

**FORMOSA CHEMICALS & FIBRE
CORPORATION**

**PARENT COMPANY ONLY 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

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2017 and 2016, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2017 and 2016, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of FORMOSA CHEMICALS & FIBRE CORPORATION 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Impairment assessment of property, plant and equipment-PTA division

Description

Refer to Note 4(14) for accounting policy on non-financial assets impairment, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment valuation of tangible assets, and Note 6(8) for explanation on property, plant and equipment impairment.

The Company's property, plant and equipment amounted to NT\$49,534,755 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 Company 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 module calculation.

Investments accounted for using equity method and recognition of investment income

Description

Refer to Note 4(12) for accounting policies on investments accounted for using equity method (including subsidiaries and associates) and Note 6(7) for details of investments accounted for using equity method. The Company held investments accounted for using equity method amounting to NT\$207,227,496 thousand as at December 31, 2017 and recognised comprehensive income of NT\$25,669,469 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 Company'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 investments accounted for under the equity method that are included in the financial statements. Investments accounted for using equity method amounted to NT\$117,260,942 thousand and NT\$107,556,340 thousand on December 31, 2017 and 2016, constituting 26% and 25% of total assets, respectively. Comprehensive income amounted to NT\$21,209,107 thousand and NT\$21,133,455 thousand, constituting 30% and 36% of total comprehensive income for the years ended December 31, 2017 and 2016, respectively. Those financial statements were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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

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

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

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

Auditor’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only 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 parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and 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
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 11,907,286	3	\$ 13,108,011	3
1125	Available-for-sale financial assets	6(2)				
	- current		114,577,984	25	98,777,865	23
1150	Notes receivable, net	6(3)	447,542	-	335,838	-
1160	Notes receivable - related parties	7	239,552	-	129,706	-
1170	Accounts receivable, net	6(4)	8,870,535	2	5,835,641	1
1180	Accounts receivable - related parties	7	16,211,498	4	14,424,217	3
1200	Other receivables		3,058,215	1	2,606,436	1
1210	Other receivables - related parties	7	11,555,292	2	19,376,968	5
130X	Inventory	6(5)	17,239,455	4	21,820,886	5
1470	Other current assets	7	1,542,192	-	1,818,615	1
11XX	Total current assets		<u>185,649,551</u>	<u>41</u>	<u>178,234,183</u>	<u>42</u>
Non-current assets						
1543	Financial assets carried at cost - non-current	6(6)	2,463,536	-	2,463,536	1
1550	Investments accounted for under equity method	6(7) and 8	207,227,496	46	186,031,851	44
1600	Property, plant and equipment	6(8) and 8	49,534,755	11	50,831,005	12
1840	Deferred income tax assets	6(23)	1,684,419	-	1,421,036	-
1900	Other non-current assets		7,314,240	2	3,693,755	1
15XX	Total non-current assets		<u>268,224,446</u>	<u>59</u>	<u>244,441,183</u>	<u>58</u>
1XXX	Total assets		<u>\$ 453,873,997</u>	<u>100</u>	<u>\$ 422,675,366</u>	<u>100</u>

(Continued)

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

Liabilities and equity	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 4,948,400	1	\$ 6,990,100	2
2170	Accounts payable		3,277,924	1	3,221,504	1
2180	Accounts payable - related parties	7	15,547,651	3	11,754,679	3
2200	Other payables		6,807,646	1	6,051,111	1
2230	Current income tax liabilities	6(23)	3,015,804	1	2,949,686	1
2320	Long-term liabilities, current portion	6(10)(11)	8,416,355	2	9,581,962	2
2399	Other current liabilities		4,034,837	1	2,183,611	-
21XX	Total current liabilities		<u>46,048,617</u>	<u>10</u>	<u>42,732,653</u>	<u>10</u>
Non-current liabilities						
2530	Corporate bonds payable	6(10)	34,050,000	8	39,750,000	10
2540	Long-term borrowings	6(11)	9,722,222	2	14,139,898	3
2570	Deferred income tax liabilities	6(23)	88,841	-	143,676	-
2600	Other non-current liabilities	6(12)	6,294,441	1	5,918,573	1
25XX	Total non-current liabilities		<u>50,155,504</u>	<u>11</u>	<u>59,952,147</u>	<u>14</u>
2XXX	Total liabilities		<u>96,204,121</u>	<u>21</u>	<u>102,684,800</u>	<u>24</u>
Equity						
Share capital						
3110	Common stock	6(13)	58,611,863	13	58,611,863	14
Capital surplus						
3200	Capital surplus	6(14)	8,682,798	2	8,622,642	2
Retained earnings						
3310	Legal reserve	6(15)	51,046,840	11	46,663,535	11
3320	Special reserve		46,567,089	10	41,927,550	10
3350	Unappropriated retained earnings	6(23)	84,218,728	19	72,560,103	17
Other equity interest						
3400	Other equity interest	6(16)	109,169,026	24	91,965,445	22
3500	Treasury stocks	6(13)	(626,468)	-	(360,572)	-
3XXX	Total equity		<u>357,669,876</u>	<u>79</u>	<u>319,990,566</u>	<u>76</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 453,873,997</u>	<u>100</u>	<u>\$ 422,675,366</u>	<u>100</u>

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

FORMOSA CHEMICALS & FIBRE CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		For the years ended December 31			
		2017		2016	
Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	\$ 235,759,413	100	\$ 217,329,630	100
5000	Operating costs	(202,414,042)	(86)	(187,699,298)	(87)
5900	Net operating margin	33,345,371	14	29,630,332	13
5910	Unrealised profit from sales	(295,568)	-	(487,873)	-
5920	Realised profit (loss) from sales	487,873	-	(78,217)	-
5950	Net operating margin	33,537,676	14	29,064,242	13
	Operating expenses				
6100	Selling expenses	(4,493,557)	(2)	(4,480,060)	(2)
6200	General and administrative expenses	(3,434,718)	(1)	(3,124,754)	(1)
6000	Total operating expenses	(7,928,275)	(3)	(7,604,814)	(3)
6900	Operating profit	25,609,401	11	21,459,428	10
	Non-operating income and expenses				
7010	Other income	6,581,077	3	5,631,922	3
7020	Other gains and losses	443,714	-	(1,310,705)	(1)
7050	Finance costs	(1,005,489)	-	(1,098,747)	(1)
7070	Share of profit of associates and joint ventures accounted for under equity method	27,220,129	11	22,878,875	11
7000	Total non-operating income and expenses	33,239,431	14	26,101,345	12
7900	Profit before income tax	58,848,832	25	47,560,773	22
7950	Income tax expense	(4,438,030)	(2)	(3,727,728)	(2)
8200	Profit for the year	\$ 54,410,802	23	\$ 43,833,045	20
	Other comprehensive income (net)				
	Components of other comprehensive loss that will not be reclassified to profit or loss				
8311	Other comprehensive loss, before tax, actuarial loss on defined benefit plans	(\$ 658,371)	-	(\$ 505,220)	-
8330	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	Components of other comprehensive loss that will not be reclassified to profit or loss	(906,690)	-	(529,025)	-
	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Other comprehensive loss, before tax, exchange differences on translation	(1,020,567)	-	(3,160,400)	(1)
8362	Other comprehensive income, before tax, available-for-sale financial assets	16,536,745	7	12,044,560	6
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	1,302,342	-	5,155,497	2
8399	Income tax relating to the components of other comprehensive income	385,061	-	591,147	-
8360	Components of other comprehensive income that will be reclassified to profit or loss	17,203,581	7	14,630,804	7
8300	Other comprehensive income for the year	\$ 16,296,891	7	\$ 14,101,779	7
8500	Total comprehensive income for the year	\$ 70,707,693	30	\$ 57,934,824	27
	Basic earnings per share (in dollars)				
		Before Tax	After Tax	Before Tax	After Tax
9750	Net income	\$ 10.09	\$ 9.33	\$ 8.14	\$ 7.50
	Assuming shares held by subsidiary are not deemed as treasury stock:				
	Basic earnings per share (in dollars)				
	Net income	\$ 10.04	\$ 9.28	\$ 8.11	\$ 7.48

