
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties		239,410	9.91		-		239,410		-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties		705,898	18.66		-		705,898		-
Formosa Industries Corp., Vietnam	Formosa Taffeta (Dong Nai) Co., Ltd.	Other related parties		101,044	6.10		-		21,966		-
Formosa Taffeta Co., Ltd.	Quang Viet Enterprise Co., Ltd.	Associates	Notes receivable	184	6.85		-		26,459		-
			Accounts receivable	107,712			-	-	-		-
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties		945,290	5.90		-		448,231		-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates		128,851	2.51		-		128,851		-

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 three-month period ended March 31, 2018

Table 7

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	(\$ 9,778,553)	In regular terms	(10)
0	The Company	Formosa Idemitsu Petrochemical Corp.	1	Sales revenue	( 3,729,697)	In regular terms	(4)

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: If the transaction amount in this sheet reaches 3% of consolidated operating income or total assets, it is considered material.

Formosa Chemicals and Fibre Corporation and subsidiaries  
Information on investees (Excluding those in Mainland China)  
For the three-month period ended March 31, 2018

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2018			Net profit (loss) of the investee for the three-month period ended March 31, 2018	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018		Footnote
				Balance as at March 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value				
The Company	Tah Shin Spinning Corp.	Taiwan	Spinning	\$ 85,188	\$ 85,188	18,467,619	86.40	\$ 119,935	(\$ 1,204)	(\$ 1,040)	-	
The Company	Formosa Taffeta Co., Ltd.	Taiwan	Spinning	719,003	719,003	630,022,431	37.40	25,753,980	284,674	106,468	-	
The Company	Formosa Heavy Industries Corp.	Taiwan	Machinery	2,497,721	2,497,721	651,706,181	32.91	7,901,533	( 109,337)	( 35,534)	-	
The Company	Formosa Fairway Corporation	Taiwan	Transportation	33,320	33,320	4,697,951	33.33	103,522	( 7,663)	( 2,554)	-	
The Company	Formosa Plastics Transport Corp.	Taiwan	Transportation	17,255	17,255	4,770,421	33.33	762,367	( 3,874)	( 1,291)	-	
The Company	Formosa Petrochemical Corp.	Taiwan	Chemistry	25,842,468	25,842,468	2,300,799,801	24.15	89,635,025	18,301,418	4,541,409	-	
The Company	Mai-Liao Power Corp.	Taiwan	Electricity generation	5,985,531	5,985,531	547,030,137	24.94	11,885,418	4,044	1,009	-	
The Company	FCFC Investment Corp. (Cayman)	Cayman Islands	Investments	25,690,257	25,690,257	56,000	100.00	42,879,326	2,047,523	2,047,523	-	
The Company	Hwa Ya Science Park Management Consulting Co, Ltd.	Taiwan	Management	340	340	33,000	33.00	1,419	111	36	-	
The Company	Chia-Nan Enterprise Corporation	Taiwan	Electricity generation	225,034	225,034	12,448,800	30.00	262,939	8,188	2,456	-	
The Company	Formosa Idemitsu Petrochemical Corp.	Taiwan	Wholesale and retail of petrochemical and plastic raw materials	299,999	299,999	60,000,000	50.00	1,885,139	1,319,278	653,504	-	
The Company	Su Hua Transport Corp.	Taiwan	Transportation	50,000	50,000	10,494,785	25.00	280,929	15,034	3,758	-	
The Company	Formosa Industries Corp., Vietnam	Vietnam	Textile, polyester staple fibre, cotton	8,435,801	8,435,801	-	42.50	7,760,372	329,815	140,171	-	

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2018			Net profit (loss) of the investee for the three-month period ended March 31, 2018	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018		Footnote
				Balance as at March 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	\$ 1,589,092	\$ 506,003	\$ 225,522	-	
The Company	Formosa Environmental Technology Co.	Taiwan	Disposals of wastes and sewage	417,145	417,145	41,714,475	24.34	227,043	2,497	608	-	
The Company	Formosa Biomedical Technology Corp.	Taiwan	Manufacturing and sale of cosmetics	1,566,879	1,566,879	147,556,136	88.59	1,398,463	57,158	50,637	-	
The Company	Formosa Carpet Corp.	Taiwan	Yarn spinning mills, finishing of textiles and carpet manufacturing	300,000	300,000	22,037,185	100.00	210,004	( 946)	( 946)	-	
The Company	Formosa Synthetic Rubber Corp.	Taiwan	Manufacturing of synthetic rubber	400,000	400,000	40,000,000	33.33	219,000	( 612)	( 204)	-	
The Company	Formosa Synthetic Rubber (Hong Kong) Co., Ltd.	Hong Kong	Manufacturing of synthetic rubber	2,151,560	2,151,560	70,000,000	33.33	724,351	( 234,668)	( 78,215)	-	
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	5,200,641	146,137	36,534	-	
The Company	Formosa Group Corp. (Cayman)	Cayman Islands	Investments	377	377	-	25.00	303,157	( 146,958)	( 36,739)	-	
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	86,792	( 2,946)	( 982)	-	
The Company	FG INC.	United States	Investments	1,980,594	1,980,594	6,000	30.00	1,919,763	117	35	-	
The Company	FCFC International (Cayman) Limited	Cayman Islands	Investments	17,823,278	17,823,278	50,000	100.00	15,293,421	-	-	-	
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Hong Kong	Investments	27,253,059	21,637,470	-	100.00	29,589,572	1,873,858	1,873,858	-	



