

**FORMOSA CHEMICALS & FIBRE  
CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2017 AND 2016**

---

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

**FORMOSA CHEMICALS & FIBRE CORPORATION  
AND SUBSIDIARIES**

**INDEX**

Items	Pages
Index	
Report of Independent Accountants	1-6
Consolidated Balance Sheets	7-8
Consolidated Statements of Comprehensive Income	9-10
Consolidated Statements of Changes in Equity	11-12
Consolidated Statements of Cash Flows	13-14
Notes to Consolidated Financial Statements	15-103

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR17000308

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

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Formosa Chemicals & Fibre Corporation and its subsidiaries (the “Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the

context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

### **Impairment assessment of property, plant and equipment-PTA division**

#### Description

Refer to Note 4(16) for accounting policy on impairment of non-financial assets, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment assessment of tangible assets, and Note 6(9) for details of property, plant and equipment impairment.

The Group's property, plant and equipment amounted to NT\$125,345,618 thousand at December 31, 2017. Due to the oversupply of the Group's products in the market as a result of too many competitors in the industry, property and equipment used in the production and manufacturing of PTA may be impaired. Management has identified its Third Chemical Division, which mainly produces and manufactures PTA, as a cash-generating unit. Management used the estimated future cash flows and proper discount rate to calculate value in use and determined the recoverable amount to assess whether assets had been impaired. Based on the aforementioned valuation model, the Group has assessed that there is no impairment loss on property, plant and equipment for the year ended December 31, 2017.

As the estimated recoverable amount of a cash-generating unit is dependent upon significant management judgement, with respect to estimated discount rate applied to estimated future cash flows, we consider impairment assessment of property, plant and equipment a key audit matter.

#### How our audit addressed the matter

Our audit procedures in respect of the above key audit matter included:

1. Assessing the reasonableness of future cash flows estimated by management for its Third Chemical Division, checking whether the future 5 years cash flows are in line with the business division's operational plan, and reviewing the operational plan proposed by management against actual performance to confirm relevance of key assumptions.
2. Assessing discount rate and weighted average cost of capital, and checking assumptions of market rate, capital structure and cost of debt.
3. Verifying the accuracy of valuation model calculation.

## **Investments accounted for under equity method and recognition of investment income**

### Description

Refer to Note 4(13) for accounting policies on investments accounted for using equity method (including associates) and Note 6(8) for details of investments accounted for using equity method.

The Group held investments accounted for using equity method amounting to NT\$112,476,716 thousand as at December 31, 2017 and recognised comprehensive income of NT\$16,831,919 thousand for the year then ended. Given the substantial amount and its impact on the financial statements, we consider the valuation of investments accounted for using equity method a key audit matter.

### How our audit addressed the matter

Our audit procedures in respect of the above key audit matter included:

1. Obtaining an understanding of the Group's accounting policies for investments accounted for using equity method and evaluating whether the accounting policies are appropriate based on the applicable framework.
2. Obtaining an understanding of the related controls and testing mathematical accuracy for the recognition of additions, disposals, gains (losses) on investments, and share of profit (losses) in comprehensive income.

### ***Other matter – audits of the other independent accountants***

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for under equity method) of NT\$148,098,437 thousand and NT\$139,881,489 thousand, both constituting 26% of consolidated total assets as of December 31, 2017 and 2016, respectively, operating income of NT\$29,987,682 thousand and NT\$28,363,847 thousand, constituting 8% and 9% of consolidated total operating income for the years then ended, respectively, and comprehensive income of NT\$21,612,354 thousand and NT\$20,803,398 thousand, constituting 28% and 30% of consolidated total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein insofar as it relates to the amounts included in the financial statements relative to the subsidiary and investee companies, is based solely on the audit reports of the other independent accountants.

### ***Other matter – parent company only financial statements***

We have audited the parent company only financial statements of Formosa Chemicals & Fibre Corporation as of and for the years ended December 31, 2017 and 2016, and have expressed an unqualified opinion on such financial statements.

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

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

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

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

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

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

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

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

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

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

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

Chou, Chien-Hung

Juanlu, Man-Yu

for and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2018

---

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

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



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

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 29,684,599	5	\$ 30,391,911	6
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		630,396	-	627,621	-
1125	Available-for-sale financial assets	6(3)				
	- current		117,617,800	20	100,777,992	18
1150	Notes receivable, net	6(4)	10,971,286	2	7,037,751	1
1160	Notes receivable - related parties	7	13,006	-	11,643	-
1170	Accounts receivable, net	6(5)	21,653,085	4	18,028,975	3
1180	Accounts receivable - related	7				
	parties		9,049,561	2	7,356,435	1
1200	Other receivables	7	7,366,582	1	5,107,594	1
1210	Other receivables - related parties	7	13,727,806	2	19,841,060	4
130X	Inventory	6(6) and 8	38,837,031	7	42,215,280	8
1470	Other current assets	7 and 8	4,291,251	1	5,409,066	1
11XX	<b>Total current assets</b>		<u>253,842,403</u>	<u>44</u>	<u>236,805,328</u>	<u>43</u>
<b>Non-current assets</b>						
1523	Available-for-sale financial assets	6(3) and 8				
	- non-current		43,994,286	8	42,381,294	8
1543	Financial assets carried at cost -	6(7)				
	non-current		25,093,528	4	24,431,806	5
1550	Investments accounted for under	6(8), 7 and 8				
	equity method		112,476,716	20	102,035,137	19
1600	Property, plant and equipment	6(9) and 8	125,345,618	22	130,913,460	24
1780	Intangible assets		1,042	-	1,583	-
1840	Deferred income tax assets	6(25)	1,883,829	-	1,732,954	-
1900	Other non-current assets		9,689,071	2	6,135,028	1
15XX	<b>Total non-current assets</b>		<u>318,484,090</u>	<u>56</u>	<u>307,631,262</u>	<u>57</u>
1XXX	<b>Total assets</b>		<u>\$ 572,326,493</u>	<u>100</u>	<u>\$ 544,436,590</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 23,142,134	4	\$ 26,146,750	5
2110	Short-term notes and bills payable	6(10)	1,579,763	-	1,499,464	-
2120	Financial liabilities at fair value through profit or loss - current	6(11)	-	-	1,381	-
2150	Notes payable		199,518	-	196,870	-
2170	Accounts payable		7,500,163	1	8,525,984	2
2180	Accounts payable - related parties	7	17,949,939	3	13,385,510	2
2200	Other payables		10,693,867	2	8,387,052	1
2220	Other payables - related parties	7	118,800	-	57,478	-
2230	Current income tax liabilities		3,927,165	1	3,708,596	1
2320	Long-term liabilities, current portion	6(12)(13)	12,174,978	2	14,416,502	3
2399	Other current liabilities		5,139,667	1	2,884,328	-
21XX	<b>Total current liabilities</b>		<u>82,425,994</u>	<u>14</u>	<u>79,209,915</u>	<u>14</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(12)	34,050,000	6	39,750,000	8
2540	Long-term borrowings	6(13)	29,795,576	5	38,614,620	7
2570	Deferred income tax liabilities	6(25)	259,691	-	312,506	-
2600	Other non-current liabilities	6(14)	7,294,156	2	6,909,137	1
25XX	<b>Total non-current liabilities</b>		<u>71,399,423</u>	<u>13</u>	<u>85,586,263</u>	<u>16</u>
2XXX	<b>Total liabilities</b>		<u>153,825,417</u>	<u>27</u>	<u>164,796,178</u>	<u>30</u>
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Common stock	6(15)	58,611,863	10	58,611,863	11
<b>Capital surplus</b>						
3200	Capital surplus	6(16)	8,682,798	1	8,622,642	1
<b>Retained earnings</b>						
3310	Legal reserve	6(17)	51,046,840	9	46,663,535	9
3320	Special reserve		46,567,089	8	41,927,550	8
3350	Unappropriated retained earnings	6(25)	84,218,728	15	72,560,103	13
<b>Other equity interest</b>						
3400	Other equity interest	6(18)	109,169,026	19	91,965,445	17
3500	Treasury stocks	6(15)	(626,468)	-	(360,572)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>357,669,876</u>	<u>62</u>	<u>319,990,566</u>	<u>59</u>
36XX	<b>Non-controlling interest</b>		<u>60,831,200</u>	<u>11</u>	<u>59,649,846</u>	<u>11</u>
3XXX	<b>Total equity</b>		<u>418,501,076</u>	<u>73</u>	<u>379,640,412</u>	<u>70</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 572,326,493</u>	<u>100</u>	<u>\$ 544,436,590</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)

Items	Notes	For the years ended December 31				
		2017		2016		
		AMOUNT	%	AMOUNT	%	
4000	<b>Operating revenue</b>	6(19) and 7	\$ 358,421,471	100	\$ 319,204,627	100
5000	<b>Operating costs</b>	6(6)(14)(23)(24) and 7	( 305,225,269)	( 85)	( 271,653,073)	( 85)
5900	<b>Net operating margin</b>		53,196,202	15	47,551,554	15
	<b>Operating expenses</b>	6(14)(23)(24) and 7				
6100	Selling expenses		( 8,665,339)	( 2)	( 8,524,812)	( 3)
6200	General and administrative expenses		( 5,616,799)	( 2)	( 5,591,090)	( 2)
6000	<b>Total operating expenses</b>		( 14,282,138)	( 4)	( 14,115,902)	( 5)
6900	<b>Operating profit</b>		38,914,064	11	33,435,652	10
	<b>Non-operating income and expenses</b>					
7010	Other income	6(20) and 7	9,591,374	3	7,926,142	3
7020	Other gains and losses	6(21)	1,402,771	1	( 3,714,696)	( 1)
7050	Finance costs	6(9)(22) and 7	( 2,322,704)	( 1)	( 1,993,143)	( 1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	19,121,378	5	19,021,711	6
7000	<b>Total non-operating income and expenses</b>		27,792,819	8	21,240,014	7
7900	<b>Profit before income tax</b>		66,706,883	19	54,675,666	17
7950	Income tax expense	6(25)	( 6,670,937)	( 2)	( 5,908,938)	( 2)
8200	<b>Profit for the year</b>		\$ 60,035,946	17	\$ 48,766,728	15

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the years ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (net)</b>	6(18)(25)				
<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>					
8311 Other comprehensive loss, before tax, actuarial loss on defined benefit plans		(\$ 658,371)	( 1)	(\$ 505,220)	-
8320 Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		( 248,319)	-	( 23,805)	-
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		( 906,690)	( 1)	( 529,025)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 3,985,822)	( 1)	( 4,757,556)	( 1)
8362 Unrealised gain on valuation of available-for-sale financial assets		18,771,483	5	24,960,906	8
8370 Share of other comprehensive income of associates and joint ventures accounted for under equity method		2,048,005	1	1,081,694	-
8399 Income tax relating to the components of other comprehensive income		385,061	-	591,147	-
8360 <b>Components of other comprehensive income that will be reclassified to profit or loss</b>		17,218,727	5	21,876,191	7
8300 <b>Total other comprehensive income for the year</b>		\$ 16,312,037	4	\$ 21,347,166	7
8500 <b>Total comprehensive income for the year</b>		\$ 76,347,983	21	\$ 70,113,894	22
<b>Net income attributable to:</b>					
8610 Owners of the parent		\$ 54,410,802	15	\$ 43,833,045	14
8620 Non-controlling interest		5,625,144	2	4,933,683	1
		\$ 60,035,946	17	\$ 48,766,728	15
<b>Total comprehensive income attributable to:</b>					
8710 Owners of the parent		\$ 70,707,693	19	\$ 57,934,824	18
8720 Non-controlling interest		5,640,290	2	12,179,070	4
		\$ 76,347,983	21	\$ 70,113,894	22
		Before Tax	After Tax	Before Tax	After Tax
<b>Basic earnings per share</b>	6(26)				
9710 Profit for the year from continuing operations		\$ 11.43	\$ 10.29	\$ 9.36	\$ 8.35
9720 Non-controlling interest		( 1.34 )	( 0.96 )	( 1.22 )	( 0.85 )
9750 Profit attributable to common shareholders of the parent		\$ 10.09	\$ 9.33	\$ 8.14	\$ 7.50
<b>Assuming shares held by subsidiary are not deemed as treasury stock:</b>					
Profit for the year from continuing operations		\$ 11.38	\$ 10.24	\$ 9.33	\$ 8.32
Non-controlling interest		( 1.34 )	( 0.96 )	( 1.22 )	( 0.84 )
Profit attributable to common shareholders of the parent		\$ 10.04	\$ 9.28	\$ 8.11	\$ 7.48

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)

Notes	Equity attributable to owners of the parent							Total	Non-controlling interest	Total equity		
	Retained Earnings			Other Equity Interest								
	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 gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedges of cash flow hedges	Treasury stocks			
For the year ended December 31, 2016												
Balance at January 1, 2016	\$ 58,611,863	\$ 8,875,002	\$ 43,905,716	\$ 41,927,550	\$ 52,528,055	\$ 4,649,520	\$ 72,615,548	\$ 69,573	(\$352,309)	\$ 282,830,518	\$ 50,247,015	\$ 333,077,533
Appropriations of 2015 earnings	-	-	2,757,819	-	( 2,757,819 )	-	-	-	-	-	-	-
Dividends paid to subsidiaries to adjust capital surplus	-	-	-	-	( 20,514,153 )	-	-	-	-	( 20,514,153 )	-	( 20,514,153 )
Changes in the net interest of associates recognised under the equity method	-	20,975	-	-	-	-	-	-	-	20,975	-	20,975
Stocks of the parent company purchased by the subsidiary and recognised as treasury stock	-	( 273,335 )	-	-	-	-	-	-	-	( 273,335 )	-	( 273,335 )
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	-	-	-	-	-	-	-	-	( 8,263 )	( 8,263 )	-	( 8,263 )
Cash dividends paid by consolidated subsidiaries	-	-	-	-	43,833,045	-	-	-	-	43,833,045	( 2,866,605 )	( 2,866,605 )
Profit for the year	-	-	-	-	( 529,025 )	( 3,660,896 )	18,318,099	( 26,399 )	-	14,101,779	7,245,387	21,347,166
Other comprehensive income for the year	-	-	-	-	72,560,103	988,624	90,933,647	43,174	(\$360,572)	\$ 319,990,566	59,649,846	\$ 379,640,412
Balance at December 31, 2016	\$ 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

(Continued)

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

Notes	Equity attributable to owners of the parent							Total	Non-controlling interest	Total equity		
	Retained Earnings			Other Equity Interest								
	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 gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedges of cash flow hedges	Treasury stocks			
For the year ended December 31, 2017												
Balance at January 1, 2017	\$ 58,611,863	\$ 8,622,642	\$ 46,663,535	\$ 41,927,550	\$ 72,560,103	\$ 988,624	\$ 90,933,647	\$ 43,174	(\$ 360,572)	\$ 319,990,566	\$ 59,649,846	\$ 379,640,412
Appropriations of 2016 earnings	-	-	4,383,305	-	( 4,383,305 )	-	-	-	-	-	-	-
Legal reserve	-	-	4,383,305	-	( 4,383,305 )	-	-	-	-	-	-	-
Special reserve	-	-	-	4,639,539	( 4,639,539 )	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 32,822,643 )	-	-	-	-	( 32,822,643 )	-	( 32,822,643 )
Dividends paid to subsidiaries to adjust capital surplus	-	43,842	-	-	-	-	-	-	-	43,842	-	43,842
Changes in the net interest of associates recognised under the equity method	-	4,304	-	-	-	-	-	-	-	4,304	-	4,304
Stocks of the parent company disposed by the subsidiary and recognised as treasury stock	-	8	-	-	-	-	-	-	-	8	-	8
Expired cash dividends reclassified to capital surplus	-	12,002	-	-	-	-	-	-	-	12,002	-	12,002
Stocks of the parent company purchased by the subsidiary and recognised as treasury stock	-	-	-	-	-	-	-	-	( 265,896 )	( 265,896 )	-	( 265,896 )
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	-	-	-	-	-	-	-	-	-	-	5,922	5,922
Cash dividends paid by consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	( 4,464,858 )	( 4,464,858 )
Profit for the year	-	-	-	-	54,410,802	-	-	-	-	54,410,802	5,625,144	60,035,946
Other comprehensive income (loss) for the year	-	-	-	-	( 906,690 )	( 3,040,875 )	20,279,553	( 35,097 )	-	16,296,891	15,146	16,312,037
Balance at December 31, 2017	\$ 58,611,863	\$ 8,682,798	\$ 51,046,840	\$ 46,567,089	\$ 84,218,728	(\$ 2,052,251)	\$ 111,213,200	\$ 8,077	(\$ 626,468)	\$ 357,669,876	\$ 60,831,200	\$ 418,501,076