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

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

Notes	Retained Earnings				Other equity interest			Total		
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain on available-for-sale financial assets		Hedging instrument gain on effective hedge of cash flow hedges	Treasury stocks
<u>For the year ended December 31, 2016</u>										
	\$ 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
6(15)	-	-	2,757,819	-	(2,757,819)	-	-	-	-	-
	-	-	-	-	(20,514,153)	-	-	-	-	(20,514,153)
6(13)	-	-	-	-	-	-	-	-	-	-
	-	20,975	-	-	-	-	-	-	(8,263)	(8,263)
6(14)	-	-	-	-	-	-	-	-	-	20,975
6(14)	-	(273,335)	-	-	-	-	-	-	-	(273,335)
	-	-	-	-	43,833,045	-	-	-	-	43,833,045
6(16)	-	-	-	-	(529,025)	(3,660,896)	18,318,099	(26,399)	-	14,101,779
	\$ 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
<u>For the year ended December 31, 2017</u>										
	\$ 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
6(15)	-	-	4,383,305	-	(4,383,305)	-	-	-	-	-
	-	-	-	4,639,539	(4,639,539)	-	-	-	-	-
	-	-	-	-	(32,822,643)	-	-	-	-	(32,822,643)
6(13)	-	-	-	-	-	-	-	-	(265,896)	(265,896)
6(14)	-	8	-	-	-	-	-	-	-	8
	-	43,842	-	-	-	-	-	-	-	43,842
6(14)	-	4,304	-	-	-	-	-	-	-	4,304
6(14)	-	12,002	-	-	-	-	-	-	-	12,002
6(14)	-	-	-	-	54,410,802	-	-	-	-	54,410,802
	-	-	-	-	(906,690)	(3,040,875)	20,279,553	(35,097)	-	16,296,891
6(16)	\$ 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

(Note) Employees' compensation for the years ended December 31, 2016 and 2015 was \$47,608 and \$30,193, respectively, and was deducted from the parent company only statements of comprehensive income.

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

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

	Notes	For the years ended December 31,	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 58,848,832	\$ 47,560,773
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(21)	6,174,980	7,289,036
Amortisation	6(21)	2,958,283	3,890,281
Loss on inventory valuation	6(5)	57,144	329,604
Interest expense	6(20)	1,005,489	1,098,747
Interest income	6(18)	(372,408)	(308,290)
Dividend income	6(18)	(5,093,307)	(4,623,739)
Share of profit or loss of associates accounted for under the equity method		(27,220,129)	(22,878,875)
(Gain from recovery) Impairment loss on property, plant and equipment	6(8)(19)	(3,090)	781,222
(Gain) Loss on disposal and scrap of property, plant and equipment	6(19)	(802,769)	2,902
Gain on disposal of investments	6(19)	(1,865,492)	-
Realised (gain) loss from sales		(192,305)	566,090
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(111,704)	33,589
Notes receivable-related parties		(109,846)	10,676
Accounts receivable		(3,034,894)	(504,798)
Accounts receivable-related parties		(1,787,281)	(2,810,511)
Other receivables		(68,655)	562,741
Inventory		4,524,287	(2,716,681)
Other current assets		276,423	1,202,022
Other non-current assets		(83,426)	307,020
Changes in operating liabilities			
Accounts payable		56,420	(175,251)
Accounts payable-related parties		3,792,972	1,136,077
Other payables		476,000	1,054,829
Other current liabilities		1,851,226	1,043,163
Accrued pension liabilities		(295,430)	(2,845,274)
Cash inflow generated from operations		38,981,320	30,005,353
Interest received		377,025	295,429
Dividends received		22,295,853	17,575,534
Interest paid		(1,040,786)	(1,145,955)
Income tax paid		(4,305,070)	(3,009,214)
Net cash flows from operating activities		<u>56,308,342</u>	<u>43,721,147</u>

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

	Notes	For the years ended December 31,	
		2017	2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in other receivables-related parties		\$ 7,821,676	(\$ 8,793,656)
Acquisition of available-for-sale financial assets		(3,200,000)	(4,903,800)
Proceeds from disposal of available-for-sale financial assets		5,802,118	-
Acquisition of investments accounted for under the equity method		(11,557,783)	(2,452,940)
Acquisition of property, plant and equipment	6(25)	(4,664,663)	(3,790,863)
Proceeds from disposal of property, plant and equipment		892,848	14,966
Increase in deferred expenses		(6,462,690)	(2,335,523)
(Increase) decrease in guarantee deposits paid		(13,943)	55,381
Net cash flows used in investing activities		(11,382,437)	(22,206,435)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings		(2,041,700)	4,482,100
Increase in long-term borrowings		-	6,000,000
Payment of long-term borrowings		(4,530,950)	(5,437,755)
Payment of bonds payable		(6,750,000)	(9,500,000)
Increase (decrease) in other non-current liabilities		12,927	(32,525)
Payment of cash dividends	6(25)	(32,814,574)	(21,932,687)
Net cash flows used in financing activities		(46,124,297)	(26,420,867)
Effect of foreign exchange translations		(2,333)	(4,319)
Net decrease in cash and cash equivalents		(1,200,725)	(4,910,474)
Cash and cash equivalents at beginning of year		13,108,011	18,018,485
Cash and cash equivalents at end of year		<u>\$ 11,907,286</u>	<u>\$ 13,108,011</u>

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

FORMOSA CHEMICALS & FIBRE CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 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 now has eight business divisions, namely First Chemical Division, Petrochemicals Division, Third Chemical Division, Plastics Division, Textile Division, First Fiber Division, Second Fiber Division, and Engineering & Construction Division. The Company's major businesses are production and sales of petrochemical products, including PTA, PS, AN, Butadiene, SM polymer, SM, benzene, toluene, p-xylene (PX) and o-xylene (OX), as well as nylon fiber, and rayon staple fiber. The Company is also engaged in spinning, weaving, dyeing and finishing.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only 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 ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments 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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Company's financial condition and operating results based on the Company's assessment.

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

New standards, interpretations and amendments endorsed by 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 Company's assessment, the above standards and interpretations affect the Company'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. 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 Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

C. 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.

D. IFRIC 22, ‘Foreign currency transactions and advance consideration’

The Interpretation states that the date of the transaction for a foreign currency-denominated contract should be the date of initial recognition of the non-monetary asset or non-monetary liability arising from the receipt or payment of the advance consideration.

When adopting the new standards endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Company 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:

Explanation:

A. In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets - current and financial assets at cost in the amounts of \$114,577,984 and \$2,463,536, 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 and financial assets at fair value through other comprehensive income – non-current in the amounts of \$4,573,903 and \$129,833,720, respectively, increasing investments accounted for under equity method, retained earnings and other equity interest in the amounts of \$2,135,314, \$5,089,978, and \$14,411,439, respectively.

B. Under IFRS 15, the Company’s recognition in proportion to the Company’s ownership of Formosa Advanced Technologies Co., Ltd. will be affected by increasing the investments accounted for using equity method by \$24,420 and retained earnings by \$24,420.

(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 Company's financial condition and financial performance based on the Company'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. Amendments to IAS 28, 'Long-term interests in associates and joint ventures'

The amendment clarifies that, for any long-term interest that, in substance, form part of the entity's net investment in an associate or joint venture, an entity should apply IFRS 9 to such interests before it applies IAS 28 to recognise losses.

E. 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 parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
 - i. Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - ii. Available-for-sale financial assets measured at fair value.
 - iii. 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 compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are 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 associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, when the Company retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

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

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets 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’.

(7) 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’.

(8) 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.

(9) Impairment of financial assets

- A. The Company 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 Company 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 Company, 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 Company 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.

(10) Derecognition of financial assets

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

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

(11) Inventories

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

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

- A. Subsidiaries refer to the entities (including special purpose entities) that the Company has control over their financial and operating policies and own more than 50% of voting shares directly or indirectly. The Company evaluates investments in subsidiaries accounted under equity method in these parent company only financial statements.
- B. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to comply with the Company’s accounting policies.
- C. The Company’s share of its subsidiaries’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company’s share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company’s shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. Upon loss of significant influence over a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying

amount is recognised in profit or loss. The amount previously recognised in other comprehensive income in relation to the subsidiary is reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. When the Company loses significant influence over the subsidiary, the profit or loss is reclassified from equity to profit or loss.