Investor	Investee ( Note 1 )	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2018			Net profit (loss) of the investee for the three-month period ended March 31, 2018	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018		Footnote
				Balance as at March 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	\$ 95,340	(\$ 504)	(\$ 151)		-
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Taiwan	Recycle of spent catalyst	252,969	252,969	19,636,218	51.00	291,744	82,955	42,307		-
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (Samoa) Co., Ltd.	Samoa	Investments	29,610	29,610	-	100.00	15,780	( 1,092)	( 1,092)		-
Formosa Biomedical Technology Corp.	Formosa Waters Technology Co., Ltd.	Taiwan	1.Industrial Catalyst Manufacturing 2.Wholesale of Other Chemical Products	7,650	7,650	765,001	57.00	7,636	( 25)	( 14)		-
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Taiwan	1.Handling urban land consolidation 2.Development, rent and sale of industrial plants, residences and building	114,912	114,912	16,100,000	100.00	205,151	477	477		-
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	3,773,440	3,773,440	290,464,472	65.68	7,740,235	282,289	185,407		-
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	1,143,097	24,797	24,797		-
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	1,786,805	31,513	31,513		-

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2018			Net profit (loss) of the investee for the three-month period ended March 31, 2018	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Footnote
				Balance as at March 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	17.92	\$ 1,105,473	(\$ 135,237)	(\$ 47,211)	-
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Hong Kong	Trading of textiles	2,958	2,958	-	50.00	5,739	1,322	661	-
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	2,143,845	( 32,158)	( 32,158)	-
Formosa Taffeta Co., Ltd.	Formosa Industries Corp., Vietnam	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	1,922,074	329,815	39,314	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Cayman Islands	Investments	5,675,253	5,675,253	171,028,736	100.00	5,241,538	-	-	-
Formosa Development Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	23,926	282,289	1,473	-
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Taiwan	Employment service, manpower allocation and agency service	5,000	5,000	-	100.00	7,482	896	896	-

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

## Formosa Chemicals and Fibre Corporation and subsidiaries

## Information on investments in Mainland China

For the three-month period ended March 31, 2018

Table 9

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 three-month period ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee for the three-month period ended March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	\$ 4,834,511	2、4	\$ 4,051,414	\$ -	\$ -	\$ 4,051,414	\$ 173,665	100.00	\$ 173,665	\$ 13,831,268	\$ -	2
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Production and market of PTA	27,253,059	2、4	21,637,470	-	-	21,637,470	1,873,858	100.00	1,873,858	29,589,572	-	2
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Production and sale of synthetic rubber	6,743,008	2、4	2,151,560	-	-	2,151,560	( 234,668)	33.00	( 78,215)	724,351	-	2
Formosa Biomedical Trading (Shanghai) Co., Ltd.	Investments	29,610	2、4	29,610	-	-	29,610	( 1,092)	100.00	( 1,092)	4,265	-	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	17,083	100.00	17,083	1,675,277	-	3

Investee in Mainland China	Main business activities	Paid-in capital	Investment method ( Note 1 )	Amount remitted from Taiwan to						Net income of investee for the three-month period ended March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018								
					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	(\$ 230)	100.00	(\$ 230)	\$ 6,061	\$ -	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	24,913	100.00	24,913	1,014,442	-	5		
Changshu Yu Yuan Development Co., Ltd.	Building and selling real estate	70,788	2	-	-	-	-	( 313)	40.78	( 128)	49,669	-	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 recognized in current period is based on the financial reports reviewed by CPAs of the Taiwan parent company .

Investee in Mainland China	Main business activities	Paid-in capital	Investment method ( Note 1 )	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2018				Net income of investee for the three-month period ended March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
				as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan	as of March 31, 2018						

Note 3: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2018 and that as of March 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 March 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 March 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 March 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	\$ 27,840,444	\$ 36,035,126	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 three-month period ended March 31, 2018

Table 10

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		Balance at		Purpose	Maximum balance during the three-month period ended		Interest during the three-month period ended		Others
					March 31, 2018	%	March 31, 2018	%		March 31, 2018	March 31, 2018	Interest rate	March 31, 2018	
Formosa Taffeta (Zhongshan) Co., Ltd.	\$ 4,217	0.06	\$ -	-	\$ 3,195	0.13	\$ 960,465		For short-term loans from financial institutions	\$ -	\$ -	-	\$ -	-
Formosa Taffeta (Changshu) Co., Ltd.	10,356	0.16	-	-	7,084	0.28	1,600,775		For short-term loans from financial institutions		-	-	-	-