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)

	Notes	For the years ended December 31,	
		2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 66,706,883	\$ 54,675,666
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(9)(23)	14,472,479	16,029,866
Amortisation	6(23)	3,353,928	4,311,872
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)(11)(21)	( 4,156 )	( 1,598 )
(Gain) Loss on inventory valuation	6(6)	( 86,032 )	498,306
Impairment loss on financial assets	6(7)(21)	-	207,066
Interest expense	6(22)	2,322,704	1,993,143
Interest income	6(20)	( 544,054 )	( 411,097 )
Dividend income	6(20)	( 7,464,957 )	( 6,243,361 )
Share of profit or loss of associates accounted for under the equity method		( 19,121,378 )	( 19,021,711 )
Gain on disposal and scrap of property, plant and equipment	6(21)	( 840,582 )	( 18,206 )
(Gain on reversal of impairment loss) Impairment loss on property, plant and equipment	6(9)(21)	( 3,090 )	781,222
Gain on disposal of investments	6(21)	( 2,177,153 )	( 181,168 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		-	30,350
Notes receivable		( 3,933,535 )	( 455,842 )
Notes receivable-related parties		( 1,363 )	( 6,408 )
Accounts receivable		( 3,624,110 )	( 3,346,671 )
Accounts receivable-related parties		( 1,693,126 )	( 536,115 )
Other receivables		( 2,245,762 )	2,752,270
Inventories		3,402,327	( 2,661,979 )
Other current assets		1,117,815	920,990
Other non-current assets		( 157,561 )	1,013,421
Changes in operating liabilities			
Notes payable		2,648	( 3,257 )
Accounts payable		( 1,025,821 )	1,589,095
Accounts payable-related parties		4,564,429	1,097,915
Other payables		2,590,521	231,130
Other current liabilities		2,255,339	683,043
Accrued pension liabilities		( 303,144 )	( 4,901,984 )
Cash inflow generated from operations		57,563,249	49,025,958
Interest received		574,670	396,562
Interest paid		( 2,390,222 )	( 2,032,885 )
Income tax paid		( 6,418,252 )	( 5,114,947 )
Dividends received		21,910,714	17,438,601
Net cash flows from operating activities		<u>71,240,159</u>	<u>59,713,289</u>

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in other receivables-related parties		\$ 6,113,254	(\$ 9,987,748 )
Acquisition of available-for-sale financial assets		( 4,134,669 )	( 5,478,021 )
Proceeds from disposal of available-for-sale financial assets		6,326,172	228,802
Acquisition of financial assets measured at cost		( 2,327,575 )	( 104 )
Cash refund from capital reduction in financial assets measured at cost		23,549	10,704
Proceeds from disposal of financial assets measured at cost		69,754	40,357
Acquisition of investments accounted for under the equity method		( 3,862,100 )	( 1,361,880 )
Proceeds from disposal of investments accounted for under equity method		-	8,760
Acquisition of property, plant and equipment	6(27)	( 11,881,773 )	( 8,963,930 )
Proceeds from disposal of property, plant and equipment		1,011,698	67,473
Acquisition of intangible assets		( 432 )	( 234 )
Increase in non-current assets		( 6,802,015 )	( 2,713,339 )
Net cash flows used in investing activities		( 15,464,137 )	( 28,149,160 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in short-term borrowings		( 3,004,616 )	( 525,898 )
Increase (decrease) in short-term notes and bills payable		80,299	( 549,900 )
Increase (decrease) in other payables-related parties		61,322	( 2,289,031 )
Increase in long-term borrowings		12,554,576	13,989,866
Payment of long-term borrowings		( 21,387,832 )	( 12,474,284 )
Payment of bonds payable		( 6,750,000 )	( 9,500,000 )
Decrease in other non-current liabilities		( 1,068 )	( 45,849 )
Increase in guarantee deposits		30,860	5,522
Payment of cash dividends	6(27)	( 32,814,574 )	( 21,932,687 )
Decrease in non-controlling interests		( 4,464,858 )	( 2,866,605 )
Net cash flows used in financing activities		( 55,695,891 )	( 36,188,866 )
Effect of foreign exchange translations		( 787,443 )	272,509
Net decrease in cash and cash equivalents		( 707,312 )	( 4,352,228 )
Cash and cash equivalents at beginning of year		30,391,911	34,744,139
Cash and cash equivalents at end of year		<u>\$ 29,684,599</u>	<u>\$ 30,391,911</u>

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



FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 16, 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 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

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

New standards, interpretations and amendments as endorsed by FSC effective from 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 will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group expects to adopt 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 expects to reclassify available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets at cost in the amounts of \$3,649,141, \$157,962,945 and \$25,093,528, respectively, and make 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 and loss, financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current, increasing investments accounted for under equity method, increasing retained earnings and other equity interest in the amounts of \$4,573,903, \$3,649,141, \$195,161,657, \$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 will have to be 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.

(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) Available-for-sale financial assets measured at fair value.
  - (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 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.

### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

**B. Subsidiaries included in the consolidated financial statements:**

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2017	December 31, 2016	
The Company	Formosa Carpet Corp.	Spinning, dyeing, printing, finishing and manufacturing synthetic fibre, rug and carpet	100.00	100.00	The Company holds more than 50% of voting rights. (Note 1)
The Company	FCFC Investment Corp. (Cayman)	Investing	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC International Limited (Cayman)	Investing	100.00	100.00	The Company holds more than 50% of voting rights. (Note 1)
FCFC Investment Corp. (Cayman)	Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Investing	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	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.	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.	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
			December 31, 2017	December 31, 2016	
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Producing and marketing of PTA	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)
The Company	Formosa Biomedical Technology Corp.	Manufacturing and sale of cleaner and cosmetics	88.59	88.59	The Company holds more than 50% of voting rights.
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Removal and disposal of waste	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.
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (SAMOA) Co., Ltd.	Investment	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights.
Formosa Biomedical Technology Corp.	Formosa Waters Technology Co., Ltd.	Manufacturing industrial catalyst and wholesale of other chemical products	57.00	-	Formosa Biochemical Technology holds more than 50% of voting rights.
Formosa Biomedical Technology (SAMOA) Co., Ltd.	Formosa Biomedical Trading (Shanghai) Co., Ltd.	Importing, exporting and wholesale of healthy food	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights through a 100% owned company - Formosa Biomedical Technology (SAMOA) Co., Ltd
The Company	Ta Shin Spining Corp.	Spinning	86.40	86.40	The Company holds more than 50% of voting rights.
The Company	Formosa Idemitsu Petrochemical Corp.	Wholesale and retail of petrochemical and plastic raw materials	50.00	50.00	The Company has substantial control and thus regards Formosa Idemitsu Petrochemical Corp. as a subsidiary.

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2017	December 31, 2016	
The Company	Formosa BP Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	50.00	The Company has substantial control and thus regards Formosa BP Chemicals Corp. as a subsidiary.
The Company	Formosa Industried Corp., Vietnam	Production and marketing of textile, polyester staple fibre, cotton, hydropower	42.50	42.50	The Company has substantial control and thus regards Formosa Industries Corp. as a subsidiary.
The Company	Formosa Taffeta Co., Ltd.	Production and marketing of Polyamine fabric, Polyester fabric, cotton fabric, blended fabric and tire cord fabric	37.40	37.40	The Company has substantial control and thus regards Formosa Taffeta Corp. as a subsidiary.
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	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	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Production and marketing of textile, polyester staple fibre, cotton, hydropower	100.00	100.00	The Company and Formosa Taffeta Co., Ltd. hold more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2017	December 31, 2016	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of Nylon and Polyamine fabric	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric of 3XDRY, Nanosphere, Keprotect, Dynatec, Spirit and Reflex	43.00	43.00	Formosa Taffeta Co., Ltd. has substantial control and thus regards Schoeller F.T.C. (Hong Kong) Co., Ltd. as a subsidiary.
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Investment	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 1)
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing of processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Taffeta (Hong Kong) Co., Ltd.
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Employment services and temporary worker services	100.00		- Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Development Co., Ltd.

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

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

E. Significant restrictions: None.

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

As of December 31, 2017 and 2016, the non-controlling interest amounted to \$60,831,200 and \$59,649,846, respectively. The information of non-controlling interest and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2017		December 31, 2016		
		Amount	Ownership (%)	Amount	Ownership (%)	
Formosa Taffeta Co., Ltd.	Taiwan	\$ 43,310,992	62.60	\$ 41,591,321	62.60	-

Summarised financial information of the subsidiary:

Balance sheets

	Formosa Taffeta Co., Ltd.	
	December 31, 2017	December 31, 2016
Current assets	\$ 23,982,143	\$ 23,210,986
Non-current assets	70,720,892	68,819,110
Current liabilities	9,413,895	9,293,527
Non-current liabilities	12,106,570	12,456,669
Total net assets	\$ 73,182,570	\$ 70,279,900

Statements of comprehensive income

	Formosa Taffeta Co., Ltd.	
	Year ended December 31, 2017	Year ended December 31, 2016
Revenue	\$ 40,705,664	\$ 39,848,986
Profit before income tax	5,276,484	4,474,799
Income tax expense	( 516,468)	( 634,299)
Profit for the year	4,760,016	3,840,500
Other comprehensive income, net of tax	5,731,460	16,298,058
Total comprehensive income for the year	\$ 10,491,476	\$ 20,138,558
Comprehensive income attributable to non-controlling interest	\$ 582,649	\$ 473,896

## Statements of cash flows

	Formosa Taffeta Co., Ltd.	
	Year ended December 31, 2017	Year ended December 31, 2016
Net cash provided by (used in) operating activities	\$ 6,335,824	\$ 4,903,770
Net cash provided by (used in) investing activities	( 3,917,476)	( 2,551,350)
Net cash provided by (used in) financing activities	( 3,094,693)	( 2,383,317)
Effect of exchange rates on cash and cash equivalents	( 34,590)	44,154
Increase (decrease) in cash and cash equivalents	( 710,935)	13,257
Cash and cash equivalents, beginning of year	5,653,854	5,640,597
Cash and cash equivalents, end of year	\$ 4,942,919	\$ 5,653,854

### (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 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:

(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 or investment strategy.

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. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. 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 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'.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets 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'.

(9) Loans and receivables

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. Accounts receivable 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.

(10) Impairment of financial assets

- A. 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.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- (a) Significant financial difficulty of the issuer or debtor;
  - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (c) 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;
  - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
  - (e) The disappearance of an active market for that financial asset because of financial difficulties;
  - (f) 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;
  - (g) 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;
  - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. 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:
- (a) Financial assets measured 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.

(b) Financial assets measured 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.

(c) 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.

(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 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

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term 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

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

(23) Employee benefits

A. Short-term employee benefits

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

## B. Pensions

### (a) Defined contribution plans

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

### (b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.

iii. Past service costs are recognised immediately in profit or loss.

## C. Employees', directors' and supervisors' remuneration

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

## (24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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.

(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.

(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

Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset-equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(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>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand and petty cash	\$ 132,789	\$ 104,883
Checking accounts and demand deposits	5,714,328	8,374,036
Cash equivalents		
Time deposits	15,122,751	14,186,540
Bonds repurchased and commercial paper	<u>8,714,731</u>	<u>7,726,452</u>
	<u>\$ 29,684,599</u>	<u>\$ 30,391,911</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

Items	December 31, 2017	December 31, 2016
Current items:		
Financial assets at fair value through profit or loss		
Beneficiary certificate	\$ 619,504	\$ 619,504
Non-hedging derivatives	398	66
	<u>619,902</u>	<u>619,570</u>
Valuation adjustments of financial assets at fair value through profit or loss	10,494	8,051
	<u>\$ 630,396</u>	<u>\$ 627,621</u>

- A. The Group recognised gain on valuation of financial assets at fair value through profit or loss amounting to \$2,775 and \$2,160 for the years ended December 31, 2017 and 2016, respectively.
- B. The non-hedging derivative instruments transaction and contract information are as follows:

Derivative Instruments	December 31, 2017		December 31, 2016	
	Contract Amount (Notional Principal) (in thousands)	Contract Period	Contract Amount (Notional Principal) (in thousands)	Contract Period
Current items:				
Forward exchange contracts:				
Taipei Fubon	JPY 192,020	Nov. 2017 - Feb. 2018	-	-
CHB	-	-	USD 1,000	Dec. 2016 - Feb. 2017

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.

(3) Available-for-sale financial assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current items:		
Listed (TSE and OTC) stocks	\$ 25,540,146	\$ 25,658,353
Unlisted stocks	825,839	825,839
Fund	4,903,800	4,903,800
Valuation adjustments of available-for-sale financial assets	<u>88,589,604</u>	<u>71,681,703</u>
	119,859,389	103,069,695
Less: Accumulated impairment	<u>( 2,241,589)</u>	<u>( 2,291,703)</u>
	<u>\$ 117,617,800</u>	<u>\$ 100,777,992</u>
Non-current items:		
Listed (TSE and OTC) stocks	\$ 9,075,966	\$ 9,418,267
Valuation adjustments of available-for-sale financial assets	<u>37,437,306</u>	<u>35,576,112</u>
	46,513,272	44,994,379
Less: Accumulated impairment	<u>( 2,518,986)</u>	<u>( 2,613,085)</u>
	<u>\$ 43,994,286</u>	<u>\$ 42,381,294</u>

- A. The Company has sold Nan Ya Technology Corporation's shares of 3,673 thousand shares in open market between September 2017 and November 2017 for use of operating capital. Accordingly, the Company has recognised gain on disposal of investments of \$2,140,569 (recorded as other gains and losses).
- B. The Group purchased the Mega Private US Dollar Money Market Funds in January, March and May 2016. The trading unit was 2,500,000 units, 4,994,157 units and 7,483,835 units and the trading amount was USD 25 million, USD 50 million and USD 75 million, respectively.
- C. The Group recognised \$7,161,297 and \$5,897,644 as dividend income from available-for-sale financial assets for the years ended December 31, 2017 and 2016, respectively.
- D. The Group recognised \$17,333,899 and \$16,824,750 as other comprehensive income from change in fair value of available-for-sale financial assets for the years ended December 31, 2017 and 2016, respectively.
- E. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Group were pledged to others.

(4) Notes receivable, net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Notes receivable	\$ 10,971,286	\$ 7,037,751
Less: Allowance for bad debts	-	-
	<u>\$ 10,971,286</u>	<u>\$ 7,037,751</u>

(5) Accounts receivable, net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 21,910,658	\$ 18,303,379
Less: Allowance for bad debts	( 257,573)	( 274,404)
	<u>\$ 21,653,085</u>	<u>\$ 18,028,975</u>

A. The credit quality of the Group's accounts receivable that are neither past due nor impaired qualify the industrial characteristics, operating scale and profit situation of the counterparty.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Up to 30 days	\$ 347,818	\$ 332,950
31 to 90 days	66,606	72,739
91 to 180 days	3,172	26,408
Over 180 days	7,075	4,816
	<u>\$ 424,671</u>	<u>\$ 436,913</u>

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired is as follows:

	<u>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>

	<u>Year ended December 31, 2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 156,022	\$ 124,330	\$ 280,352
Write-off	-	( 3,279)	( 3,279)
Effect of exchange rate	-	( 2,669)	( 2,669)
At December 31	<u>\$ 156,022</u>	<u>\$ 118,382</u>	<u>\$ 274,404</u>

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

(6) Inventories

	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>

  

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 17,685,864	(\$ 143,306)	\$ 17,542,558
Materials	5,660,605	( 517,325)	5,143,280
Work in progress	6,371,263	( 18,564)	6,352,699
Finished goods	13,750,552	( 675,146)	13,075,406
Other inventory	102,503	( 1,166)	101,337
	<u>\$ 43,570,787</u>	<u>(\$ 1,355,507)</u>	<u>\$ 42,215,280</u>

A. Expense and loss incurred on inventories for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Cost of inventories sold	\$ 303,434,842	\$ 270,249,925
(Gain) loss on inventory valuation (Note)	( 86,032)	498,306
Idle capacity	1,554,522	1,317,736
Others	321,937	( 412,894)
	<u>\$ 305,225,269</u>	<u>\$ 271,653,073</u>

Note: The gain from price recovery for the year ended December 31, 2016 resulted from the disposal of inventory which were previously provided with allowance. As the market value of petroleum related products decreased for the year ended December 31, 2017, the Group recognised related allowance for inventory valuation loss after assessment.