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

loss proportionately.

M. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

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

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

(14) Impairment of non-financial assets

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

(15) 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.

(16) 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.

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

A. 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.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) 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.

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(i) Defined contribution plans

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

(j) Defined benefit plans

- i. Defined benefit plans are different from defined contribution plans. The amount of pension benefits for employees at retirement is often dependent upon one or more factors, such as age, service life and salary of the employee. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. 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 government bonds (at the balance sheet date).
- ii. Actuarial gains and losses arising on defined benefit plans are recognised in profit or loss using the 'corridor' method.
- iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

C. Employees' compensation and directors' and supervisors' remuneration

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

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws)

that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(23) Treasury shares

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

(24) Dividends

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

(25) Revenue recognition

- A. 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 Company's activities. Revenue arising from the sales of goods is recognised when the Company 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 Company 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 Company offers customers price discounts. The Company estimates such discounts based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

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

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

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

Financial assets—impairment of equity investments

The Company 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 Company 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 Company 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 Company strategy might cause material impairment on assets in the future.

B. Calculation of net defined benefit liabilities

When calculating the present value of defined pension obligations, the Company 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	\$ 281	\$ 296
Checking accounts and demand deposits	1,153,612	2,430,762
Cash equivalents		
Time deposits	9,857,953	10,676,953
Bonds repurchased and commercial paper	895,440	-
	<u>\$ 11,907,286</u>	<u>\$ 13,108,011</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

(2) Available-for-sale financial assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Listed (TSE and OTC) stocks	\$ 23,872,403	\$ 24,703,260
Unlisted stocks	725,839	725,839
Fund	4,903,800	4,903,800
Valuation adjustments of available-for-sale financial assets	<u>87,316,537</u>	<u>70,735,656</u>
	116,818,579	101,068,555
Less: Accumulated impairment	<u>(2,240,595)</u>	<u>(2,290,690)</u>
	<u>\$ 114,577,984</u>	<u>\$ 98,777,865</u>

- A. For operational capital purpose, the Company sold stocks of Nan Ya Technology Corp. of 30 million shares in quoted market in October 2017. The Company recognised gain on disposal of investments of \$1,864,990 (recorded as other gains and losses).
- B. The Company 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 Company recognised \$4,797,029 and \$4,283,442 as dividend income from available-for-sale financial assets for the years ended December 31, 2017 and 2016, respectively.
- D. The Company recognised \$16,536,745 and \$12,044,560 in other comprehensive income for fair value change 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 Company were pledged to others.

(3) Notes receivable, net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Notes receivable	\$ 447,542	\$ 335,838
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 447,542</u>	<u>\$ 335,838</u>

(4) Accounts receivable, net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 9,030,932	\$ 5,996,038
Less: Allowance for doubtful accounts	<u>(160,397)</u>	<u>(160,397)</u>
	<u>\$ 8,870,535</u>	<u>\$ 5,835,641</u>

- A. The Company's accounts receivable that were neither past due nor impaired had good credit quality.
- 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	\$ 200,854	\$ 122,609
31 to 90 days	33,728	5,726
91 to 180 days	<u>-</u>	<u>925</u>
	<u>\$ 234,582</u>	<u>\$ 129,260</u>

The above ageing analysis was based on past due date.

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

	For the year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	\$ 141,213	\$ 19,184	\$ 160,397
Provision for impairment	-	-	-
Reversal of impairment	-	-	-
At December 31	<u>\$ 141,213</u>	<u>\$ 19,184</u>	<u>\$ 160,397</u>

	For the year ended December 31, 2016		
	Individual provision	Group provision	Total
At January 1	\$ 141,213	\$ 19,184	\$ 160,397
Provision for impairment	-	-	-
Reversal of impairment	-	-	-
At December 31	<u>\$ 141,213</u>	<u>\$ 19,184</u>	<u>\$ 160,397</u>

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

(5) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,708,690	(\$ 66,044)	\$ 5,642,646
Materials	2,762,712	(583,721)	2,178,991
Work in progress	3,102,523	(550)	3,101,973
Finished goods	6,318,608	(5,214)	6,313,394
Other inventory	2,451	-	2,451
	<u>\$ 17,894,984</u>	<u>(\$ 655,529)</u>	<u>\$ 17,239,455</u>
	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 10,146,142	(\$ 63,321)	\$ 10,082,821
Materials	2,725,602	(511,541)	2,214,061
Work in progress	3,139,913	(1,394)	3,138,519
Finished goods	6,403,458	(22,129)	6,381,329
Other inventory	4,156	-	4,156
	<u>\$ 22,419,271</u>	<u>(\$ 598,385)</u>	<u>\$ 21,820,886</u>

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	\$ 200,786,936	\$ 186,041,262
Loss on inventory valuation (Note)	57,144	329,604
Idle capacity	1,416,265	1,179,479
Others	153,697	148,953
	<u>\$ 202,414,042</u>	<u>\$ 187,699,298</u>

(Note) As the market value of petroleum related products decreased for the years ended December 31, 2017 and 2016, the Company recognised related allowance for inventory valuation losses after assessment.

(6) Financial assets measured at cost

Items	December 31, 2017	December 31, 2016
Formosa Ocean Group Marine Investment Corp.	\$ 856,948	\$ 856,948
Formosa Plastic Corp. U.S.A	818,316	818,316
Mai Liao Harbor Administration Corp.	539,260	539,260
Formosa Development Corp.	90,010	90,010
Guangyuan Investment Corp.	50,000	50,000
Chinese Television System Corp.	38,419	38,419
Formosa Plastics Marine Corp.	15,000	15,000
Formosa Technologies Corp.	13,331	13,331
Taiwan Aerospace Corp.	10,702	10,702
Yi-Jih Development Corp.	3,000	3,000
Taiwan Stock Exchange Corporation	1,800	1,800
Formosa Automobile Corp.	1,750	1,750
Mage Growth Venture Capital Co., Ltd.	25,000	25,000
	<u>2,463,536</u>	<u>2,463,536</u>
Less: Accumulated impairment	<u>-</u>	<u>-</u>
	<u>\$ 2,463,536</u>	<u>\$ 2,463,536</u>

- A. According to the Company's intention, the investment in above stocks should be classified as available-for-sale financial assets. However, as stocks are not traded in active market, and no sufficient industry information of companies similar to the Company's financial information can be obtained, the fair value of the investment in stocks cannot be measured reliably. Accordingly, the Company classified those stocks as 'financial assets measured at cost'.
- B. The Company recognised \$296,278 and \$340,297 as dividend income from investing in financial assets measured at cost for the years ended December 31, 2017 and 2016, respectively.
- C. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Company were pledged to others.

(7) Investments accounted for using equity method

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Subsidiaries		
FCFC Investment Corp. (Cayman)	\$ 40,547,409	\$ 30,374,641
Formosa Taffeta Co., Ltd.	25,190,400	24,474,108
FCFC International Corp. (Cayman)	15,984,457	15,441,324
Formosa Industries Corp., Vietnam	7,837,301	8,898,096
Formosa Idemitsu Petrochemical Corp.	2,845,575	2,741,757
Formosa Biomedical Technology Corp.	1,775,628	1,692,877
Formosa BP Chemicals Corp.	1,717,051	1,358,751
Formosa Carpet Corp.	210,601	211,562
Tah Shin Spinning Corp.	120,888	132,913
Associates		
Formosa Petrochemical Corp.	82,001,789	74,173,344
Mai Liao Power Corp.	10,845,857	10,936,483
Formosa Heavy Industries Corp.	7,694,277	7,644,268
Formosa Resource Corp.	5,361,771	4,159,625
FG INC.	1,967,721	-
Formosa Synthetic Rubber Corp. (Hong Kong)	802,566	1,212,400
Formosa Plastics Transport Corp.	738,229	750,304
Formosa Group (CAYMAN) Corp.	348,135	549,598
Formosa Synthetic Rubber Corp.	283,679	315,764
Chia-Nan Enterprise Corp.	260,483	261,922
Formosa Environmental Technology Corp.	226,435	255,716
Su Hua Transport Corp.	277,136	251,008
Formosa Fairway Corp.	100,952	101,719
Formosa Construction Corp.	87,774	91,895
Hwa Ya Science Park Management Consulting Co., Ltd.	1,382	1,776
	<u>\$ 207,227,496</u>	<u>\$ 186,031,851</u>