B. As of December 31, 2017 and 2016, inventories pledged are described in Note 8.

(7) Financial assets measured at cost

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</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 Automobile Corp.	1,750	1,750
Formosa Development Corp.	90,010	90,010
Formosa Technologies 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	141
Nan Ya Photonics Inc.	294,583	294,583
United Biopharma, Inc.	613,159	635,828
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	20,449,290
UBI Pharma Inc.	667,607	676,215
	<u>25,300,594</u>	<u>24,638,872</u>
Less: Accumulated impairment	<u>( 207,066)</u>	<u>( 207,066)</u>
	<u>\$ 25,093,528</u>	<u>\$ 24,431,806</u>

A. According to the Group's intention, the investment in above 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 companies similar to the Group's financial information can be obtained, the fair value of the investment in stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets measured at cost'.

- B. The Group recognised \$303,660 and \$345,717 as dividend income from investment in financial assets measured at cost for the years ended December 31, 2017 and 2016, respectively.
- C. Value of the stocks mentioned above was impaired, accordingly, the Group recognised impairment loss of \$207,066 for the year ended December 31, 2016.
- D. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Group were pledged to others.

(8) Investments accounted for using equity method

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Formosa Heavy Industries Corp.	\$ 7,694,277	\$ 7,644,268
Formosa Fairway Corp.	100,952	101,719
Formosa Plastics Transport Corp.	738,229	750,304
Formosa Petrochemical Corp.	82,001,789	74,173,344
Mai Liao Power Corp.	10,845,857	10,936,483
Hwa Ya Science Park Management Consulting Co., Ltd.	1,382	1,776
Chia-Nan Enterprise Corp.	260,483	261,922
Su Hua Transport Corp.	277,136	251,008
Formosa Environmental Technology Corp.	226,435	255,716
Formosa Synthetic Rubber Corp.	283,679	315,764
Formosa Synthetic Rubber Corp. (Hong Kong)	802,566	1,212,400
Formosa Resource Corp.	5,361,771	4,159,625
Formosa Group (Cayman) Corp.	348,135	549,598
Formosa Construction Corp.	87,774	91,895
FG INC.	2,165,787	-
Beyoung International Corp.	95,491	94,389
Kuang Yueh Co., Ltd.	1,149,965	1,175,070
Changshu Yu Yuan Co., Ltd.	35,008	59,856
	<u>\$ 112,476,716</u>	<u>\$ 102,035,137</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	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2017	December 31, 2016		
Formosa Petrochemical Corp.	Taiwan	24.15%	24.15%	Investments accounted for using equity method	Equity method

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

Balance sheets

	Formosa Petrochemical Corp.	
	December 31, 2017	December 31, 2016
Current assets	\$ 264,858,391	\$ 281,610,398
Non-current assets	161,521,779	168,006,910
Current liabilities	( 64,714,687)	( 67,458,120)
Non-current liabilities	( 20,378,883)	( 73,094,405)
Total net assets	\$ 341,286,600	\$ 309,064,783
Share in associate's net assets	\$ 82,420,714	\$ 74,639,145
Unrealised profit from sale of upstream transactions eliminations	( 308,206)	( 355,082)
Net differences in share capital	( 110,719)	( 110,719)
Carrying amount of the associate	\$ 82,001,789	\$ 74,173,344

Statements of comprehensive income

	Formosa Petrochemical Corp.	
	Year ended December 31, 2017	Year ended December 31, 2016
Revenue	\$ 622,236,734	\$ 544,397,827
Profit for the year from continuing operations	80,170,146	75,764,102
Other comprehensive income, net of tax	9,204,227	4,766,840
Total comprehensive income	\$ 89,374,373	\$ 80,530,942
Dividends received from associates	\$ 13,804,799	\$ 9,203,199

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

As of December 31, 2017 and 2016, the carrying amount of the Group's individually

immaterial associates amounted to \$30,474,927 and \$27,861,793, respectively.

	Year ended December 31, 2017	Year ended December 31, 2016
Profit for the year from continuing operations	\$ 78,251	\$ 5,668,226
Other comprehensive loss, net of tax	( 1,034,719)	( 675,571)
Total comprehensive income	<u>(\$ 956,468)</u>	<u>\$ 4,992,655</u>

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

	December 31, 2017	December 31, 2016
Formosa Petrochemical Corp.	<u>\$ 265,742,377</u>	<u>\$ 257,689,578</u>

- B. The investments accounted for using equity method were based on the investees' audited financial statements for the years ended December 31, 2017 and 2016.
- C. In response to Formosa Ha Tinh Steel Corporation's planning of shareholding, the Group has signed an agreement for the transfer of capital contribution with Formosa Ha Tinh (Cayman) Limited in September 2014, whereby the Group will transfer all its capital contribution of US\$689,955 thousand in Formosa Ha Tinh Steel Corporation as investment in Formosa Ha Tinh (Cayman) Limited. The Group has conducted restructuring in June, 2015, transferring 14.75% of equity in Formosa Ha Tinh (Cayman) Limited to Formosa Group Investment (Cayman) Limited as capital contribution. After reorganization, the Group now indirectly holds 19.71% of voting rights of Formosa Ha Tinh Steel Corporation through direct ownership in Formosa Ha Tinh (Cayman) Limited. Although the shareholding ratio is less than 20%, as the Group still has significant influence over Formosa Ha Tinh Steel Corp., the Group accounts for Formosa Ha Tinh Steel Corp. using equity method. In August, 2015, Formosa Ha Tinh (Cayman) Limited received cash from a capital increase. Since Formosa Taffeta (Cayman) Co., Ltd., the Group's subsidiary, and Formosa Group Investment (Cayman) Corp., the Group's associate, did not subscribe to the capital increase proportionately, the Group's overall ownership percentage decreased from 19.71% to 16.5%. Accordingly, capital surplus was recognised. In January 2016, the Group has transferred all its share capital of Formosa Group Investment (Cayman) Corp. as investment in FCFC International Limited (Cayman). After reorganization, the Group's subsidiaries, FCFC International Limited (Cayman) and Formosa Biomedical Technology (SAMOA) Co., Ltd. collectively hold 15.28% of share capital of Formosa Ha Tinh (Cayman) Limited. As the Group has no significant influence over the subsidiaries in management decisions, the Group discontinued accounting the subsidiary using the equity method when the Group lost significant influence and reclassified the investment as financial assets at cost.
- D. In order to improve technical value and integrate related resources of biomedical industry and further develop the Group toward the high-end medical domain, the Group acquired 150 million shares of UBI Pharma Inc. at NT\$4 per share and shareholding ratio is 21.99%. Since July 2016,



the Group has lost significant influence in operational decision making over UBI Pharma Inc. As a result, the Group discontinued accounting for this investment under equity method and reclassified the investment as financial assets at cost. As of September 30, 2017, the shareholding ratio was 18.99%.

E. The Board of Directors resolved to invest USD 72,600 thousand, equivalent to 30% of ownership, in FG INC in November, 2017.

F. The Group received cash dividends of \$14,443,403 and \$11,195,240 for the years ended December 31, 2017 and 2016, respectively, from its investments accounted for using equity method. The cash dividends are recorded as a deduction from the Group's investments accounted for using equity method.

G. As of December 31, 2017 and 2016, no equity investments by the Group were pledged to others.

(9) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2017</u>						
Cost	\$ 8,779,868	\$ 44,776,889	\$ 293,971,383	\$ 14,692,225	\$ 14,151,660	\$ 376,372,025
Accumulated depreciation and impairment	( 170,292)	( 22,571,577)	( 210,261,607)	( 12,411,580)	( 43,509)	( 245,458,565)
	<u>\$ 8,609,576</u>	<u>\$ 22,205,312</u>	<u>\$ 83,709,776</u>	<u>\$ 2,280,645</u>	<u>\$ 14,108,151</u>	<u>\$ 130,913,460</u>
<u>2017</u>						
Opening net book amount	\$ 8,609,576	\$ 22,205,312	\$ 83,709,776	\$ 2,280,645	\$ 14,108,151	\$ 130,913,460
Additions	-	11,884	203,377	207,007	11,247,250	11,669,518
Disposals	( 43,196)	( 28,735)	( 94,182)	( 5,003)	-	( 171,116)
Reclassifications	108	2,203,995	10,182,040	202,435	( 12,526,624)	61,954
Depreciation charge	( 290)	( 1,471,045)	( 12,505,276)	( 495,868)	-	( 14,472,479)
Reversal of impairment loss				3,090	-	3,090
Net exchange difference	( 44)	( 550,609)	( 1,546,359)	( 30,430)	( 531,367)	( 2,658,809)
Closing net book amount	<u>\$ 8,566,154</u>	<u>\$ 22,370,802</u>	<u>\$ 79,949,376</u>	<u>\$ 2,161,876</u>	<u>\$ 12,297,410</u>	<u>\$ 125,345,618</u>
<u>At December 31, 2017</u>						
Cost	\$ 8,736,490	\$ 46,210,594	\$ 297,714,457	\$ 14,717,555	\$ 12,297,410	\$ 379,676,506
Accumulated depreciation and impairment	( 170,336)	( 23,839,792)	( 217,765,081)	( 12,555,679)	-	( 254,330,888)
	<u>\$ 8,566,154</u>	<u>\$ 22,370,802</u>	<u>\$ 79,949,376</u>	<u>\$ 2,161,876</u>	<u>\$ 12,297,410</u>	<u>\$ 125,345,618</u>

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2016</u>						
Cost	\$ 8,776,614	\$ 44,661,550	\$ 288,265,584	\$ 14,794,731	\$ 21,798,947	\$ 378,297,426
Accumulated depreciation and impairment	( 171,256)	( 21,484,545)	( 199,945,206)	( 12,332,660)	-	( 233,933,667)
	<u>\$ 8,605,358</u>	<u>\$ 23,177,005</u>	<u>\$ 88,320,378</u>	<u>\$ 2,462,071</u>	<u>\$ 21,798,947</u>	<u>\$ 144,363,759</u>
<u>2016</u>						
Opening net book amount	\$ 8,605,358	\$ 23,177,005	\$ 88,320,378	\$ 2,462,071	\$ 21,798,947	\$ 144,363,759
Additions	-	67,402	505,723	168,135	7,526,614	8,267,874
Disposals	( 6)	( 2,296)	( 38,191)	( 8,775)	-	( 49,268)
Reclassifications	4,758	1,365,457	12,931,220	242,886	( 14,593,891)	( 49,570)
Depreciation charge	( 313)	( 1,443,640)	( 14,052,099)	( 533,814)	-	( 16,029,866)
Impairment loss	-	( 77,231)	( 650,121)	( 10,361)	( 43,509)	( 781,222)
Net exchange difference	( 221)	( 881,385)	( 3,307,134)	( 39,497)	( 580,010)	( 4,808,247)
Closing net book amount	<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>At December 31, 2016</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>

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

	For the years ended December 31,	
	2017	2016
Amount capitalised	<u>\$ 84,752</u>	<u>\$ 167,447</u>
Interest rate	<u>0.98%~3.03%</u>	<u>1.01%~2.62%</u>

B. Under the regulations, land may only be owned by individuals. Thus, the Group has already obtained ownership of the agricultural land for future plant expansion which was acquired by the Group under the name of a third party, and has pledged the full amount to the Company. As of December 31, 2017 and 2016, the pledged amount was \$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.

D. The Group recognised impairment loss (gain from reversal) for the years ended December 31, 2017 and 2016. Details of such loss are as follows:

	For the years ended December 31,			
	2017		2016	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss — Buildings	\$ -	\$ -	\$ 77,231	\$ -
Impairment loss — Machinery and equipment	-	-	650,121	-
(Reversal of impairment loss)	( 3,090)	-	10,361	-
Impairment loss — Transportation equipment	-	-	-	-
Impairment loss — Construction in progress	-	-	43,509	-
	<u>(\$ 3,090)</u>	<u>\$ -</u>	<u>\$ 781,222</u>	<u>\$ -</u>

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

	For the years ended December 31,			
	2017		2016	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
3rd Petrochemical Div	\$ -	\$ -	\$ 314,437	\$ -
Other divisions	( 3,090)	-	466,785	-
	<u>(\$ 3,090)</u>	<u>\$ -</u>	<u>\$ 781,222</u>	<u>\$ -</u>

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

<u>Type of loans</u>	<u>December 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
OA loans	\$ 7,386	0.32%~0.36%	None
Secured loans	2,798,304	1.40%~4.79%	Note 8
Unsecured loans	<u>20,336,444</u>	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	( <u>237</u> )		
Net short-term notes and bills payable	<u>\$ 1,579,763</u>		

  

<u>Type of loans</u>	<u>December 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
OA loans	\$ 20,162	0.32%~1.95%	None
Secured loans	2,969,220	1.40%~2.33%	Note 8
Unsecured loans	<u>23,157,368</u>	0.87%~4.13%	None
Total short-term loans	<u>\$ 26,146,750</u>		
Short-term notes and bills payable	\$ 1,500,000	0.43%~0.96%	None
Short-term notes and bills payable discount	( <u>536</u> )		
Net short-term notes and bills payable	<u>\$ 1,499,464</u>		

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

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current items:		
Non-hedging derivatives	<u>\$ -</u>	<u>\$ 1,381</u>

A. The Group recognised net gain (loss) on valuation of financial liabilities at fair value through profit or loss amounting to \$1,381 and (\$562) for the years ended December 31, 2017 and 2016, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:  
As of December 31, 2017: None.

<u>Derivative Financial Liabilities</u>	<u>December 31, 2016</u>	
	Contract Amount	Contract Period
	(Notional Principal) (In thousand dollars)	
Current items:		
Forward foreign exchange contracts		
CHB	USD 5,000	Nov. 2016 ~ Feb. 2017

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.