- A. The related information on subsidiaries is provided in Note 4(3) of consolidated financial statements in 2017.
- 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. The financial information of the associate that is material to the Company 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

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

Balance Sheet

	<u>Formosa Petrochemical Corp.</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
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	<u>\$ 341,286,600</u>	<u>\$ 309,064,783</u>
Share in associate's net assets	\$ 82,420,714	\$ 74,639,145
Unrealised profit from sales of upstream transactions eliminations	(308,206)	(355,082)
Net differences in share capital	(110,719)	(110,719)
Carrying amount of the associate	<u>\$ 82,001,789</u>	<u>\$ 74,173,344</u>

Statement of comprehensive income

	<u>Formosa Petrochemical Corp.</u>	
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
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	<u>\$ 89,374,373</u>	<u>\$ 80,530,942</u>
Dividends received from associates	<u>\$ 13,804,799</u>	<u>\$ 9,203,199</u>

E. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below:

As of December 31, 2017 and 2016, the carrying amount of the Company's individually immaterial associates amounted to \$28,996,397 and \$26,532,478, respectively.

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Profit for the year from continuing operations	(\$ 498,417)	\$ 4,864,185
Other comprehensive income, net of tax	(909,797)	(533,198)
Total comprehensive income	<u>(\$ 1,408,214)</u>	<u>\$ 4,330,987</u>

F. The fair value of the Company's associates which have quoted market price was as follows:

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

G. In response to Formosa Ha Tinh Steel Corporation's planning of shareholding, the Company has signed an agreement for the transfer of capital contribution with Formosa Ha Tinh (Cayman) Limited in September 2014, whereby the Company 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 Company has conducted restructuring in June, 2015, transferring 14.75%

of equity in Formosa Ha Tinh (Cayman) Limited to Formosa Company Investment (Cayman) Limited as capital contribution. After reorganization, the Company now indirectly holds 19.71% of voting rights of Formosa Ha Tinh Steel Corporation through direct ownership in Formosa Ha Tinh (Cayman) Limited. In August, 2015, Formosa Ha Tinh (Cayman) Limited received cash from a capital increase. Since Formosa Taffeta (Cayman) Co., Ltd., the Company's subsidiary, and Formosa Company Investment (Cayman) Corp., the Company's associate, did not subscribe to the capital increase proportionately, the Company's overall ownership percentage decreased from 19.71% to 16.5%. Accordingly, capital surplus was recognised. In January 2016, the Company has transferred all its share capital of Formosa Group Investment (Cayman) Corp. as investment in FCFC International Limited (Cayman). After reorganization, the Company'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.

- H. The Board of Directors resolved to invest US\$66 million, equivalent to 30% of ownership, in FG INC.
- I. The Company received cash dividends of \$17,202,546 and \$12,951,795 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 Company's investments accounted for using equity method.
- J. As of December 31, 2017 and 2016, no equity investment held by the Company were pledged to others.

(8) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2017</u>						
Cost	\$ 5,948,478	\$18,241,866	\$ 166,958,353	\$ 3,930,046	\$ 4,658,750	\$ 199,737,493
Accumulated depreciation and impairment	-	(12,428,672)	(133,500,528)	(2,933,779)	(43,509)	(148,906,488)
	<u>\$ 5,948,478</u>	<u>\$ 5,813,194</u>	<u>\$ 33,457,825</u>	<u>\$ 996,267</u>	<u>\$ 4,615,241</u>	<u>\$ 50,831,005</u>
<u>2017</u>						
Opening net book amount	\$ 5,948,478	\$ 5,813,194	\$ 33,457,825	\$ 996,267	\$ 4,615,241	\$ 50,831,005
Additions		295	55,123	45,662	4,883,348	4,984,428
Disposals	(43,196)	-	(46,848)	(35)	-	(90,079)
Reclassifications	-	74,796	4,574,335	47,442	(4,715,282)	(18,709)
Depreciation charge	-	(584,062)	(5,407,210)	(183,708)	-	(6,174,980)
Impairment loss	-	-	-	3,090	-	3,090
Closing net book amount	<u>\$ 5,905,282</u>	<u>\$ 5,304,223</u>	<u>\$ 32,633,225</u>	<u>\$ 908,718</u>	<u>\$ 4,783,307</u>	<u>\$ 49,534,755</u>
<u>At December 31, 2017</u>						
Cost	\$ 5,905,282	\$18,319,884	\$ 170,331,859	\$ 4,023,711	\$ 4,783,307	\$ 203,364,043
Accumulated depreciation and impairment	-	(13,015,661)	(137,698,634)	(3,114,993)	-	(153,829,288)
	<u>\$ 5,905,282</u>	<u>\$ 5,304,223</u>	<u>\$ 32,633,225</u>	<u>\$ 908,718</u>	<u>\$ 4,783,307</u>	<u>\$ 49,534,755</u>

	Land	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2016</u>						
Cost	\$ 5,948,478	\$ 18,094,290	\$ 162,496,289	\$ 3,943,204	\$ 6,855,452	\$ 197,337,713
Accumulated depreciation and impairment	-	(11,772,110)	(126,905,675)	(2,816,191)	-	(141,493,976)
	<u>\$ 5,948,478</u>	<u>\$ 6,322,180</u>	<u>\$ 35,590,614</u>	<u>\$ 1,127,013</u>	<u>\$ 6,855,452</u>	<u>\$ 55,843,737</u>
<u>2016</u>						
Opening net book amount	\$ 5,948,478	\$ 6,322,180	\$ 35,590,614	\$ 1,127,013	\$ 6,855,452	\$ 55,843,737
Additions	-	14	232,288	27,765	2,819,665	3,079,732
Disposals	-	-	(14,865)	(3,003)	-	(17,868)
Reclassifications	-	163,067	4,797,331	51,631	(5,016,367)	(4,338)
Depreciation charge	-	(594,836)	(6,497,422)	(196,778)	-	(7,289,036)
Impairment loss	-	(77,231)	(650,121)	(10,361)	(43,509)	(781,222)
Closing net book amount	<u>\$ 5,948,478</u>	<u>\$ 5,813,194</u>	<u>\$ 33,457,825</u>	<u>\$ 996,267</u>	<u>\$ 4,615,241</u>	<u>\$ 50,831,005</u>
<u>At December 31, 2016</u>						
Cost	\$ 5,948,478	\$ 18,241,866	\$ 166,958,353	\$ 3,930,046	\$ 4,658,750	\$ 199,737,493
Accumulated depreciation and impairment	-	(12,428,672)	(133,500,528)	(2,933,779)	(43,509)	(148,906,488)
	<u>\$ 5,948,478</u>	<u>\$ 5,813,194</u>	<u>\$ 33,457,825</u>	<u>\$ 996,267</u>	<u>\$ 4,615,241</u>	<u>\$ 50,831,005</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	\$ 63,797	\$ 71,421
Interest rate	1.46~1.58	1.49~1.53

- B. Under the regulations, land may only be owned by individuals. Thus, the Company has already obtained ownership of the agricultural land for future plant expansion which was acquired by the Company under the name of a third party, and has pledged the full amount to the Company. As of December 31, 2017 and 2016, the pledge amounts were \$14,693 and \$16,237, respectively.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- D. The Company recognised impairment loss 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	-
Impairment loss— Transportation and equipment	(3,090)	-	10,361	-
Impairment loss— Construction in progress	-	-	43,509	-
	<u>(\$ 3,090)</u>	<u>\$ -</u>	<u>\$ 781,222</u>	<u>\$ -</u>

- E. The impairment loss 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>

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

Type of loans	December 31, 2017	Interest rate range	Collateral
Unsecured loans	\$ 4,948,400	0.96%~1.10%	None

Type of loans	December 31, 2016	Interest rate range	Collateral
Unsecured loans	\$ 6,990,100	0.78%~1.12%	None