(12) Bonds payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Bonds payable		
Domestic unsecured nonconvertible corporate bonds	\$ 39,750,000	\$ 46,500,000
Less: Current portion	( 5,700,000)	( 6,750,000)
	<u>\$ 34,050,000</u>	<u>\$ 39,750,000</u>

The terms of nonconvertible corporate bonds were as follows:

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2017	December 31, 2016	Note
<u>2012</u>							
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	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	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7~2022.12.7	1.51	4,100,000	4,100,000	4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2019.1.22~2020.1.22	1.34	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22~2023.1.22	1.50	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%

<u>Description</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>Yield rate (%)</u>	<u>Issued principal amount</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Note</u>
<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	\$ 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	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8~2023.7.8	1.52	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.1.17	2025.1.17 ~ 2026..1.17	2.03	10,000,000	10,000,000	10,000,000	Serial bonds, to be settled 50%, 50%
<u>2014</u>							
First issued domestic unsecured nonconvertible corporate bonds-A	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	1,400,000	1,400,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds-B	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	4,600,000	4,600,000	4,600,000	Serial bonds, to be settled 50%, 50%
					39,750,000	46,500,000	
Less: Current portion of bonds payable					( 5,700,000)	( 6,750,000)	
					<u>\$ 34,050,000</u>	<u>\$ 39,750,000</u>	

(13) Long-term bank loans and notes payable

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. 2017 ~ Sep. 2022, principal payable semi-annually after 36 months	1 to 5 years (including 5 years) rate of CBC, 4.75%		383,709
Hua Nan Bank	Feb. 3, 2017 ~ Feb. 3, 2020, principal payable at maturity date	4.75%	"	159,879
Hua Nan Bank	Mar. 15, 2017 ~ Mar. 15, 2019, payable in full at maturity	1.03%	"	1,500,000

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

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

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2016
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 29, 2016 ~ Mar. 29, 2019, payable at maturity date; interest payable monthly	1.00%~1.13%	None	\$ 3,000,000
Export-Import Bank of the ROC	Jul. 27, 2012 ~ Jul. 27, 2017, principal payable semi-annually	1.05%~1.19%	"	114,286
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)	"	3,067,876
Taipei Fubon Bank	Aug. 2, 2016 ~ Aug. 2, 2018, payable at maturity date; interest payable monthly	1.14%~1.14%	"	600,000
Sumitomo Mitsui Banking Corporation	Aug. 2, 2016 ~ Aug. 2, 2018, payable at maturity date; interest payable monthly	0.82%~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	2.08%~2.18%	"	6,135,751

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2016
Mega International Commercial Bank	Nov. 19, 2012 ~ Nov. 17, 2017, principal payable semi-annually	TAIFX+0.80% 3 months	None	\$ 1,226,602
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%	"	991,124
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)	"	707,281
Taiwan Cooperative Bank	Dec. 10, 2013 ~ Dec. 7, 2018, principal payable semi-annually	TAIFX+0.75% 3 months	"	1,781,801
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)	"	558,380
Taiwan Bank	Oct. 24, 2014 ~ Oct. 21, 2019, principal payable semi-annually after three years; interest payable quarterly	LIBOR+1.4% 3 months	"	2,582,320

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2016
Taiwan Business Bank	Jan.1, 2016 ~ Jan.1, 2019, principal payable quarterly after 27 months	LIBOR+1.1% 3 months	None	\$ 624,530
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
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, 2015 ~ Aug. 19, 2017, payable in full at maturity	1.06%	"	900,000
E. Sun Bank	Aug. 20, 2015 ~ Aug. 20, 2018, payable in full at maturity	1.06%	"	500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2016
China Trust Bank	Sep. 23, 2015 ~ Sep. 23, 2017, payable in full at maturity	1.05%	None	\$ 500,000
KGI Bank	Jun. 20, 2015 ~ Jun. 20, 2017, 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	1.05%	"	700,000
HSBC	Dec. 19, 2015 ~ Dec. 19, 2017, 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%~1.65%	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	533,597

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2016
Non-financial				
sector borrowings				
Idemitsu Kosan Co., Ltd.	Jul. 2005 ~ Dec. 2018, interest payable monthly; principal payable annually	0.86%~1.01%	None	
				\$ 57,574
				46,281,122
Less: Current portion of long-term loans				( 7,666,502)
				\$ 38,614,620

- 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 \$4,898,311.

(14) Pensions

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



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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 11,641,211	\$ 11,147,801
Fair value of plan assets	( 4,601,536)	( 4,463,607)
Net defined benefit liability	<u>\$ 7,039,675</u>	<u>\$ 6,684,194</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 11,147,801	(\$ 4,463,607)	\$ 6,684,194
Current service cost	128,630	-	128,630
Interest (expense) income	139,347	( 56,860)	82,487
	<u>11,415,778</u>	<u>( 4,520,467)</u>	<u>6,895,311</u>
Remeasurements:			
Return on plan assets	-	13,805	13,805
Change in financial assumptions	257,231	-	257,231
Experience adjustments	725,138	-	725,138
	<u>982,369</u>	<u>13,805</u>	<u>996,174</u>
Pension fund contribution	-	( 434,145)	( 434,145)
Paid pension	( 756,936)	339,271	( 417,665)
Balance at December 31	<u>\$ 11,641,211</u>	<u>(\$ 4,601,536)</u>	<u>\$ 7,039,675</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2016</u>			
Balance at January 1	\$ 11,766,593	(\$ 685,635)	\$ 11,080,958
Current service cost	151,987	-	151,987
Interest (expense) income	174,753	( 10,185)	164,568
	<u>12,093,333</u>	<u>( 695,820)</u>	<u>11,397,513</u>
Remeasurements:			
Return on plan assets	-	( 7,000)	( 7,000)
Change in financial assumptions	225,099	-	225,099
Experience adjustments	146,603	-	146,603
	<u>371,702</u>	<u>( 7,000)</u>	<u>364,702</u>
Pension fund contribution	-	( 4,016,417)	( 4,016,417)
Paid pension	( 1,317,234)	255,630	( 1,061,604)
Balance at December 31	<u>\$ 11,147,801</u>	<u>(\$ 4,463,607)</u>	<u>\$ 6,684,194</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended <u>December 31, 2017</u>	Year ended <u>December 31, 2016</u>
Discount rate	<u>1.25%</u>	<u>1.25%</u>
Future salary increases	<u>1%~2.85%</u>	<u>1%~2.5%</u>

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

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.35%</u>	<u>Decrease 0.35%</u>
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	<u>(\$ 223,498)</u>	<u>\$ 233,243</u>	<u>\$ 336,594</u>	<u>(\$ 313,055)</u>
	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.35%</u>	<u>Decrease 0.35%</u>
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	<u>(\$ 218,769)</u>	<u>\$ 228,442</u>	<u>\$ 324,320</u>	<u>(\$ 301,919)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once.

The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amount to \$157,554.
- 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 years ended December 31, 2017 and 2016, 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 years ended December 31, 2017 and 2016 were \$358,705 and \$373,379, respectively.

(15) Capital stock

- A. As of December 31, 2017, the Company’s authorised and paid-in capital was \$58,611,863, and total issued stocks was 5,861,186 thousand shares with a par value of \$10 per share. All proceeds from shares issued have been collected.
- B. Changes in the treasury stocks for the years ended December 31, 2017 and 2016 are set forth below:

Reason for reacquisition	Subsidiary	For the year ended December 31, 2017			
		Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	11,219,610	950,000	-	12,169,610
	Formosa Advanced Technologies Co.	<u>7,316,000</u>	<u>7,936,000</u>	( <u>3,000</u> )	<u>15,249,000</u>
		<u>18,535,610</u>	<u>8,886,000</u>	( <u>3,000</u> )	<u>27,418,610</u>

Reason for reacquisition	Subsidiary	For the year ended December 31, 2016			
		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.	7,037,000	279,000	-	7,316,000
		<u>18,256,610</u>	<u>279,000</u>	<u>-</u>	<u>18,535,610</u>

C. The market value of treasury stocks was \$103 and \$96.3 (in dollars) per share at December 31, 2017 and 2016, respectively.

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

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Group has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	For the year ended December 31, 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
Dividends allocated to subsidiaries	-	-	43,842	-	-	-
Disposal of treasury shares			8			
Effect from net stockholding of associates recognised under the equity method				4,304		
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	12,002
At December 31, 2017	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 203,232</u>	<u>\$ 29,307</u>	<u>\$ 9,447</u>	<u>\$ 216,226</u>

	For the year ended December 31, 2016					
	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, 2016	\$ 2,710,554	\$ 5,514,032	\$ 138,407	\$ 298,338	\$ 9,447	\$204,224
Dividends allocated to subsidiaries	-	-	20,975	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	( 273,335)	-	-
At December 31, 2016	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 159,382</u>	<u>\$ 25,003</u>	<u>\$ 9,447</u>	<u>\$204,224</u>

(17) 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.

The board of directors of the Company has approved the amended Articles of Incorporation of the Company on December 24, 2015, and the amended articles had been resolved in the shareholders' meeting in 2016.

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(24).

(18) Other equity items

	<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	-	17,333,899	-	17,333,899
–Associates	-	2,945,654	-	2,945,654
Cash flow hedges:				
–Associates	( 35,097)	-	-	( 35,097)
Currency translation differences:				
–Group	-	-	( 2,563,384)	( 2,563,384)
–Tax of Group	-	-	385,061	385,061
–Associates	-	-	( 862,552)	( 862,552)
At December 31, 2017	<u>\$ 8,077</u>	<u>\$ 111,213,200</u>	<u>(\$ 2,052,251)</u>	<u>\$ 109,169,026</u>
	<u>Hedging reserve</u>	<u>Available-for-sale investment</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2016	\$ 69,573	\$ 72,615,548	\$ 4,649,520	\$ 77,334,641
Unrealised gain (loss) on available-for-sale investments:				
–Group	-	16,824,750	-	16,824,750
–Associates	-	1,493,349	-	1,493,349
Cash flow hedges:				
–Associates	( 26,399)	-	-	( 26,399)
Currency translation differences:				
–Group	-	-	( 3,866,787)	( 3,866,787)
–Tax of Group	-	-	591,147	591,147
–Associates	-	-	( 385,256)	( 385,256)
At December 31, 2016	<u>\$ 43,174</u>	<u>\$ 90,933,647</u>	<u>\$ 988,624</u>	<u>\$ 91,965,445</u>

(19) Operating revenue

	For the years ended December 31,	
	2017	2016
Sales revenue	\$ 357,471,640	\$ 318,280,136
Service revenue	526,313	525,910
Other operating revenue	423,518	398,581
	<u>\$ 358,421,471</u>	<u>\$ 319,204,627</u>

(20) Other income

	For the years ended December 31,	
	2017	2016
Rental revenue	\$ 134,619	\$ 138,368
Interest income:		
Interest income from bank deposits	336,764	211,589
Interest from current account with others	176,156	188,467
Other interest income	31,134	11,041
	<u>544,054</u>	<u>411,097</u>
Dividend income	7,464,957	6,243,361
Other revenue	1,447,744	1,133,316
	<u>\$ 9,591,374</u>	<u>\$ 7,926,142</u>

(21) Other gains and losses

	For the years ended December 31,	
	2017	2016
Net gain on financial assets at fair value through profit or loss	\$ 2,775	\$ 2,160
Net gain (loss) on financial liabilities at fair value through profit or loss	1,381 (	562)
Net currency exchange loss	( 1,334,333)	( 2,549,870)
Gain on disposal of investments	2,177,153	181,168
Gain on disposal of property, plant and equipment	840,582	18,206
Impairment loss on financial assets	- (	207,066)
Gain from reversal (impairment loss) of property, plant and equipment	3,090 (	781,222)
Other losses	( 287,877)	( 377,510)
	<u>\$ 1,402,771</u>	<u>\$ 3,714,696</u>



(22) Finance costs

	For the years ended December 31,	
	2017	2016
Interest expense:		
Bank loans	\$ 1,546,746	\$ 1,223,010
Corporate bonds	710,152	824,600
Current account with others	9,933	4,000
Discount	90,473	59,770
Other interest expenses	50,152	49,210
	<u>2,407,456</u>	<u>2,160,590</u>
Less: Capitalisation of qualifying assets	( 84,752)	( 167,447)
Finance costs	<u>\$ 2,322,704</u>	<u>\$ 1,993,143</u>

(23) Expenses by nature

	For the years ended December 31,	
	2017	2016
Depreciation charges on property, plant and equipment	\$ 14,472,479	\$ 16,029,866
Employee benefit expense	14,807,455	14,968,050
Amortisation	3,353,928	4,311,872
	<u>\$ 32,633,862</u>	<u>\$ 35,309,788</u>

(24) Employee benefit expense

	For the years ended December 31,	
	2017	2016
Wages and salaries	\$ 12,685,503	\$ 12,738,180
Labor and health insurance fees	953,547	940,901
Pension costs	569,822	689,934
Other personnel expenses	598,583	599,035
	<u>\$ 14,807,455</u>	<u>\$ 14,968,050</u>

A. In accordance with the Articles of Incorporation of the Company, after distributing earnings, the Company shall distribute bonus to the employees that accounts for 0.1%-1% of the total distributed amount.

According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration to the directors and supervisors. However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of

participating members. The resolution should be reported to the shareholders during the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.

The board of directors of the Company has approved the amended Articles of Incorporation of the Company on December 24, 2015. In accordance with the amended articles, 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. The amended articles had been resolved in the shareholders' meeting in 2016.

B. For the years ended December 31, 2017 and 2016, employees' remuneration (bonuses) was accrued at \$58,908 and \$47,608, respectively. The aforementioned amount was recognised in salary expenses.

For the years ended December 31, 2017 and 2016, the employees' compensation was estimated and accrued based on approximately 0.1% of the retained earnings.

Employees' compensation for 2016 as resolved by the Board of Directors was in agreement with the amount of \$47,608 recognised in the profit or loss for 2016. Employees' compensation of 2016 has been distributed.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Current tax:		
Current tax on profits for the year	\$ 6,094,734	\$ 5,085,890
Additional tax on undistributed earnings	690,712	444,490
Adjustments in respect of prior years	( 295,673)	59,125
Total current tax	<u>6,489,773</u>	<u>5,589,505</u>
Deferred tax:		
Origination and reversal of temporary differences	181,371	331,150
Effect of exchange rate	( 207)	( 11,717)
Total deferred tax	<u>181,164</u>	<u>319,433</u>
Income tax expense	<u>\$ 6,670,937</u>	<u>\$ 5,908,938</u>

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

	For the years ended December 31,	
	2017	2016
Currency translation differences	\$ 385,061	\$ 591,147

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate	\$ 13,410,971	\$ 10,620,257
Expenses disallowed by tax regulation	( 6,485,352)	( 4,963,604)
Effect from investment tax credits	( 24,998)	( 35,118)
Effect from five-year exemption	( 18,511)	( 26,077)
Effect from net operating loss carryforward	( 422,340)	39,607
Effect from allowance for deferred tax assets	( 105,343)	5,279
Effect from changes in tax regulation of overseas subsidiaries	( 78,612)	( 246,556)
Additional 10% tax on undistributed earnings	690,712	444,490
Under provision of prior year's income tax	( 295,673)	59,125
Effect from Alternative Minimum Tax	83	11,535
Income tax expense	<u>\$ 6,670,937</u>	<u>\$ 5,908,938</u>

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

For the year ended December 31, 2017

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

	For the year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Unrealised gain from downstream transactions	\$ -	\$ 82,938	\$ -	\$ 82,938
Loss on inventory	70,677	58,506	-	129,183
Accrued pension liabilities	1,757,774	( 729,665)	-	1,028,109
Impairment loss	57,746	123,435	-	181,181
Others	192,572	34	-	192,606
Net operating loss carryforward	8,921	110,016	-	118,937
	<u>2,087,690</u>	<u>( 354,736)</u>	<u>-</u>	<u>1,732,954</u>
Deferred tax liabilities:				
Temporary differences:				
Currency translation differences	(\$ 677,640)	\$ -	\$ 591,147	(\$ 86,493)
Unrealised gain on financial assets	( 583)	583	-	-
Investment income accounted for using equity method	( 120,389)	( 36,212)	-	( 156,601)
Unrealised gain from downstream transactions	( 13,297)	13,297	-	-
Unrealised exchange gain	( 115,330)	45,918	-	( 69,412)
	<u>( 927,239)</u>	<u>23,586</u>	<u>591,147</u>	<u>( 312,506)</u>
	<u>\$ 1,160,451</u>	<u>(\$ 331,150)</u>	<u>\$ 591,147</u>	<u>\$ 1,420,448</u>

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

	December 31, 2017			
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2009	Assessed	\$ 26,790	\$ 26,790	2019
2010	Assessed	5,323	5,323	2020
2011	Assessed	18,315	18,315	2021
2012	Assessed	42,502	42,502	2022
2013	Assessed	14,438	14,438	2023
2014	Assessed	690,327	690,327	2024
2015	Assessed	2,915,788	2,915,788	2025
2016	Amount filed	2,197,336	1,906,811	2026
2017	Amount filed	126,738	126,738	2027
		<u>\$ 6,037,557</u>	<u>\$ 5,747,032</u>	

Year incurred	Amount filed/ assessed	December 31, 2016		
		Unused amount	Unrecognised deferred tax assets	Expiry year
2007	Assessed	\$ 3,118	\$ 3,118	2016
2009	Assessed	26,790	26,790	2019
2010	Assessed	5,323	5,323	2020
2011	Assessed	18,315	18,315	2021
2012	Assessed	364,820	364,820	2022
2013	Assessed	810,773	810,773	2023
2014	Assessed	916,205	916,205	2024
2015	Amount filed	4,015,966	4,015,966	2025
2016	Amount filed	2,625,654	1,926,020	2026
		<u>\$ 8,786,964</u>	<u>\$ 8,087,330</u>	

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

	December 31, 2017	December 31, 2016
Deductible temporary differences	<u>\$ 80,000</u>	<u>\$ 223,000</u>

F. As of December 31, 2017, the status of the Group's income tax assessment is as follows:

	Income tax assessment
The Company	Assessed through 2015
Subsidiary-Formosa Taffeta Co., Ltd.	Assessed through 2014
Subsidiary-Formosa Carpet Corp.	Assessed through 2015
Subsidiary-Formosa BP Chemicals Corp.	"
Subsidiary-Formosa Idemitsu Petrochemical Corp.	"
Subsidiary-Formosa Biomedical Technology Corp.	"
Subsidiary-Tah Shin Spinning Corp.	"
Indirect subsidiary-Hong Jing Resources Corp.	"
Indirect Subsidiary-Formosa Advanced Technologies Co.,	"
Indirect subsidiary-Formosa Development Co., Ltd.	"

G. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Unappropriated retained earnings on December 31, 2016:

	December 31, 2016
Earnings generated in and before 1997	\$ 6,198,462
Earnings generated in and after 1998	66,361,641
	<u>\$ 72,560,103</u>

H. As of December 31, 2016, the balance of the imputation tax credit account was \$4,453,266. The creditable tax rate was 14.65% for the year ended December 31, 2016.