(10) Bonds payable

	December 31, 2017	December 31, 2016
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 domestic unsecured 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	2012.07.26	2016.07.26 ~ 2017.07.26	1.29	\$ 6,000,000	\$ -	\$ -	\$ 3,000,000	\$ -	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2012.07.26	2018.07.26 ~ 2019.07.26	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%

<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>2012</u>							
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7 ~ 2022.12.7	1.51	\$ 4,100,000	\$ 4,100,000	\$ 4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2022.1.22 ~ 2023.1.22	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>2013</u>							
Second 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%
Second 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%
Second 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>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>2014</u>							
First issued domestic unsecured nonconvertible corporate bonds	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%
Second issued domestic unsecured nonconvertible corporate bonds	2014.7.4	2028.7.4 ~ 2029.7.4	2.03				Serial bonds, to be settled 50%, 50%
				4,600,000	<u>4,600,000</u>	<u>4,600,000</u>	
					39,750,000	46,500,000	
Less: Current portion of bonds payable					(<u>5,700,000</u>)	(<u>6,750,000</u>)	
					<u>\$ 34,050,000</u>	<u>\$ 39,750,000</u>	

(11) Long-term bank loans and notes payable

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	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	1.00%~1.08%	None	\$ 3,000,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi- annually after three years; interest payable monthly	1.63%	Land	9,411,111
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd.	Jul. 1995 ~ Dec. 2018, principal payable annually; interest payable monthly	0.86%~0.87%	None	
				27,466
				12,438,577
Less: Current portion of long-term bank loans and notes payable				(2,716,355)
				<u>\$ 9,722,222</u>

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2016
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 30, 2013 ~ Mar. 29, 2016, payable at maturity date; interest payable monthly	1.00%~1.13%	None	\$ 3,000,000
Sumimoto Mitsui Banking Corporation	Aug. 2, 2016 ~ Aug. 2, 2018, payable at maturity date; interest payable monthly	0.82%~0.82%	"	1,100,000
Taipei Fubon Bank	Aug. 2, 2016 ~ Aug. 2, 2018, payable at maturity date; interest payable monthly	1.14%~1.14%	"	600,000
Export-Import Bank of the ROC	Jul. 27, 2012 ~ Jul. 27, 2017, payable at maturity date	1.05%~1.19%	"	114,286
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021 Jul. 2017, principal payable semi-annually after three years; interest payable monthly	1.63%~1.65%	Land	12,100,000
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd.	Jul. 2005 ~ Dec. 2018, principal payable annually; interest payable monthly	0.86%~1.01%	None	
				<u>57,574</u>
				16,971,860
Less: Current portion of long-term bank loans and notes payable				(<u>2,831,962</u>)
				<u>\$ 14,139,898</u>

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

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

(12) Pensions

- A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 8,572,046	\$ 8,248,831
Fair value of plan assets	(2,400,630)	(2,440,355)
Net defined benefit liability	<u>\$ 6,171,416</u>	<u>\$ 5,808,476</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 8,248,831	(\$ 2,440,355)	\$ 5,808,476
Current service cost	94,924	-	94,924
Interest expense (income)	103,110	(30,854)	72,256
	<u>8,446,865</u>	<u>(2,471,209)</u>	<u>5,975,656</u>
Remeasurements:			
Return on plan assets	-	2,834	2,834
Change in financial assumptions	248,429	-	248,429
Experience adjustments	407,108	-	407,108
	<u>655,537</u>	<u>2,834</u>	<u>658,371</u>
Pension fund contribution	-	(54,378)	(54,378)
Paid pension	(530,356)	122,123	(408,233)
	<u>(530,356)</u>	<u>67,745</u>	<u>(462,611)</u>
Balance at December 31	<u>\$ 8,572,046</u>	<u>(\$ 2,400,630)</u>	<u>\$ 6,171,416</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2016</u>			
Balance at January 1	\$ 8,549,334	(\$ 400,804)	\$ 8,148,530
Current service cost	108,545	-	108,545
Interest expense (income)	128,240	(6,457)	121,783
	<u>8,786,119</u>	<u>(407,261)</u>	<u>8,378,858</u>
Remeasurements:			
Return on plan assets	-	(7,663)	(7,663)
Change in financial assumptions	176,281	-	176,281
Experience adjustments	336,602	-	336,602
	<u>512,883</u>	<u>(7,663)</u>	<u>505,220</u>
Pension fund contribution	-	(2,025,431)	(2,025,431)
Paid pension	(1,050,171)	-	(1,050,171)
	<u>(1,050,171)</u>	<u>(2,025,431)</u>	<u>(3,075,602)</u>
Balance at December 31	<u>\$ 8,248,831</u>	<u>(\$ 2,440,355)</u>	<u>\$ 5,808,476</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 authorised 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 December 31, 2017	Year ended December 31, 2016
Discount rate	<u>1.25%</u>	<u>1.25%</u>
Future salary increases	<u>2.85%</u>	<u>2.50%</u>

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

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

	<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>176,777</u>)	<u>\$ 184,526</u>	<u>\$ 261,769</u>	(\$ <u>248,429</u>)
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	(\$ <u>176,281</u>)	<u>\$ 184,173</u>	<u>\$ 258,023</u>	(\$ <u>244,522</u>)

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

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

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2018 are \$56,009.

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 pension costs under the defined contribution pension plan of the Company for the years

ended December 31, 2017 and 2016 were \$144,196 and \$147,436, respectively.

(13) Capital stock

A. As of December 31, 2017, the authorised and paid-in capital was \$58,611,863, consisting of 5,861,186 thousand shares with a par value of \$10 per share. All proceeds from shares issued have been collected.

B. Changes in the treasury stocks for the years ended December 31, 2017 and 2016 are set forth bellows:

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

For the year ended December 31, 2016					
Reason for reacquisition	Subsidiary	Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries	Formosa Taffeta Co.	11,219,610	-	-	11,219,610
reclassified from long-term investment to treasury stock	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 acquired by subsidiaries.

(14) Capital surplus

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

For the year ended December 31, 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 acquisition of 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 disposal of 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>

(15) Retained earnings

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

The special reserve includes:

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

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

- B. The Company is in the mature stage and the profit is stable. The Board of Directors shall establish the cash dividend or stock dividend percentage. At least 50% of the distributable earnings after deducting the legal reserve, directors' and supervisors' remuneration, employee compensation and special reserves shall be distributed to stockholders. The Company would prefer cash dividend. If the Company requires funds for significant investments or needs to improve its financial structure, part of the dividend will be in the form of stocks which shall not exceed 50% of the total dividends.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2016 and 2015 earnings had been resolved at the Stockholder's 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 dollar)	Amount	Dividends per share (in dollar)
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' compensation and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- F. The resolution of the appropriations of the 2017 net income was approved during the Board of Directors' meeting on March 16, 2018 as follows:

	For the year ended December 31, 2017	
	Amount	Dividends per share (in dollar)
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' remuneration and directors' and supervisors' remuneration is summarised in Note 6 (22).

(16) 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:				
–Parent company	-	16,536,745	-	16,536,745
–Subsidiaries	-	797,154	-	797,154
–Associates	-	2,945,654	-	2,945,654
Cash flow hedges:				
–Associates	(35,097)	-	-	(35,097)
Currency translation differences:				
–Parent company	-	-	(1,020,567)	(1,020,567)
–Tax of parent company	-	-	385,061	385,061
–Subsidiaries	-	-	(1,542,817)	(1,542,817)
–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>Available-for-sale</u>	<u>Currency</u>	
	<u>Hedging reserve</u>	<u>investment</u>	<u>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:				-
–Parent company	-	12,044,560	-	12,044,560
–Subsidiaries	-	4,780,190	-	4,780,190
–Associates	-	1,493,349	-	1,493,349
Cash flow hedges:				
–Associates	(26,399)	-	-	(26,399)
Currency translation differences:				
–Parent company	-	-	(3,160,400)	(3,160,400)
–Tax of parent company	-	-	591,147	591,147
–Subsidiaries	-	-	(706,387)	(706,387)
–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>

(17) Operating revenue

	For the years ended December 31,	
	2017	2016
Sales revenue	\$ 235,596,294	\$ 217,171,554
Service revenue	70	577
Other operating revenue	163,049	157,499
	<u>\$ 235,759,413</u>	<u>\$ 217,329,630</u>