(26) 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 year.

	For the year ended December 31, 2017				
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 66,706,883	\$ 60,035,946		\$ 11.43	\$ 10.29
Net income of non-controlling interest	( 7,858,050)	( 5,625,144)		( 1.34)	( 0.96)
Profit attributable to ordinary shareholders of the parent	<u>\$ 58,848,833</u>	<u>\$ 54,410,802</u>	<u>5,833,768</u>	<u>\$ 10.09</u>	<u>\$ 9.33</u>

	For the year ended December 31, 2016				
	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	\$ 54,675,666	\$ 48,766,728		\$ 9.36	\$ 8.35
Net income of non-controlling interest	( 7,114,893)	( 4,933,683)		( 1.22)	( 0.85)
Profit attributable to ordinary shareholders of the parent	<u>\$ 47,560,773</u>	<u>\$ 43,833,045</u>	<u>5,842,651</u>	<u>\$ 8.14</u>	<u>\$ 7.50</u>

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

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

	For the year ended December 31, 2017				
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 66,706,883	\$ 60,035,946		\$ 11.38	\$ 10.24
Net income of non- controlling interest	( 7,858,050)	( 5,625,144)		( 1.34)	( 0.96)
Profit attributable to ordinary shareholders of the parent	<u>\$ 58,848,833</u>	<u>\$ 54,410,802</u>	<u>5,861,186</u>	<u>\$ 10.04</u>	<u>\$ 9.28</u>
	For the year ended December 31, 2016				
	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	\$ 54,675,666	\$ 48,766,728		\$ 9.33	\$ 8.32
Net income of non- controlling interest	( 7,114,893)	( 4,933,683)		( 1.22)	( 0.84)
Profit attributable to ordinary shareholders of the parent	<u>\$ 47,560,773</u>	<u>\$ 43,833,045</u>	<u>5,861,186</u>	<u>\$ 8.11</u>	<u>\$ 7.48</u>

(27) Non-cash transactions

1. Investing activities with partial cash payments:

	For the years ended December 31,	
	2017	2016
Purchase of fixed assets	\$ 11,669,518	\$ 8,267,874
Add: Opening balance of payable on equipment	789,871	1,485,927
Less: Ending balance of payable on equipment	( 577,616)	( 789,871)
Cash paid during the period	<u>\$ 11,881,773</u>	<u>\$ 8,963,930</u>

2. Financing activities with partial cash flow effects

	For the years ended December 31,	
	2017	2016
Appropriation for cash dividends	\$ 32,822,643	\$ 20,514,153
(Increase) decrease in dividends payable	( 8,069)	1,418,534
Cash dividends paid during the year	<u>\$ 32,814,574</u>	<u>\$ 21,932,687</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.	"
Formosa Automobile Sales Corporation	"
Formosa Petrochemical Transportation Corporation	"
Formosa Lithium Iron Oxide Corp.	"
Chang Gung University	"
Chang Gung Memorial Hospital	"
Chang Gung Biotechnology Co., Ltd.	"
Yue Chi Development Corp	"
PFG Fiber Glass Corp.	"
Formosa Plastics Marine Corp.	"
Formosa Plastics Marine Co., Ltd.	"

Names of related parties	Relationship with the Group
Mai Liao Harbor Administration Corp.	Other related parties
Formosa Plastics Building Parking Lot	"
Formosa Network Technology Corp.	"
FPG Travel Service Co., Ltd.	"
Formosa Daikin Advanced Chemicals Co., Ltd.	"
Formosa Sumco Technology Corporation	"
Formosa Asahi Spandex Co., Ltd.	"
Formosa Plastics Logistics Corp.	"
Formosa Plastics Transport (Ningbo) Co., Ltd.	"
Formosa Electronic (Ningbo) Co., Ltd.	"
Inteplast Taiwan Corporation	"
Formosa Oil (Asia Pacific) Corporation	"
Asia Pacific Development Corp.	"
Ya Tai Development Corp.	"
Bio Trust International Corp.	"
Formosa Ha Tinh (Cayman) Ltd.	"
Formosa Ha Tinh Steel Corp. -TW	"
Formosa Ha Tinh Steel Corp.	"
BP Chemicals (Malaysia) SDN Corp.	"
Idemitsu Kosan Co., Ltd.	"
Idemitsu Chemicals (Hong Kong) Co., Ltd.	"
Idemitsu Chemicals U.S.A Corp.	"
Yugen Co., Ltd.	"
Yumaowu Enterprise Co., Ltd.	"
Yu Yuang Textile Co., Ltd.	"
Yu Maowu Complex Co., Ltd.	"
Kuang Yueh (Vietnam) Co., Ltd.	"
Hua Ya Power Corp.	"
Hwa Ya Technologies Corp.	"
(Lost the related party relationship in substance after merger with Micron Technology Co., Ltd. in December 2016 )	"

(2) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,	
	2017	2016
Sales of goods:		
— Associates	\$ 26,786,015	\$ 19,204,061
— Other related parties	47,007,315	45,311,897
	<u>\$ 73,793,330</u>	<u>\$ 64,515,958</u>

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

B. Purchases of goods:

	For the years ended December 31,	
	<u>2017</u>	<u>2016</u>
Purchases of goods:		
— Associates		
Formosa Petrochemical Corp.	\$ 134,705,980	\$ 116,876,247
Others	1,232	-
— Other related parties	<u>21,604,849</u>	<u>17,273,004</u>
	<u>\$ 156,312,061</u>	<u>\$ 134,149,251</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>December 31, 2017</u>	<u>December 31, 2016</u>
Receivables from related parties:		
— Associates	\$ 3,115,452	\$ 2,456,042
— Other related parties	<u>5,947,115</u>	<u>4,912,036</u>
	<u>9,062,567</u>	<u>7,368,078</u>
Other receivables:		
— Other related parties	<u>-</u>	<u>440,981</u>
	<u>\$ 9,062,567</u>	<u>\$ 7,809,059</u>

Receivables from related parties are mainly from sales of goods and receivables for payments on behalf of others for construction design services. Receivables for sales are due 30~120 days from the date of sale; receivables for payments on behalf of others for construction design services are due 270 days from the services rendered. The receivables do not bear interest and no collaterals were pledged. No provision was accrued for receivables from related party.

D. Payables to related parties:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Payables to related parties:		
— Associates		
Formosa Petrochemical Corp.	\$ 14,889,016	\$ 11,291,646
— Other related parties	<u>3,060,923</u>	<u>2,093,864</u>
	<u>\$ 17,949,939</u>	<u>\$ 13,385,510</u>

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

## E. Expansion and repair project

### (a) Expansion and repair project:

	For the years ended December 31,	
	2017	2016
Expansion and repair works of factory sites		
— Associates	\$ 216,599	\$ 399,534
— Other related parties	179,523	58,267
	<u>\$ 396,122</u>	<u>\$ 457,801</u>

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

	December 31, 2017	December 31, 2016
Payables to related parties:		
— Associates	\$ 2,262	\$ -
— Other related parties	2,032	3,738
	<u>\$ 4,294</u>	<u>\$ 3,738</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

	December 31, 2017	December 31, 2016
— Associates		
Formosa Group (Cayman) Corp.	\$ 4,259,500	\$ 8,006,500
Formosa Heavy Industries Corp.	-	1,000,000
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	2,192,592	1,163,291
Others	82,222	490,000
	<u>6,534,314</u>	<u>10,659,791</u>
— Other related parties		
Nan Ya Technology Corp.	-	1,500,000
Formosa Plastics Marine Co., Ltd.	4,190,892	3,680,924
Formosa Ha Tinh (Cayman) Co., Ltd.	3,002,600	3,960,345
Others	-	40,000
	<u>7,193,492</u>	<u>9,181,269</u>
	<u>\$ 13,727,806</u>	<u>\$ 19,841,060</u>

(ii) Interest income

	For the years ended December 31,	
	2017	2016
— Associates		
Formosa Group (Cayman) Corp.	\$ 31,827	\$ 45,871
Others	70,823	17,316
	<u>102,650</u>	<u>63,187</u>
— Other related parties		
Nan Ya Technology Corp.	1,200	64,971
Formosa Plastics Marine Co., Ltd.	52,230	49,561
Others	22,500	13,414
	<u>75,930</u>	<u>127,946</u>
	<u>\$ 178,580</u>	<u>\$ 191,133</u>

The loan terms to related parties are in accordance with the contract's repayment schedule after the loan is made; interest was collected at 1.41%~3.48% per annum for the years ended December 31, 2017 and 2016, respectively.

(b) Loans from related parties:

(i) Ending balance of payables to related parties

	December 31, 2017	December 31, 2016
— Associates		
Formosa Heavy Industries Corp.	\$ 118,800	\$ 15,600
— Other related parties		
Sino-Asia Steel (Ningbo) Co., Ltd.	-	41,878
	<u>\$ 118,800</u>	<u>\$ 57,478</u>

(ii) Interest expense

	For the years ended December 31,	
	2017	2016
— Associates	\$ 1,422	\$ 617
— Other related parties	622	2,453
	<u>\$ 2,044</u>	<u>\$ 3,070</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%~3.92% per annum for the years ended December 31, 2017 and 2016, respectively.

G. Receivables for payment on behalf of others

	December 31, 2017	December 31, 2016
— Other related parties	<u>\$ 16,608</u>	<u>\$ 164,332</u>

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

#### H. Operating expenses

	For the years ended December 31,	
	2017	2016
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	\$ 1,287,304	\$ 725,882
Formosa Plastics Transport (Ningbo) Corp.	844,522	714,542
Others	-	144,370
	<u>\$ 2,131,826</u>	<u>\$ 1,584,794</u>

#### I. Rental revenue

	For the years ended December 31,	
	2017	2016
— Associates		
Formosa Petrochemical Corp.	\$ 20,144	\$ 20,144
Others	12,370	12,964
	<u>32,514</u>	<u>33,108</u>
— Other related parties		
Nan Ya Plastics Corp.	25,984	25,616
Formosa Plastics Building Parking Lot	15,780	15,347
Formosa Network Technology Corp.	15,400	15,400
Others	31,265	31,856
	<u>88,429</u>	<u>88,219</u>
	<u>\$ 120,943</u>	<u>\$ 121,327</u>

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

#### J. Property transactions:

##### (a) Acquisition of property, plant and equipment

	For the years ended December 31,	
	2017	2016
Purchase of property, plant and equipment		
— Associates	\$ 149,137	\$ 248,063
— Other related parties	108	34
	<u>\$ 149,245</u>	<u>\$ 248,097</u>

(b) Disposal of property, plant and equipment:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Associates	\$ 390	\$ -	\$ -	\$ -

(c) Acquisition of financial assets

	Items	Number of shares	Name of the securities	Year ended
				December 31, 2017
				Acquisition cost
— Associates	Investments accounted for using equity method	168,344,000	Formosa Resources Corp.	\$ 1,683,440
— Associates	Investments accounted for using equity method	6,600	FG Inc.	2,178,660
— Other related parties	Financial assets measured at cost	75,471,717	Formosa Ha Tinh (Cayman) Limited	2,322,552
				<u>\$ 6,184,652</u>
				Year ended
				December 31, 2016
				Acquisition cost
— Associates	Investments accounted for using equity method	-	Formosa Synthetic Rubber Corp. (Hong Kong)	\$ 1,276,880
— Associates	Investments accounted for using equity method	8,500,000	Formosa Construction Corp.	85,000
— Other related parties	Financial assets measured at cost	508,236,725	Formosa Ha Tinh (Cayman) Limited	16,084,840
— Other related parties	Available-for-sale financial assets	15,297,204	Nan Ya Technology Corp.	558,348
				<u>\$ 18,005,068</u>

(d) Disposal of financial assets

For the year ended December 31, 2017: None.

	Items	Number of shares	Name of the securities	Year ended	
				December 31, 2016	
				Disposal proceeds	Gain (loss) on disposal
Formosa Group Investment Corp. (Cayman)	Investments accounted for using equity method	508,249,225	Formosa Group Investment Corp. (Cayman) (Note)	\$ 16,085,211	\$ -

Note: Details of the Group's acquisition of financial assets are provided in Note 6(8) C.

K. Details of affiliates endorsed/guaranteed for the Group's borrowings are provided in Note 6(13).

(3) Key management compensation

	For the years ended December 31,	
	2017	2016
Salaries	\$ 173,767	\$ 165,770
Post-employment benefits	2,740	1,797
	<u>\$ 176,507</u>	<u>\$ 167,567</u>

8. PLEGGED ASSETS

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

Pledged assets	Book value		Purpose
	December 31, 2017	December 31, 2016	
Property, plant and equipment	\$ 6,107,499	\$ 6,594,298	Collateral for bank loans Limited transfer for land tax reassessment and collateral
Inventory	21,264	21,264	
	<u>\$ 6,128,763</u>	<u>\$ 6,615,562</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The details of commitments and contingencies as of December 31, 2017 were as follows:

- (1) Capital expenditures of property, plant and equipment that were contracted but not yet paid amounted to \$5,910,824 thousand, RMB 330,003 thousand and VND 359,280,541 thousand.
- (2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 110,634 thousand, JPY 3,166,314 thousand and EUR 10,899 thousand.
- (3) The provision of endorsements and guarantees to others are as follows:



	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Formosa Industries Corp.	\$ 4,898,311	\$ 5,297,258
Formosa Resources Corp.	3,208,660	-
Formosa Group (Cayman) Corp.	21,639,800	33,247,370
Formosa Ha Tinh (Cayman) Corp.	19,361,369	14,380,788
Formosa Taffeta (Zhong Shan) Co., Ltd.	282,720	564,375
Formosa Taffeta (Vietnam) Co., Ltd.	98,141	86,251
Formosa Taffeta (Changshu) Co., Ltd.	329,353	407,382
Formosa Taffeta (Dong Nai) Co., Ltd.	2,472,112	2,405,391
Public More Internation Co., Ltd.	3,000	-
	<u>\$ 52,293,466</u>	<u>\$ 56,388,815</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 lead by Mega International Commercial Bank, arranging the credit facilities of USD155 million or equal value of RMB to meet the capital needs of building the plant. The Company is required to issue a promissory note and is obliged to facilitate the repayment of the borrower whenever necessary.

#### 10. SIGNIFICANT DISASTER LOSS

None.

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

- A. 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 will be raised from 17% to 20% effective from January 1, 2018. Such amendment has no significant impact to the

Company's deferred tax assets and deferred tax liabilities based on the Company's assessment.

B. The Board of Directors has resolved the appropriation of 2017 earnings on March 16, 2018. Details are provided in Note 6(17) F.

## 12. OTHERS

### (1) Litigation

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

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

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

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

On November 16, 2017, the Company received a violation decision from Changhua County Government of an enhanced fine amounting to NT\$12.44 billion pursuant to Article 7 of Environmental Impact Assessment Act. The fine was levied on the ground that the indigenous coal used in the combined heat and power system is contrary to that indicated in the Environmental Impact Statement. The lawyers have filed an appeal with the Environmental Protection Administration (EPA) on behalf of the Company on November 22, 2017. On December 19, 2017, Changhua Country Government consented to suspend the fine until the appeal was concluded as stated in Letter No. Fu-Sho-Huan-Zong-Zi-1060429733. On December 11, 2017, the Company stated its opinion in EPA to dispute the fine. On February 14, 2018, the Company was informed that the decision on the appeal was postponed for two months in EPA's Letter No. Huan-Shu-Zi-1070014111. On March 8, 2018, the EPA ruled to revoke the violation decision of Changhua County Government.

### (2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a

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

The gearing ratios at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Total borrowings	\$ 100,742,451	\$ 120,427,336
Less: Cash and cash equivalents	( 29,684,599)	( 30,391,911)
Net debt	71,057,852	90,035,425
Total equity	418,501,076	379,640,412
Total capital	\$ 489,558,928	\$ 469,675,837
Gearing ratio	15%	19%

### (3) Financial instruments

#### A. Fair value information of financial instruments

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. Financial risk management policies

(a)The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(11)).

(b)Risk management is carried out by a central treasury department (Company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of

derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

#### (a) Market risk

##### Foreign exchange risk

- i. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.
- ii. Management has set up a policy to manage its foreign exchange risk against its functional currency. The Group hedges its entire foreign exchange risk exposure. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward foreign exchange contracts.
- iii. The Group hedges recognised assets or liabilities denominated in foreign currencies or highly expectable transactions by utilising forward exchange contracts and trading forward exchanges and cross currency swap contracts amongst other derivative financial instruments in order to lower the risk from changes in fair value resulting from fluctuations in the exchange rate. The Group also monitors the changes in the exchange rate and sets stop loss points to lower the risk from exchange rate.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, VND and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2017

Foreign Currency			
	<u>Amount (In Thousands)</u>	<u>Exchange Rate</u>	<u>Book Value (NTD)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 598,566	29.85	\$ 17,867,195
JPY : NTD	470,271	0.26	122,270
<u>Non-monetary items</u>			
RMB : NTD	\$ 8,931,843	4.57	\$ 40,818,523
USD : NTD	572,296	29.85	17,083,036
VND : NTD	7,391,633,129	0.0013	9,609,123
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 69,418	29.85	\$ 2,072,127
JPY : NTD	289,378	0.26	75,238
USD : RMB	325,931	29.85	9,729,040
USD : VND	237,500	29.85	7,089,375

December 31, 2016

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	\$ 486,040	32.28	\$ 15,689,371
JPY : NTD	574,020	0.28	160,726
<u>Non-monetary items</u>			
RMB : NTD	\$ 6,644,783	4.65	\$ 30,898,241
USD : NTD	518,328	32.28	16,731,628
VND : NTD	7,791,363,252	0.0014	10,907,909
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 59,914	32.28	\$ 1,934,024
JPY : NTD	350,755	0.28	98,211
USD : RMB	380,661	32.28	12,287,737
USD : VND	285,000	32.28	9,199,800

- v. Total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016 amounted to \$1,334,333 and \$2,549,870, respectively.

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

Year ended December 31, 2017			
Sensitivity analysis			
<u>Degree of variation</u>		<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 178,672	\$ -
JPY : NTD	1%	1,223	-
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	\$ 408,185
USD : NTD	1%	-	170,830
VND : NTD	1%	-	96,091
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 20,721	\$ -
JPY : NTD	1%	752	-
USD : RMB	1%	97,290	-
USD : VND	1%	70,894	-

Year ended December 31, 2016

Sensitivity analysis				
	<u>Degree of variation</u>		<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	156,894	\$ -
JPY : NTD	1%		1,607	-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$	-	\$ 308,982
USD : NTD	1%		-	167,316
VND : NTD	1%		-	109,079
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	19,340	\$ -
JPY : NTD	1%		982	-
USD : RMB	1%		122,877	-
USD : VND	1%		91,998	-

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, components of equity for the years ended December 31, 2017 and 2016 would have increased/decreased by \$1,523,428 and \$1,346,255, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2017 and

2016, the Group's borrowings at variable rate were denominated in the NTD and USD.

- ii. At December 31, 2017 and 2016, if interest rates on denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have been \$301,046 and \$384,133 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. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing 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. The Group utilises certain credit enhancement instruments (such as sales revenue or guarantees received in advance) at appropriate times to lower the credit risk from specific customers. 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 and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties are accepted.
- ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c)Liquidity risk

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



gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

		Between 1	Between 3	
<u>December 31, 2017</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	\$ 23,142,134	\$ -	\$ -	\$ -
Short-term notes and bills payable	1,579,763	-	-	-
Notes payable (including related parties)	199,518	-	-	-
Accounts payable (including related parties)	24,450,101	-	-	-
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	-
		Between 1	Between 3	
<u>December 31, 2016</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	\$ 26,146,750	\$ -	\$ -	\$ -
Short-term notes and bills payable	1,499,464	-	-	-
Notes payable (including related parties)	196,870	-	-	-
Accounts payable (including related parties)	21,911,494	-	-	-
Other payables (including related parties)	8,444,530	-	-	-
Bonds payable	6,750,000	5,700,000	8,950,000	25,100,000
Long-term borrowings	7,666,502	21,089,630	17,524,990	-

Derivative financial liabilities:

		Between 1	Between 3	
<u>December 31, 2017</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -
<u>December 31, 2016</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ 1,381	\$ -	\$ -	\$ -

- 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. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(3) A.
- B. 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.
- C. The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2017 and 2016:

<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>

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -
<u>December 31, 2016</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	\$ -	\$ 66	\$ -	\$ 66
Beneficiary certificate	627,555	-	-	627,555
Available-for-sale financial assets				
Equity securities	135,122,609	3,162,625	-	138,285,234
Fund	-	4,874,052	-	4,874,052
	<u>\$ 135,750,164</u>	<u>\$ 8,036,743</u>	<u>\$ -</u>	<u>\$ 143,786,907</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 1,381	\$ -	\$ 1,381

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

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

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

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

referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2017 and 2016, there was no transfer into or out from Level 3.

### 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: Please refer to table 5.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), and (11); 12(3) and (4).
- J. Significant intragroup transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

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

14. SEGMENT INFORMATION

(1) General information

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

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

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

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

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

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

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

(2) Measurement of segment information

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

are the same.

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

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

For the year ended December 31, 2017

	3rd						
	Petrochemical Div and Formosa		Plastics Division, Formosa ABS		Formosa		
	1st Div	2nd Div	Formosa Chemical Industries	Formosa ABS Plastics Co., Ltd. and Formosa PS	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Total
External revenue	\$ 52,968,882	\$ 44,562,042	\$ 63,633,217	\$ 108,787,174	\$ 25,424,545	\$ 7,888,494	\$ 358,421,471
Internal revenue	68,447,633	32,119,723	2,606,251	13,277,723	289,294	-	-
Total revenue	<u>\$ 121,416,515</u>	<u>\$ 76,681,765</u>	<u>\$ 66,239,468</u>	<u>\$ 122,064,897</u>	<u>\$ 25,713,839</u>	<u>\$ 7,888,494</u>	<u>\$ 358,421,471</u>
Segment profit (loss)	\$ 9,573,599	\$ 6,333,121	\$ 6,840,480	\$ 11,859,834	\$ 4,504,908	\$ 1,587,964	\$ 66,706,883
Segment income (loss):							
Total depreciation and amortisation	\$ 1,976,078	\$ 1,614,305	\$ 1,522,854	\$ 1,417,207	\$ 779,922	\$ 976,198	\$ 17,826,407
Interest expense	\$ 233,644	\$ 510,723	\$ 208,536	\$ 516,171	\$ 117,088	\$ -	\$ 2,322,704
Investment income accounted for using equity method							\$ 19,121,378
Not included in segments' income measurement, but regularly provided to operating decision-maker:							
Income tax expense							\$ 6,670,937
Total assets of segments	\$ 39,731,368	\$ 35,711,870	\$ 27,658,451	\$ 50,584,771	\$ 85,504,160	\$ 12,175,822	\$ 572,326,493

For the year ended December 31, 2016

	3rd							Total	
	Petrochemical		Plastics Division,		Formosa		Reconciliation and offset		
	1st Div	2nd Div	Div and Formosa Chemical Industries	Formosa Plastics Co., Ltd. and Formosa PS	Formosa Taffeta Co., Ltd.	Advanced Technologies Co., Ltd.			
External revenue	\$ 40,180,471	\$ 42,806,793	\$ 53,969,625	\$ 92,348,091	\$ 24,027,506	\$ 8,491,396	\$ 57,380,745	\$ -	\$ 319,204,627
Internal revenue	64,744,382	33,437,773	2,338,745	11,276,816	567,678	-	14,354,675	( 126,720,069)	-
Total revenue	<u>\$ 104,924,853</u>	<u>\$ 76,244,566</u>	<u>\$ 56,308,370</u>	<u>\$ 103,624,907</u>	<u>\$ 24,595,184</u>	<u>\$ 8,491,396</u>	<u>\$ 71,735,420</u>	<u>(\$ 126,720,069)</u>	<u>\$ 319,204,627</u>
Segment profit (loss)	<u>\$ 7,748,436</u>	<u>\$ 8,501,038</u>	<u>(\$ 240,470)</u>	<u>\$ 8,320,387</u>	<u>\$ 3,767,985</u>	<u>\$ 1,259,505</u>	<u>\$ 29,472,115</u>	<u>(\$ 4,153,330)</u>	<u>\$ 54,675,666</u>
Segment income (loss):									
Total depreciation and amortisation	<u>\$ 4,751,959</u>	<u>\$ 2,844,443</u>	<u>\$ 3,130,398</u>	<u>\$ 2,947,922</u>	<u>\$ 805,303</u>	<u>\$ 1,405,513</u>	<u>\$ 4,456,200</u>	<u>\$ -</u>	<u>\$ 20,341,738</u>
Interest expense	<u>\$ 245,320</u>	<u>\$ 454,496</u>	<u>\$ 149,647</u>	<u>\$ 383,238</u>	<u>\$ 115,565</u>	<u>\$ -</u>	<u>\$ 769,768</u>	<u>(\$ 124,891)</u>	<u>\$ 1,993,143</u>
Investment income accounted for using equity method									<u>\$ 19,021,711</u>
Income tax expense									<u>\$ 5,908,938</u>
Total assets of segments	<u>\$ 39,068,361</u>	<u>\$ 34,150,772</u>	<u>\$ 31,664,828</u>	<u>\$ 47,601,722</u>	<u>\$ 83,017,562</u>	<u>\$ 11,357,367</u>	<u>\$ 401,458,118</u>	<u>(\$ 103,882,140)</u>	<u>\$ 544,436,590</u>

Not included in segments' income measurement, but regularly provided to operating decision-maker:



(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 year ended December 31, 2017

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
					December 31, (Note 3)	December 31, (Note 8)							Item	Value			
0	The Company	Formosa Plastics Corp.	Other receivables-related parties	Yes	\$ 8,000,000	\$ 6,000,000	\$ -	1.41	1	2	Additional operating capital	\$ -	-	\$ -	\$ 89,417,469	\$ 178,834,938	-
0	The Company	Formosa Idemitsu Petrochemical Corp.	Other receivables-related parties	Yes	800,000	800,000	-	1.41	1	2	Additional operating capital	-	-	-	89,417,469	178,834,938	-
0	The Company	Nan Ya Plastics Corp.	Other receivables-related parties	Yes	8,000,000	6,000,000	-	1.41	1	2	Additional operating capital	-	-	-	89,417,469	178,834,938	-
0	The Company	Formosa Biomedical Technology Corp.	Other receivables-related parties	Yes	600,000	600,000	-	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	10,800,000	6,500,000	-	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
0	The Company	Formosa Plastics Marine Corp.	Other receivables-related parties	Yes	7,719,480	7,230,892	4,190,892	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
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	-	-	-	89,417,469	178,834,938	-
0	The Company	Formosa Carpet Corp.	Other receivables-related parties	Yes	100,000	100,000	2,300	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
					December 31, 2017 (Note 3)	December 31, 2017 (Note 8)							Item	Value			
0	The Company	Hong Jing Resources Corp.	Other receivables-related parties	Yes	\$ 1,600,000	\$ 1,600,000	\$ 100,000	1.41	2	1	Additional operating capital	\$ -	-	\$ -	\$ 71,533,975	\$ 143,067,951	-
0	The Company	Formosa Group (Cayman) Limited	Other receivables-related parties	Yes	8,006,500	4,259,500	4,259,500	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
0	The Company	Tah Shin Spinning Corp.	Other receivables-related parties	Yes	100,000	100,000	-	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
0	The Company	Formosa Petrochemical Corp.	Other receivables-related parties	Yes	17,000,000	6,000,000	-	1.41	1	2	Additional operating capital	-	-	-	89,417,469	178,834,938	-
0	The Company	Nan Ya Technology Corp.	Other receivables-related parties	Yes	900,000	-	-	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
0	The Company	Formosa Plastics Transport Corp.	Other receivables-related parties	Yes	460,000	-	-	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
0	The Company	Mai-Liao Harbor Administration Corp.	Other receivables-related parties	Yes	40,000	-	-	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
0	The Company	Formosa Ha Tinh Steel Corporation-TW	Other receivables-related parties	Yes	30,000	-	-	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
0	The Company	Formosa Ha Tinh (Cayman) Limited	Other receivables-related parties	Yes	7,023,483	3,002,600	3,002,600	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-
0	The Company	Mai-Liao Power Corp.	Other receivables-related parties	Yes	1,200,000	-	-	1.41	2	1	Additional operating capital	-	-	-	71,533,975	143,067,951	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
					December 31, 2017 (Note 3)	December 31, 2017 (Note 8)							Item	Value			
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	\$ -	-	\$ -	\$ 802,961	\$ 2,007,402	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	Receivables from related party	Yes	2,686,635	-	-	3.045~3.48	2	1	Additional operating capital	-	-	-	5,388,374	13,470,934	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Phenol (Ningbo) Limited Co.	Receivables from related party	Yes	749,841	-	-	3.045~3.48	2	1	Additional operating capital	-	-	-	5,388,374	13,470,934	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa PS (Ningbo) Co., Ltd.	Receivables from related party	Yes	910,158	-	-	3.045~3.48	2	1	Additional operating capital	-	-	-	5,388,374	13,470,934	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Synthetic Rubber (Ningbo) Limited Co.	Receivables from related party	Yes	2,786,419	2,192,592	2,192,592	3.045~3.48	2	1	Additional operating capital	-	-	-	5,388,374	13,470,934	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Heavy Industries Corp.	Receivables from related party	Yes	82,222	82,222	82,222	3.48	2	1	Additional operating capital	-	-	-	5,388,374	13,470,934	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Receivables from related party	Yes	370,000	370,000	370,000	3.48	2	1	Additional operating capital	-	-	-	5,388,374	13,470,934	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended		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
					December 31, 2017 (Note 3)	December 31, 2017 (Note 8)							Item	Value			
3	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Phenol (Ningbo) Limited Co.	Receivables from related party	Yes	\$ 2,473,518	\$ 2,473,518	\$ 2,473,518	3.48	2	1	Additional operating capital	\$ -	-	\$ -	\$ 4,116,069	\$ 10,290,172	-
3	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	Receivables from related party	Yes	4,233,530	4,233,530	4,233,530	3.48	2	1	Additional operating capital	-	-	-	4,116,069	10,290,172	-
3	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa PS (Ningbo) Co., Ltd.	Receivables from related party	Yes	340,785	-	-	3.48	2	1	Additional operating capital	-	-	-	4,116,069	10,290,172	-
4	Formosa PS (Ningbo) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	Receivables from related party	Yes	9,089	-	-	3.48	2	1	Additional operating capital	-	-	-	664,718	1,661,794	-

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 December 31, 2017

Note 4: The nature of loans:

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

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

Note 5: Amount of business transactions with the borrower:

(1) No business transactions is "1".