(18) Other income

	For the years ended December 31,	
	2017	2016
Rental revenue	\$ 157,154	\$ 157,806
Interest income:		
Interest income from bank deposits	223,291	114,728
Interest from current account with others	131,573	193,491
Other interest income	17,544	71
	<u>372,408</u>	<u>308,290</u>
Dividend income	5,093,307	4,623,739
Other revenue	958,208	542,087
	<u>\$ 6,581,077</u>	<u>\$ 5,631,922</u>

(19) Other gains and losses

	For the years ended December 31,	
	2017	2016
Net currency exchange loss	(\$ 2,122,026)	(\$ 435,644)
Gain (loss) on disposal of property, plant and equipment	802,769	(2,902)
Gain on disposal of investments	1,865,492	-
(Gain on reversal) Impairment loss of property, plant and equipment	3,090	(781,222)
Other losses	(105,611)	(90,937)
	<u>\$ 443,714</u>	<u>(\$ 1,310,705)</u>

(20) Finance costs

	For the years ended December 31,	
	2017	2016
Interest expense:		
Bank loans	\$ 258,520	\$ 280,266
Corporate bond	710,152	824,600
Current account with others	230	637
Discount	79,785	53,569
Other interest expenses	20,599	11,096
	<u>1,069,286</u>	<u>1,170,168</u>
Less: Capitalisation of qualifying assets	(63,797)	(71,421)
Finance costs	<u>\$ 1,005,489</u>	<u>\$ 1,098,747</u>

(21) Expenses by nature

	For the years ended December 31,	
	2017	2016
Depreciation charges on property, plant and equipment	\$ 6,174,980	\$ 7,289,036
Employee benefit expense	7,476,212	7,674,889
Amortisation	2,958,283	3,890,281
	<u>\$ 16,609,475</u>	<u>\$ 18,854,206</u>

(22) Employee benefit expense

	For the years ended December 31,	
	2017	2016
Wages and salaries	\$ 6,417,049	\$ 6,541,407
Labor and health insurance fees	413,015	416,497
Pension costs	311,376	377,764
Other personnel expenses	334,772	339,221
	<u>\$ 7,476,212</u>	<u>\$ 7,674,889</u>

A. In accordance with the Articles of Incorporation of the Company, after distributing earnings, the Company shall distribute compensation 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 compensation 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 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 for 2016 had been distributed.

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

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2017	2016
Current tax:		
Current tax on profits for the year	\$ 4,694,938	\$ 3,770,790
Adjustments in respect of prior years	(323,751)	(91,262)
Total current tax	<u>4,371,187</u>	<u>3,679,528</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>66,843</u>	<u>48,200</u>
Income tax expense	<u>\$ 4,438,030</u>	<u>\$ 3,727,728</u>

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

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

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	\$ 10,004,301	\$ 8,085,332
Effect from items disallowed by tax regulation	(5,833,817)	(4,585,648)
Effect from five-year exemption	(18,510)	(26,077)
Additional 10% tax on undistributed earnings	609,807	345,383
Under provision of prior year's income tax	(323,751)	(91,262)
Income tax expense	<u>\$ 4,438,030</u>	<u>\$ 3,727,728</u>

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

	For the year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	\$ 101,725	\$ 9,715	\$ -	\$ 111,440
Currency translation differences	-	-	298,568	298,568
Unrealised gain from downstream transactions	82,938	(32,692)	-	50,246
Unfunded pension expense	888,340	(44,267)	-	844,073
Impairment loss	181,181	(24,558)	-	156,623
Others	166,852	56,617	-	223,469
	<u>1,421,036</u>	<u>(35,185)</u>	<u>298,568</u>	<u>1,684,419</u>
Deferred tax liabilities:				
Currency translation differences	(86,493)	-	86,493	-
Difference of useful life of depreciation	-	(59,959)	-	(59,959)
Unrealised exchange gain	(57,183)	28,301	-	(28,882)
	<u>(143,676)</u>	<u>(31,658)</u>	<u>86,493</u>	<u>(88,841)</u>
	<u>\$ 1,277,360</u>	<u>(\$ 66,843)</u>	<u>\$ 385,061</u>	<u>\$ 1,595,578</u>

For the year ended December 31, 2016				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	\$ 45,692	\$ 56,033	\$ -	\$ 101,725
Unrealised gain from downstream transactions	-	82,938	-	82,938
Unfunded pension expense	1,295,870	(407,530)	-	888,340
Impairment loss	57,746	123,435	-	181,181
Others	139,480	27,372	-	166,852
	<u>1,538,788</u>	<u>(117,752)</u>	<u>-</u>	<u>1,421,036</u>
Deferred tax liabilities:				
Currency translation differences	(677,640)	-	591,147	(86,493)
Unrealised loss from downstream transactions	(13,297)	13,297	-	-
Unrealised exchange gain	(113,438)	56,255	-	(57,183)
	<u>(804,375)</u>	<u>69,552</u>	<u>591,147</u>	<u>(143,676)</u>
	<u>\$ 734,413</u>	<u>(\$ 48,200)</u>	<u>\$ 591,147</u>	<u>\$ 1,277,360</u>

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

E. 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	66,364,641
	<u>\$ 72,563,103</u>

F. 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.

(24) Earnings per share

A. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period.

For the years ended December 31, 2017 and 2016, the earnings per share are calculated 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>				
Net income	\$ 58,848,832	\$ 54,410,802	5,833,768	\$ 10.09	\$ 9.33

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>				
Net income	\$ 47,560,773	\$ 43,833,045	5,842,651	\$ 8.14	\$ 7.50

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

For the year ended December 31, 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>				
Net income	\$ 58,848,832	\$ 54,410,802	5,861,186	\$ 10.04	\$ 9.28

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>				
Net income	\$ 47,560,773	\$ 43,833,045	5,861,186	\$ 8.11	\$ 7.48

(25) Non-cash transaction

- A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2017	2016
Purchase of fixed assets	\$ 4,984,428	\$ 3,079,732
Add: Opening balance of payable on equipment	721,427	1,432,558
Less: Ending balance of payable on equipment	(1,041,192)	(721,427)
Cash paid during the year	\$ 4,664,663	\$ 3,790,863

B. Financing activities with partial cash payments:

	For the years ended December 31,	
	2017	2016
Distribution of cash dividends	\$ 32,822,643	\$ 20,514,153
Changes 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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Formosa ABS Plastics (Ningbo) Co., Ltd.	Subsidiaries
Formosa Power (Ningbo) Co., Ltd.	"
Formosa Chemicals Industries (Ningbo) Co., Ltd.	"
Formosa Industries Corp., Vietnam	"
Formosa PS (Ningbo) Co., Ltd.	"
Formosa Phenol (Ningbo) Limited Co.	"
Formosa Biomedical Technology Corp.	"
Hong Jing Resources Corp.	"
Formosa Idemitsu Petrochemical Corp.	"
Formosa BP Chemicals Corp.	"
Formosa Carpet Corp.	"
FCFC Investment Corp. (Cayman)	"
FCFC International Limited (Cayman)	"
Formosa Taffeta Co., Ltd.	"
Tah Shin Spinning Corp.	"
Formosa Taffeta (Zhongshan) Co., Ltd.	"
Formosa Taffeta (Dong Nai) Co., Ltd.	"
Formosa Taffeta (Long An) Corp.	"
Formosa Petrochemical Corp.	Associates
Formosa Heavy Industries Corp.	"
Formosa Plastics Transport Corp.	"
Su Hua Transport Corp.	"
Formosa Synthetic Rubber Corp.	"
Mai-Liao Power Corp.	"
Formosa Group Corp. (Cayman)	"
Formosa Environmental Technology Co.	"
Hwa Ya Science Park Management Consulting Co, Ltd.	"
Formosa Construction Corp.	"
Formosa Resources Corporation	"
FG INC.	"

Names of related parties	Relationship with the Company
Formosa Plastics Corp.	Other related parties
Nan Ya Plastics Corp.	"
Nan Ya Plastics (Hui Zhou) Corp.	"
Nan Ya Plastics (Nan Tong) Corp.	"
Nan Ya Technology Corp.	"
Nan Ya Plastics Corp., U.S.A.	"
Nan Ya Plastics (Ningbo) Corp.	"
Nan Ya Optical Corp.	"
Formosa Automobile Sales Corporation	"
Formosa Petrochemical Transportation Corporation	"
Formosa Lithium Iron Oxide Corp.	"
Ming Chi University Of Technology	"
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.	"
Mai Liao Harbor Administration Corp.	"
Formosa Plastics Building Parking Lot	"
Formosa Network Technology Corp.	"
FPG Travel Service Co., Ltd.	"
Formosa Sumco Technology Corporation	"
Formosa Asahi Spandex Co., Ltd.	"
Formosa Energy & Material Technology Corp.	"
Formosa Plastics Logistics Corp.	"
Formosa Daikin Advanced Chemicals Co., Ltd.	"
Inteplast Taiwan Corporation	"
Formosa Oil (Asia Pacific) Corporation	"
Hwa Ya Technologies Corp.	"
(Lost the related party relationship in substance after merger with Micron Technology Co., Ltd. in December 2016)	
Asia Pacific Development Corp.	"
Ya Tai Development Corp.	"
Bio Trust International Corp.	"
Simosa Oil Co., Ltd.	"
Formosa Ha Tinh Steel Corp. -TW	"
Formosa Ha Tinh (Cayman) Limited	"
Formosa Ha Tinh Steel Corp.	"

(2) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,	
	2017	2016
Sales of goods:		
— Subsidiaries	\$ 45,676,397	\$ 45,450,796
— Associates	23,059,799	17,261,891
— Other related parties		
Nan Ya Plastics Corp.	27,606,381	25,878,406
Others	3,507,513	2,731,667
	<u>\$ 99,850,090</u>	<u>\$ 91,322,760</u>

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

B. Purchases of goods:

	For the years ended December 31,	
	2017	2016
Purchases of goods:		
— Subsidiaries	\$ 2,450,682	\$ 1,923,418
— Associates		
Formosa Petrochemical Corp.	120,170,203	103,792,719
— Other related parties	13,325,614	11,344,476
	<u>\$ 135,946,499</u>	<u>\$ 117,060,613</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:		
– Subsidiaries		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	\$ 4,566,816	\$ 4,559,129
Formosa PS (Ningbo) Co., Ltd.	2,444,547	1,262,754
Others	3,212,834	4,007,459
– Associates		
Formosa Petrochemical Corp.	2,719,332	2,150,844
Others	39	65
– Other related parties		
Nan Ya Plastics Corp.	3,157,801	2,341,944
Others	349,681	231,728
	<u>16,451,050</u>	<u>14,553,923</u>
Other receivables:		
– Associates	-	440,981
	<u>\$ 16,451,050</u>	<u>\$ 14,994,904</u>

The receivables from related parties are mainly from sales of goods and receivables for payments on behalf of others for construction design services. Receivables for sales are due 30~120 days from the sales; 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:		
– Subsidiaries	\$ 310,578	\$ 263,959
– Associates		
Formosa Petrochemical Corp.	13,728,239	10,306,212
– Other related parties	1,508,834	1,184,508
	<u>\$ 15,547,651</u>	<u>\$ 11,754,679</u>

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

E. Expansion and repair project

(a) Expansion and repair project:

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
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:

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

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

F. Financing

(a) Loans to related parties

(i) Ending balance of accounts receivable - related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
— Subsidiaries	\$ 102,300	\$ 699,200
— Associates		
Formosa Group Corp. (Cayman)	4,259,500	8,006,500
Others	-	1,460,000
— Other related parties		
Formosa Plastics Marine Co., Ltd.	4,190,892	3,680,924
Formosa Ha Tinh (Cayman) Limited	3,002,600	3,960,345
Others	-	1,569,999
	<u>\$ 11,555,292</u>	<u>\$ 19,376,968</u>

(ii) Interest income

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
— Subsidiaries	\$ 5,422	\$ 10,416
— Associates		
Formosa Group Corp. (Cayman)	31,827	45,871
Others	17,904	9,194
— Other related parties		
Formosa Plastics Marine Co., Ltd.	52,230	49,561
Formosa Ha Tinh (Cayman) Limited	21,530	9,556
Others	2,170	68,829
	<u>\$ 131,083</u>	<u>\$ 193,427</u>

The loan terms to related parties are in accordance with the contract's repayment schedule after the loan was made; interest was collected at 1.41%~3.48% and 1.41%~1.50% per annum for the years ended December 31, 2017 and 2016, respectively.

G. Receivables for payment on behalf of others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates	\$ 16,608	\$ 164,332

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.	\$ 1,270,664	\$ 707,398

I. Rental revenue

	For the years ended December 31,	
	2017	2016
— Subsidiaries		
Formosa BP Chemicals Corp.	\$ 15,618	\$ 15,618
Others	7,920	8,005
— Associates		
Formosa Petrochemical Corp.	20,144	20,144
Others	12,370	12,964
— 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>\$ 144,481</u>	<u>\$ 144,950</u>

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

J. Property transactions:

(a) Purchase of property, plant and equipment

	For the years ended December 31,	
	2017	2016
Associates	\$ 149,137	\$ 248,063
Other related parties	108	34
	<u>\$ 149,245</u>	<u>\$ 248,097</u>

(b) Acquisition of financial assets

				2017
	Items	Number of shares	Name of the securities	Additional amount
Formosa Resources Corporation	Investments accounted for using equity method	168,344,000	Shares of Formosa Resources Corporation	\$ 1,683,440
FG INC.	Investments accounted for using equity method	6,000	Shares of FG INC.	1,980,594
FCFC International Limited (Cayman)	Investments accounted for using equity method	-	Shares of FCFC International Limited (Cayman)	1,738,438
FCFC Investment Corp. (Cayman)	Investments accounted for using equity method	-	Shares of FCFC Investment Corp. (Cayman)	6,155,311
				<u>\$ 11,557,783</u>
				2016
	Items	Number of shares	Name of the securities	Additional amount
FCFC International Limited (Cayman)	Investments accounted for using equity method	50,000	Shares of FCFC International Corp. (Cayman)	\$ 16,084,840
Formosa Synthetic Rubber Corp.(Hong Kong)	Investments accounted for using equity method	-	Shares of Formosa Synthetic Rubber Corp.(Hong Kong)	1,276,880
Formosa Construction Corp.	Investments accounted for using equity method	8,500,000	Shares of Formosa Construction Corp.	85,000
				<u>\$ 17,446,720</u>

(c) Disposal of investment property

For the year ended December 31, 2017: None.

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

Note: Details of the Company's acquisition of financial assets are provided in Note 6(7)G.

K. Sales of materials:

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

	For the years ended December 31,	
	2017	2016
Sales of materials:		
— Subsidiaries	\$ 424,384	\$ 281,929
	December 31, 2017	December 31, 2016
Receivable from sales of materials:		
— Subsidiaries	\$ 75,023	\$ 56,484

L. Donation

	For the years ended December 31,	
	2017	2016
Other related parties	\$ 11,990	\$ 3,095

(3) Key management compensation

	For the years ended December 31,	
	2017	2016
Salaries	\$ 133,712	\$ 127,273
Post-employment benefits	1,693	1,694
	\$ 135,405	\$ 128,967

8. PLEDGED ASSETS

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

Pledged assets	Book value		Purpose
	December 31, 2017	December 31, 2016	
Property, plant and equipment	\$ 5,968,837	\$ 6,454,936	Collaterals for bank

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 contracted for property, plant and equipment at the balance sheet date but not yet incurred amounted to \$5,667,996.
- (2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD

97,276 thousand, JPY 425,681 thousand, EUR 2,481 thousand.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Formosa Industries Corp., Vietnam	\$ 4,898,311	\$ 5,297,258
Formosa Resources Corporation	3,208,660	-
Formosa Group Corp. (Cayman)	21,639,800	33,247,370
Formosa Ha Tinh (Cayman) Limited	15,457,372	12,472,657
	<u>\$ 45,204,143</u>	<u>\$ 51,017,285</u>

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

- A. Beginning in 2012, the Company'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.
- B. Beginning in 2013, the Company'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 and is obliged to facilitate the repayment for the borrower whenever necessary.
- C. The Company's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided a bank loan facility of USD1,360 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 Company's consolidated entity, Formosa Chemicals Industries (Ningbo) Co., entered into a syndicated loan contract with the syndicated banking group including Mega International Commercial Bank, arranging the credit facilities of USD155 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.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) 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.
- (2) The Board of Directors has resolved the appropriation of 2017 earnings on March 16, 2018. Details are provided in Note 6(15) F.