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

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

Note 7: The calculation of line of credit:

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

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

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

The ceiling on loans granted by a subsidiary to others shall not be more than 100% of the Company's net assets, and ceiling on loans granted a short-term financing borrower with no business transactions shall not be more than 40% of the Company's net assets.

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

Formosa Chemicals and Fibre Corporation and subsidiaries  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2017

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2017 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2017	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 party in Mainland China (Note 5)	Footnote
0	The Company	Formosa Industries Corp., Vietnam	1	\$ 14,335,393	\$ 5,146,443	\$ 4,898,311	\$ 4,898,311	\$ -	1.37	\$ 464,970,839	Y	N	N	-
0	The Company	Formosa Group (Cayman) Limited	6	232,485,420	32,300,800	21,639,800	21,639,800	-	6.05	464,970,839	N	N	N	-
0	The Company	Formosa Ha Tinh (Cayman) Limited	6	232,485,420	15,694,038	15,457,372	15,457,372	-	4.32	464,970,839	N	N	N	-
0	The Company	Formosa Resources Corporation	6	232,485,420	3,271,870	3,208,660	3,208,660	-	0.90	464,970,839	N	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhongshan) Co., Ltd.	2	45,096,606	1,410,525	982,080	282,720	-	1.42	90,193,213	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	2	45,096,606	1,567,250	1,488,000	98,141	-	2.14	90,193,213	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	3	45,096,606	2,037,425	1,636,800	329,353	-	2.36	90,193,213	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	2	45,096,606	4,599,520	4,523,520	2,472,112	-	6.52	90,193,213	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Ha Tinh (Cayman) Co., Ltd.	6	45,096,606	5,273,383	5,186,248	3,903,997	-	7.48	90,193,213	N	N	N	-
2	Formosa Development Co., Ltd.	Public More Internation Company Co., Ltd.	3	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 year ended December 31, 2017

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2017				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks_Formosa Plastics Corp.	Other related parties	Available-for-sale financial assets - current	486,978,692	\$ 48,064,796	7.65	\$ 48,064,796	-
The Company	Stocks_Asia Pacific Investment Corp.	Other related parties	Available-for-sale financial assets - current	63,621,500	3,946,824	14.97	3,946,824	-
The Company	Stocks_Nan Ya Plastics Corp.	Other related parties	Available-for-sale financial assets - current	413,327,750	32,198,232	5.21	32,198,232	-
The Company	Stocks_Nan Ya Technology Corp.	Other related parties	Available-for-sale financial assets - current	334,815,409	25,512,934	11.30	25,512,934	-
The Company	Stocks_Formosa Union Chemical Corp.	-	Available-for-sale financial assets - current	15,498,339	281,295	3.16	281,295	-
The Company	Mega Private US Dollar Money Market Funds	-	Available-for-sale financial assets - current	14,977,992	4,573,903	-	4,573,903	-
The Company	Stocks_Mai-Liao Harbor Administration Corp.	Other related parties	Financial assets measured at cost - non-current	39,562,740	539,260	17.98	539,260	-
The Company	Stocks_Formosa Plastic Corp. U.S.A	Other related parties	Financial assets measured at cost - non-current	8,999	818,316	2.92	818,316	-
The Company	Stocks_Central Leasing Corp.	-	Financial assets measured at cost - non-current	1,778,611	-	1.07	-	-
The Company	Stocks_Taiwan Stock Exchange Corp.	-	Financial assets measured at cost - non-current	13,533,879	1,800	2.00	1,800	-
The Company	Stocks_Taiwan Aerospace Corp.	-	Financial assets measured at cost - non-current	1,070,151	10,702	0.79	10,702	-
The Company	Stocks_Yi-Jih Development Corp.	Other related parties	Financial assets measured at cost - non-current	300,000	3,000	1.51	3,000	-
The Company	Stocks_Chinese Television System Corp.	-	Financial assets measured at cost - non-current	2,376,202	38,419	1.41	38,419	-
The Company	Stocks_Formosa Plastics Maritime Corp.	Other related parties	Financial assets measured at cost - non-current	355,880	1,750	18.22	1,750	-
The Company	Stocks_Formosa Development Corp.	Other related parties	Financial assets measured at cost - non-current	15,246,336	90,010	18.00	90,010	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2017				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets measured at cost - non-current	2,925,000	\$ 13,331	12.50	\$ 13,331	-
The Company	Stocks_Formosa Plastics Marine Corp.	Other related parties	Financial assets measured at cost - non-current	2,428,500	15,000	15.00	15,000	-
The Company	Stocks_Formosa Ocean Group Marine Investment Corp.	Other related parties	Financial assets measured at cost - non-current	2,622	856,948	19.00	856,948	-
The Company	Stocks_Guangyuan Investment Corp.	-	Financial assets measured at cost - non-current	5,000,000	50,000	3.91	50,000	-
The Company	Stocks_Mega Growth Venture Capital Co., Ltd.	-	Financial assets measured at cost - non-current	2,500,000	25,000	1.97	25,000	-
FCFC International (Cayman) Limited	Stocks_Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets measured at cost - non-current	564,707,472	15,675,823	11.43	15,675,823	-
Tah Shin Spinning Corp.	Stocks_Nan Ya Technology Corp.	-	Available-for-sale financial assets - current	6,367	485	-	485	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Union Chemical Corp.	-	Available-for-sale financial assets - current	910,919	16,533	0.19	16,533	-
Formosa Biomedical Technology Corp.	Stocks_Changs Ascending Enterprise Corp., Ltd.	-	Available-for-sale financial assets - current	3,000	125	0.01	125	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Lithium Iron Oxide Corp.	Other related parties	Financial assets measured at cost - non-current	5,300,000	53,000	15.14	53,000	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets measured at cost - non-current	395,120	2,166	1.69	2,166	-
Formosa Biomedical Technology Corp.	Stocks_Taiwan Leader Biotech Corp.	-	Financial assets measured at cost - non-current	2,100,000	21,033	5.20	21,033	-
Formosa Biomedical Technology Corp.	Stocks_United Performance Materials Corp.	Other related parties	Financial assets measured at cost - non-current	423,720	8,400	0.46	8,400	-
Formosa Biomedical Technology Corp.	Stocks_United Biopharma, Inc.	-	Financial assets measured at cost - non-current	22,179,750	613,159	12.63	613,159	-
Formosa Biomedical Technology Corp.	Stocks_UBI Pharma Inc.	-	Financial assets measured at cost - non-current	26,597,922	667,607	18.81	667,607	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Chemicals & Fibre Corp.	Parent company	Available-for-sale financial assets - current	12,169,610	1,253,470	0.21	1,253,470	-



Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2017				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Taffeta Co., Ltd.	Stocks_Pacific Electric Wire & Cable Corp., Ltd.	-	Available-for-sale financial assets - current	32	\$ -	-	\$ -	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Plastics Corp.	Other related parties	Available-for-sale financial assets - current	640	63	-	63	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Available-for-sale financial assets - current	482,194	37,563	0.01	37,563	-
Formosa Taffeta Co., Ltd.	Stocks_Asia Pacific Investment Corp.	Other related parties	Available-for-sale financial assets - current	10,000,000	620,400	2.35	620,400	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Technology Corp.	Other related parties	Available-for-sale financial assets - non-current	15,421,010	1,175,081	0.52	1,175,081	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Petrochemical Corp.	Other related parties	Available-for-sale financial assets - non-current	365,267,576	42,188,405	3.83	42,188,405	-
Formosa Taffeta Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets measured at cost - non-current	174,441	3,236	0.45	3,236	-
Formosa Taffeta Co., Ltd.	Stocks_Toa Resin Corp., Ltd.	Other related parties	Financial assets measured at cost - non-current	14,400	3,000	10.00	3,000	-
Formosa Taffeta Co., Ltd.	Stocks_Shin Yun Natural Gas Corp.	-	Financial assets measured at cost - non-current	644,230	3,100	1.20	3,100	-
Formosa Taffeta Co., Ltd.	Stocks_Wk Technology Fund IV Ltd.	-	Financial assets measured at cost - non-current	1,926,759	262	3.17	262	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Optical Corp.	Other related parties	Financial assets measured at cost - non-current	4,261,443	58,345	9.53	58,345	-
Formosa Taffeta Co., Ltd.	FG INC	Other related parties	Financial assets measured at cost - non-current	600	198,066	3.00	198,066	-
Formosa Taffeta (Cayman) Co., Ltd.	Stocks_Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets measured at cost - non-current	190,009,706	5,490,371	3.85	5,490,371	-
Formosa Development Co., Ltd.	Stocks_Formosa Taffeta Co., Ltd.	Parent company	Available-for-sale financial assets - non-current	2,293,228	71,778	0.14	71,778	-
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Stocks_Association of R.O.C. in Xiamen	-	Financial assets measured at cost - non-current	-	137	0.11	137	-

Securities held by	Marketable securities ( Note 1 )	Relationship with the securities issuer ( Note 2 )	General ledger account	As of December 31, 2017				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Plastics Corp.	Other related parties	Available-for-sale financial assets - current	146,388	\$ 14,448	-	\$ 14,448	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Available-for-sale financial assets - current	312,512	24,345	-	24,345	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Chemicals & Fibre Corp.	Ultimate parent company	Available-for-sale financial assets - current	15,249,000	1,570,647	0.26	1,570,647	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Petrochemical Corp.	Other related parties	Available-for-sale financial assets - current	1,110,000	128,205	0.01	128,205	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Technology Corp.	Other related parties	Available-for-sale financial assets - non-current	8,278,215	630,800	0.28	630,800	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Optical Corp.	Other related parties	Financial assets measured at cost - non-current	2,130,721	29,172	4.77	29,172	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets measured at cost - non-current	59,945	1,181	0.15	1,181	-
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	375,736	-	375,736	-
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	254,262	-	254,262	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IAS 39 "Financial instruments: Recognition and Measurement".

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 (15).

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

Formosa Chemicals and Fibre Corporation and subsidiaries  
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
For the year ended December 31, 2017

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, 2017		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2017		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
The Company	Formosa Resource Corp.	Investments accounted for under equity method	Formosa Resource Corp.	-	416,250,000	\$ 4,159,625	168,344,000	\$ 1,683,440	-	\$ -	\$ -	\$ -	584,594,000	\$ 5,361,771
The Company	Franklin Templeton Sinoam Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	29,259,443	300,000	29,259,443	300,056	300,000	56	-	-
The Company	Capital Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	31,228,335	500,000	31,228,335	500,084	500,000	84	-	-
The Company	Fubon Chi-Hsiang Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	64,217,415	1,000,000	64,217,415	1,000,161	1,000,000	161	-	-
The Company	Jih Sun Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	54,423,250	800,000	54,423,250	800,141	800,000	141	-	-
The Company	Yuanta Wan Tai Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	39,899,984	600,000	39,899,984	600,060	600,000	60	-	-
The Company	FG INC.	Investments accounted for under equity method	FG INC.	-	-	-	6,000	1,980,594	-	-	-	-	6,000	1,967,721
FCFC International (Cayman) Limited	Formosa Ha Tinh (Cayman) Limited	Financial assets measured at cost - noncurrent	-	-	508,236,725	15,132,580	56,470,747	1,738,438	-	-	-	-	564,707,472	15,675,823
Formosa Advanced Technologies Co., Ltd.	Formosa Chemicals & Fibre Corp.	Available-for-sale financial assets - current	-	-	7,316,000	704,531	7,936,000	726,892	3,000	274	242	32	15,429,000	1,570,647
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Available-for-sale financial assets - current	-	-	15,041,215	726,491	-	-	6,763,000	523,781	248,202	275,579	8,278,215	630,800
Formosa Taffeta (Cayman) Co., Ltd.	Formosa Ha Tinh (Cayman) Limited	Financial assets measured at cost - noncurrent	-	-	171,008,736	5,316,710	19,000,970	587,072	-	-	-	-	190,009,706	5,490,371

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 NTS10 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  
Disposal of real estate reaching \$300 million or 20% of paid-in capital or more  
For the year ended Decemver 31, 2017

Table 5 Expressed in thousands of NTD  
(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
The Company	25 lands No. 269 and etc. in Shinfang section, Xinyuan Township, Pingtung County	2017/3/17	1980/12/1	\$ 41,652	\$ 830,541	Completed	\$ 788,889	Ming Dih Industry Co., Ltd.	-	Disposal of idle land	Taiwan Dawa Real Estate Appraisers Firm valuated at \$881,436; Cushman & Wakefield valuated at \$888,714.	-

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

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

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

Formosa Chemicals and Fibre Corporation and subsidiaries  
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote (Note 1)
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Formosa Plastics Corp.	Other related parties	Sales	(\$ 2,424,287)	( 1)	30 days	\$ -	-	\$ 206,879	1	-
The Company	Nan Ya Plastics Corp.	Other related parties	Sales	( 27,606,381)	( 12)	30 days	-	-	3,157,801	12	-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Sales	( 1,745,553)	( 1)	60 days	-	-	Notes receivable 239,552 Accounts receivable 297,761	35 1	- -
The Company	Formosa Petrochemical Corp.	Associates	Sales	( 23,053,152)	( 10)	30 days	-	-	2,719,332	11	-
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Subsidiary	Sales	( 3,341,241)	( 1)	90 days	-	-	778,036	3	-
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary	Sales	( 18,444,670)	( 8)	90 days	-	-	4,566,816	18	-
The Company	Formosa PS (Ningbo) Co., Ltd.	Subsidiary	Sales	( 6,712,378)	( 3)	90 days	-	-	2,444,547	9	-
The Company	Formosa Phenol (Ningbo) Limited Co.	Subsidiary	Sales	( 1,673,931)	( 1)	90 days	-	-	258,337	1	-
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Sales	( 2,177,459)	( 1)	30 days	-	-	380,343	1	-
The Company	PFG Fiber Glass Corp.	Other related parties	Sales	( 445,033)	-	30 days	-	-	36,881	-	-
The Company	Nan Ya Plastics Corp., U.S.A.	Other related parties	Sales	( 290,151)	-	30 days	-	-	42,742	-	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary	Sales	( 11,169,445)	( 5)	30 days	-	-	1,169,651	5	-
The Company	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	( 320,782)	-	30 days	-	-	61,188	-	-
The Company	Formosa Taffeta (Dong Nai) Corp.	Subsidiary	Sales	( 272,094)	-	60 days	-	-	78,023	-	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)			Footnote (Note 1)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Formosa Plastics Corp.	Other related parties	Purchases	\$ 6,490,522	4	30 days	\$ -	-	(\$ 732,814)	(4)	-
The Company	Nan Ya Plastics Corp.	Other related parties	Purchases	6,835,091	4	30 days	-	-	( 776,021)	(4)	-
The Company	Formosa Petrochemical Corp.	Associates	Purchases	120,170,203	68	30 days	-	-	( 13,728,239)	(69)	-
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Purchases	344,900	-	30 days	-	-	( 50,771)	-	-
Formosa BP Chemicals Corp.	The Company	Parent company	Sales	( 1,095,868)	(21)	30 days	-	-	106,125	11	-
Formosa BP Chemicals Corp.	BP Chemicals (Malaysia) SDN Corp.	Associates	Sales	( 169,984)	(3)	30 days	-	-	80,982	8	-
Formosa BP Chemicals Corp.	Nan Ya Plastics Corp.	Other related parties	Sales	( 262,591)	(5)	30 days	-	-	32,892	3	-
Formosa BP Chemicals Corp.	Formosa Plastics Corp.	Other related parties	Sales	( 102,272)	(2)	30 days	-	-	3,766	-	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Sales	( 523,253)	(10)	30 days	-	-	61,831	6	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Purchases	1,856,570	56	45 days	-	-	( 198,198)	(116)	-
Formosa Power (Ningbo) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	Associates	Sales	( 777,562)	(11)	30 days	-	-	-	-	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates	Sales	( 1,463,326)	(21)	30 days	-	-	143,563	32	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Phenol (Ningbo) Co., Ltd.	Associates	Sales	( 858,693)	(13)	30 days	-	-	-	-	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties	Sales	( 2,367,797)	(35)	30 days	-	-	236,467	52	-
Formosa Power (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	( 497,080)	(7)	30 days	-	-	50,980	11	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Associates	Sales	( 380,918)	(6)	30 days	-	-	4,419	1	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	( 731,405)	(3)	90 days	-	-	112,569	10	-

Table 6, Page 2

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)			Footnote (Note 1)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Formosa ABS Plastics (Ningbo) Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	\$ 2,498,300	15	90 days	\$ -	-	(\$ 649,734)	(33)	-
Formosa ABS Plastics (Ningbo) Co., Ltd.	Formosa Petrochemical Corp.	Associates	Purchases	1,055,811	6	90 days	-	-	( 179,866)	(9)	-
Formosa Industries Corp.	Formosa Taffeta (Dong Nai) Corp.	Associates	Sales	( 576,930)	(2)	60 days	-	-	109,427	-	-
Formosa Industries Corp.	Formosa Taffeta (Long An) Corp.	Associates	Sales	( 241,441)	(1)	60 days	-	-	63,685	-	-
Formosa Industries Corp.	Nan Ya Plastics Corp.	Other related parties	Purchases	3,464,817	21	30 days	-	-	( 691,848)	(35)	-
Formosa Idemitsu Petrochemical Corp.	The Company	Parent company	Sales	( 993,335)	(6)	30 days	-	-	153,310	14	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Europe Co., Ltd.	Associates	Sales	( 364,922)	(2)	30 days after closing date	-	-	43,449	4	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals Taiwan Corp.	Associates	Sales	( 511,059)	(3)	30 days after closing date	-	-	-	-	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Associates	Sales	( 828,109)	(5)	30 days after closing date	-	-	87,665	8	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates	Sales	( 871,016)	(6)	30 days after closing date	-	-	155,447	14	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (U.S.A) Co., Ltd.	Associates	Sales	( 145,480)	(1)	30 days after closing date	-	-	21,434	2	-

Table 6, Page 3

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)			Footnote (Note 1)
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Formosa Phenol (Ningbo) Limited Co.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	(\$ 4,826,983)	( 33)	30 days	\$ -	-	\$	709,403	60	-
Formosa Phenol (Ningbo) Limited Co.	Nan Ya Electronic Materials (Kunshan) Co., Ltd	Other related parties	Sales	(\$ 133,746)	( 1)	30 days	-	-	\$	20,213	2	-
Formosa Phenol (Ningbo) Limited Co.	Formosa Petrochemical Corp.	Associates	Purchases	1,990,178	20	90 days	-	-	(	237,292)	( 44)	-
Formosa Taffeta Co., Ltd.	Quang Viet Enterprise Co., Ltd.	Associates	Sales	( 372,384)	( 1)	Pay by mail transfer 60 days after delivery	-	-		Notes receivable 55	-	-
										Accounts receivable 50,422	2	-
Formosa Taffeta Co., Ltd.	Yugen Co., Ltd.	Other related parties	Sales	( 305,466)	( 1)	Pay 120 days after delivery	-	-		73,603	3	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Corp.	Subsidiary	Sales	( 102,664)	( 0)	60 days after monthly billings	-	-		31,814	1	-
Formosa Taffeta Co., Ltd.	Formosa Petrochemical Corp.	Other related parties	Purchases	9,606,981	45	Pay every 15 days by mail transfer	-	-	(	542,953)	( 31)	-
Formosa Taffeta Co., Ltd.	Nan Ya Plastics Corp.	Other related parties	Purchases	790,453	4	Pay every 15 days by mail transfer	-	-	(	73,260)	( 4)	-
Formosa Taffeta Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	335,499	2	Pay every 15 days by mail transfer	-	-	(	16,118)	( 1)	-
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties	Sales	( 5,295,339)	( 67)	60 days after monthly billings	-	-		953,005	63	-

Table 6, Page 4



Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)			Footnote (Note 1)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Formosa Advanced Technologies Co., Ltd.	Nan Ya PCB Corp.	Other related parties	Purchases	134,787	5	45 days after inspection	\$ -	-	(\$ -)	10,929	(3)	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates	Sales	(\$ 365,021)	(23)	60 days after monthly billings	-	-		120,362	55	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta Co., Ltd.	Parent company	Sales	( 160,962)	(10)	60 days after monthly billings	-	-		23,359	11	-
Formosa Taffeta (Vietnam) Co., Ltd.	Formosa Industries Corp., Vietnam	Associates	Purchases	218,104	13	60 days after monthly billings	-	-	( -)	34,122	(19)	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Associates	Sales	( 287,418)	(7)	60 days after monthly billings	-	-		42,321	5	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta Co., Ltd.	Parent company	Sales	( 626,300)	(16)	60 days after monthly billings	-	-		82,385	10	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Kuang Yueh Co., Ltd.	Associates	Sales	( 115,689)	(3)	60 days after monthly billings	-	-		20,869	3	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Nan Ya Plastics Corp.	Associates	Purchases	172,678	5	60 days after monthly billings	-	-	( -)	2,711	(1)	-

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

Formosa Chemicals and Fibre Corporation and subsidiaries  
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more  
For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017		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	\$	206,879	12.63	\$ -	-	\$ 206,879	\$ -
The Company	Nan Ya Plastics Corp.	Other related parties		3,157,801	10.04	-	-	3,157,801	-
The Company	Formosa Petrochemical Corp.	Associates	Accounts receivable	2,719,332	9.47	-	-	2,719,332	-
			Other receivables	134,350				40,559	-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Notes receivable	239,552	3.23	-	-	239,552	-
			Accounts receivable	297,761				195,364	-
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Accounts receivable	380,343	7.32	-	-	374,735	-
			Other receivables	96,176				16,785	-
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Subsidiary	Accounts receivable	778,036	2.31	-	-	135,894	-
			Other receivables	539,842				-	-
The Company	Formosa Phenol (Ningbo) Limited Co.	Subsidiary	Accounts receivable	258,337	12.96	-	-	177,632	-
			Other receivables	21,879				-	-
The Company	Formosa PS (Ningbo) Co., Ltd.	Subsidiary	Accounts receivable	2,444,547	3.62	-	-	1,345,570	-
			Other receivables	429,046				-	-
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary	Accounts receivable	4,566,816	4.04	-	-	3,164,716	-
			Other receivables	351,976				-	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary		1,169,651	9.99	-	-	1,169,651	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates		155,447	8.00	-	-	155,447	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates		143,563	9.97	-	-	143,563	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties		236,467	15.77	-	-	236,467	-
Formosa Phenol (Ningbo) Limited Co.	Nan Ya Plastics (Ningbo) Corp.	Other related parties		709,403	7.60	-	-	709,403	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties		112,569	9.35	-	-	112,569	-
Formosa Industries Corp., Vietnam	Formosa Taffeta (Dong Nai) Co., Ltd.	Other related parties		109,427	10.54	-	-	109,427	-
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties		953,005	5.44	-	-	465,954	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates		120,362	3.37	-	-	55,530	-

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

Formosa Chemicals and Fibre Corporation and subsidiaries  
 Significant inter-company transactions during the reporting period  
 For the year ended December 31, 2017

Table 8

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	1	Sales revenue	(\$ 18,444,670)	In regular terms	(5)
0	The Company	Formosa Idemitsu Petrochemical Corp.	1	Sales revenue	( 11,169,445)	In regular terms	(3)

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

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

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

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

Formosa Chemicals and Fibre Corporation and subsidiaries  
Information on investees (Excluding those in Mainland China)  
For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	of the investee for the year ended December 31, 2017	recognised by the Company for the year ended December 31, 2017	
The Company	Tah Shin Spinning Corp.	Taiwan	Spinning	\$ 85,188	\$ 85,188	18,467,619	86.40	\$ 120,888	(\$ 6,967)	(\$ 12,210)	-
The Company	Formosa Taffeta Co., Ltd.	Taiwan	Spinning	719,003	719,003	630,022,431	37.40	25,190,400	4,279,871	1,556,758	-
The Company	Formosa Heavy Industries Corp.	Taiwan	Machinery	2,497,721	2,497,721	651,706,181	32.91	7,694,277	342,788	116,191	-
The Company	Formosa Fairway Corporation	Taiwan	Transportation	33,320	33,320	4,697,951	33.33	100,952	( 15,393)	( 5,131)	-
The Company	Formosa Plastics Transport Corp.	Taiwan	Transportation	17,255	17,255	4,770,421	33.33	738,229	14,979	4,993	-
The Company	Formosa Petrochemical Corp.	Taiwan	Chemistry	25,842,468	25,842,468	2,300,799,801	24.15	82,001,789	80,170,146	19,409,650	-
The Company	Mai-Liao Power Corp.	Taiwan	Electricity generation	5,985,531	5,985,531	547,030,137	24.94	10,845,857	855,329	213,360	-
The Company	FCFC Investment Corp. (Cayman)	Cayman Islands	Investments	25,690,257	19,534,946	56,000	100.00	40,547,409	4,220,011	4,220,011	-
The Company	Hwa Ya Science Park Management Consulting Co, Ltd.	Taiwan	Management	340	340	33,000	33.00	1,382	327	108	-
The Company	Chia-Nan Enterprise Corporation	Taiwan	Electricity generation	225,034	225,034	12,448,800	30.00	260,483	40,845	12,255	-
The Company	Formosa Idemitsu Petrochemical Corp.	Taiwan	Wholesale and retail of petrochemical and plastic raw materials	299,999	299,999	60,000,000	50.00	2,845,575	3,215,726	1,603,889	-
The Company	Su Hua Transport Corp.	Taiwan	Transportation	50,000	50,000	10,494,785	25.00	277,136	104,601	26,150	-
The Company	Formosa Industries Corp., Vietnam	Vietnam	Textile, polyester staple fibre, cotton	8,435,801	8,435,801	-	42.50	7,837,301	806,833	342,904	-

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017		Investment income (loss) recognised by the Company for the year ended December 31, 2017		Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	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	\$ 1,717,051	\$ 788,730	\$ 383,116	-		
The Company	Formosa Environmental Technology Co.	Taiwan	Disposals of wastes and sewage	417,145	417,145	41,714,475	24.34	226,435 (	119,695) (	29,134)	-		
The Company	Formosa Biomedical Technology Corp.	Taiwan	Manufacturing and sale of cosmetics	1,566,879	1,566,879	147,556,136	88.59	1,775,628	145,318	128,738	-		
The Company	Formosa Carpet Corp.	Taiwan	Yarn spinning mills, finishing of textiles and carpet manufacturing	300,000	300,000	22,037,185	100.00	210,601 (	4,302) (	4,302)	-		
The Company	Formosa Synthetic Rubber Corp.	Taiwan	Manufacturing of synthetic rubber	400,000	400,000	40,000,000	33.33	283,679 (	96,263) (	32,085)	-		
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	802,566 (	1,229,627) (	409,834)	-		
The Company	Formosa Resources Corporation	Taiwan	Mining industry and its trading, wholesale of chemical material and international trading	5,845,940	4,162,500	584,594,000	25.00	5,361,771 (	543,427) (	135,857)	-		
The Company	Formosa Group Corp. (Cayman)	Cayman Islands	Investments	377	377	-	25.00	348,135 (	652,585) (	163,146)	-		
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	87,774 (	12,454) (	4,151)	-		
The Company	FG INC.	United States	Investments	1,980,594	-	6,000	30.00	1,967,721 (	7,634) (	2,290)	-		
The Company	FCFC International (Cayman) Limited	Cayman Islands	Investments	17,823,278	16,084,840	50,000	100.00	15,984,457	147	147	-		
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Hong Kong	Investments	21,637,470	15,482,159	-	100.00	27,329,416	3,351,047	3,351,047	-		

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017		Investment income (loss) recognised by the Company for the year ended December 31, 2017		Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value					
Formosa Biomedical Technology Corp.	Beyoung International Corp.	Taiwan	International trading	\$ 90,000	\$ 90,000	467,400	30.00	\$ 95,491	\$ 11,469	\$ 3,456	-		
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Taiwan	Recycle of spent catalyst	252,969	252,969	19,636,218	51.00	249,437	157,781	80,469	-		
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (Samoa) Co., Ltd.	Samoa	Investments	29,610	29,610	-	100.00	5,289	(11,583)	(11,583)	-		
Formosa Biomedical Technology Corp.	Formosa Waters Technology Co., Ltd.	Taiwan	1.Industrial catalyst manufacturing 2.Wholesale of other chemical products	7,650	-	765,001	57.00	7,537	(199)	(113)	-		
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	206,279	17,643	11,313	-		
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	7,347,846	1,393,086	914,979	-		
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	1,092,248	89,049	89,049	-		
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	1,806,539	163,188	163,188	-		

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	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	\$ 1,149,965	\$ 546,996	\$ 112,417	-
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Hong Kong	Trading of textiles	2,958	2,958	-	50.00	4,217	6,171	2,653	-
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	2,228,212	57,981	57,981	-
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	1,938,483	806,833	77,090	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Cayman Islands	Investments	5,675,253	5,090,180	171,028,736	100.00	5,490,420	(137)	(137)	-
Formosa Development Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	23,622	1,393,086	1,473	-
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Taiwan	Employment service, manpower allocation and agency service	5,000	-	-	100.00	6,586	1,586	1,586	-

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 year ended December 31, 2017

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formosa ABS Plastics (Ningbo) Co., Ltd.	Sale of Acrylonitrile Butadiene Styrene (ABS)	\$ 5,618,707	2、4	\$ 4,682,741	\$ -	\$ -	\$ 4,682,741	\$ 2,660,566	100	\$ 2,660,566	\$ 10,003,452	\$ -	2
Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	4,834,511	2、4	4,051,414	-	-	4,051,414	868,964	100	868,964	13,470,934	-	2
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Production and market of PTA	12,199,971	2、4	9,066,960	3,133,011	-	12,199,971	( 35,299)	100	( 35,299)	10,290,172	-	2
Formosa PS (Ningbo) Co., Ltd.	Sale of Polystyrene	1,732,458	2、4	1,732,458	-	-	1,732,458	452,417	100	452,417	1,661,794	-	2
Formosa Phenol (Ningbo) Limited Co.	Production and sale of phenol-acetone and acetone	7,701,923	2、4	-	3,022,300	-	3,022,300	273,363	100	273,363	5,373,998	-	2
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Production and sale of synthetic rubber	6,743,008	2、4	2,151,560	-	-	2,151,560	( 1,229,627)	33	( 409,834)	802,566	-	2



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, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formosa Biomedical Trading (Shanghai) Co., Ltd.	Investments	\$ 29,610	2、4	\$ 29,610	\$ -	\$ -	\$ 29,610	(\$ 11,583)	100	(\$ 11,583)	\$ 5,289	\$ -	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	72,999	100	72,999	1,635,550	-	2、3
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise exhibition, export processing, warehousing and design and drawing of black and white and colour graphs	15,273	1	15,273	-	-	15,273	( 959)	100	( 959)	6,206	-	2、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	85,091	100	85,091	975,944	-	2、5

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, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Changshu Yu Yuan Development Co., Ltd.	Building and selling real estate	\$ 70,788	2	\$ -	\$ -	\$ -	\$ -	\$ 11,436	41	\$ 4,427	\$ 35,008	\$ -	2 - 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 audited by CPAs of the Taiwan parent company .

Note 3: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2017 and that as of December 31, 2017 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, 2017 and that as of December 31, 2017 all amount to US\$570,000.

Note 5: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2017 and that as of December 31, 2017 all amount to US\$42,000,000. In order to effectively utilise the residential land of the Company, Formosa Chemicals & Fibre Co. split the residential land and established Changshu Fushun Enterprise Management Co., Ltd. by capitalizing the residential land in the first quarter, 2015.

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

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	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	\$ 36,936,005	Note

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

Formosa Chemicals and Fibre Corporation and subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2017

Table 11

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Purpose	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate	Interest during the year ended December 31, 2017	Others
Formosa Taffeta (Zhongshan) Co., Ltd.	\$ 23,276	0.09	\$ -	-	\$ 2,616	0.12	\$ 982,080	For short-term loans from financial institutions	\$ -	\$ -	-	\$ -	-
Formosa Taffeta (Changshu) Co., Ltd.	30,966	0.12	29,526	-	5,015	0.23	1,636,800	For short-term loans from financial institutions	-	-	-	-	-