12. OTHERS

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

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

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

Because of the Changhua plant shutdown, the Company assessed that part of idle production equipment may not be recoverable. Accordingly, the Company recognised impairment loss on property, plant and equipment amounting to \$466,785 for the year ended December 31, 2016. On November 16, 2017, the Company received a violation decision from Changhua County Government of an enhanced fine amounting to \$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 appealed in Environmental Protection Administration (EPA) on behalf of the Company on November 22, 2017. On December 19, 2017, Changhua County Government consented to suspend the fine until the appeal was decided 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, EPA ruled to revoke the violation decision of Changhua County Government.

(2) Capital management

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

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Total borrowings	\$ 57,136,977	\$ 70,461,960
Less: cash and cash equivalents	(11,907,286)	(13,108,011)
Net debt	45,229,691	57,353,949
Total equity	<u>357,669,876</u>	<u>319,990,566</u>
Total capital	<u>\$ 402,899,567</u>	<u>\$ 377,344,515</u>
Gearing ratio	11%	15%

(3) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Company'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 Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. 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 Company hedges its entire foreign exchange risk exposure. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company uses forward foreign exchange contracts.

iii. The Company 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 Company also monitors the changes in the exchange rate and sets stop loss points to lower the risk from exchange rate.

- iv. The Company's businesses involve some non-functional currency operations. 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	\$ 492,600	29.85	\$ 14,704,110
JPY : NTD	26,571	0.26	6,908
EUR : NTD	134	35.61	4,772
<u>Non-monetary items</u>			
RMB : NTD	\$ 8,872,518	4.57	40,547,409
USD : NTD	628,300	29.85	18,754,744
VND : NTD	6,028,693,077	0.0013	7,837,301
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 65,599	29.85	\$ 1,958,130
JPY : NTD	184,152	0.26	47,880
EUR : NTD	230	35.61	8,190
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	\$ 545,557	32.28	\$ 17,610,580
JPY : NTD	530	0.28	148
EUR : NTD	9	33.85	314
<u>Non-monetary items</u>			
RMB : NTD	\$ 6,532,181	4.65	30,374,641
USD : NTD	515,915	32.28	16,653,724
VND : NTD	6,355,782,857	0.0014	8,898,096
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 54,401	32.28	\$ 1,756,064
JPY : NTD	235,651	0.28	65,982
EUR : NTD	291	33.85	9,850

- v. Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2017 and 2016 amounted to (\$2,122,026) and (\$435,644), respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the 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%	\$ 147,041	\$ -
JPY : NTD	1%	69	-
EUR : NTD	1%	48	-
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	\$ 405,474
USD : NTD	1%	-	187,547
VND : NTD	1%	-	78,373
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 19,581	\$ -
JPY : NTD	1%	479	-
EUR : NTD	1%	82	-

For the 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%	\$ 127,365	\$ -
JPY : NTD	1%	1	-
EUR : NTD	1%	3	-
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	\$ 303,746
USD : NTD	1%	-	166,537
VND : NTD	1%	-	88,981
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 17,561	\$ -
JPY : NTD	1%	660	-
EUR : NTD	1%	99	-

Price risk

- i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, components of equity for the years ended December 31, 2017 and 2016 would have increased/decreased by \$1,060,573 and \$907,412, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2017 and 2016, the Company'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 \$103,240 and \$140,866 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company 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 Company 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. At December 31, 2017 and 2016, 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 Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, loans to related parties, time deposits and cash equivalents, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	\$ 4,948,400	\$ -	\$ -	\$ -
Accounts payable (including related parties)	18,825,575	-	-	-
Other payables (including related parties)	6,807,646	-	-	-
Bonds payable	5,700,000	6,200,000	4,800,000	23,050,000
Long-term borrowings	2,716,355	2,688,889	7,033,333	-
December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	\$ 6,990,100	\$ -	\$ -	\$ -
Accounts payable (including related parties)	14,976,183	-	-	-
Other payables (including related parties)	6,051,111	-	-	-
Bonds payable	6,750,000	5,700,000	8,950,000	25,100,000
Long-term borrowings	2,831,962	4,417,676	9,722,222	-

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

(4) Fair value estimation

- A. Details of the fair value of the Company'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 Company'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>				
Available-for-sale financial assets				
Equity securities	\$ 106,057,257	\$ 3,946,824	\$ -	\$ 110,004,081
Fund	-	4,573,903	-	4,573,903
	<u>\$ 106,057,257</u>	<u>\$ 8,520,727</u>	<u>\$ -</u>	<u>\$ 114,577,984</u>
<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>				
Available-for-sale financial assets				
Equity securities	\$ 90,741,188	\$ 3,162,625	\$ -	\$ 93,903,813
Fund	-	4,874,052	-	4,874,052
	<u>\$ 90,741,188</u>	<u>\$ 8,036,677</u>	<u>\$ -</u>	<u>\$ 98,777,865</u>

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

	<u>Listed shares</u>
Market quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants, the inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment or valuation is necessary in order to reasonably represent the fair value if financial and non-financial

instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

v. The Company takes into account adjustments for credit risks of the counterparty and the Company's credit quality.

E. For the years ended December 31, 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

In accordance with "Rules Governing the Preparation of Financial Statements by Securities Issuers", significant transactions for the year ended December 31, 2017 are stated as follows.

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: 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: None.

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 8.

(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

None.

Formosa Chemicals and Fibre Corporation

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		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	-
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	-

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			
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
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

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 - noncurrent	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 - noncurrent	8,999	818,316	2.92	818,316	-
The Company	Stocks_Central Leasing Corp.	-	Financial assets measured at cost - noncurrent	1,778,611	-	1.07	-	-
The Company	Stocks_Taiwan Stock Exchange Corp.	-	Financial assets measured at cost - noncurrent	13,533,879	1,800	2.00	1,800	-
The Company	Stocks_Taiwan Aerospace Corp.	-	Financial assets measured at cost - noncurrent	1,070,151	10,702	0.79	10,702	-
The Company	Stocks_Yi-Jih Development Corp.	Other related parties	Financial assets measured at cost - noncurrent	300,000	3,000	1.51	3,000	-
The Company	Stocks_Chinese Television System Corp.	-	Financial assets measured at cost - noncurrent	2,376,202	38,419	1.41	38,419	-
The Company	Stocks_Formosa Plastics Maritime Corp.	Other related parties	Financial assets measured at cost - noncurrent	355,880	1,750	18.22	1,750	-
The Company	Stocks_Formosa Development Corp.	Other related parties	Financial assets measured at cost - noncurrent	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 - noncurrent	2,925,000	\$ 13,331	12.50	\$ 13,331	-
The Company	Stocks_Formosa Plastics Marine Corp.	Other related parties	Financial assets measured at cost - noncurrent	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 - noncurrent	2,622	856,948	19.00	856,948	-
The Company	Stocks_Guangyuan Investment Corp.	-	Financial assets measured at cost - noncurrent	5,000,000	50,000	3.91	50,000	-
The Company	Stocks_Mega Growth Venture Capital Co., Ltd.	-	Financial assets measured at cost - noncurrent	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 - noncurrent	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 - noncurrent	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 - noncurrent	395,120	2,166	1.69	2,166	-
Formosa Biomedical Technology Corp.	Stocks_Taiwan Leader Biotech Corp.	-	Financial assets measured at cost - noncurrent	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 - noncurrent	423,720	8,400	0.46	8,400	-
Formosa Biomedical Technology Corp.	Stocks_United Biopharma, Inc.	-	Financial assets measured at cost - noncurrent	22,179,750	613,159	12.63	613,159	-
Formosa Biomedical Technology Corp.	Stocks_UBI Pharma Inc.	-	Financial assets measured at cost - noncurrent	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	-
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	-

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_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 - noncurrent	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 - noncurrent	365,267,576	42,188,405	3.83	42,188,405	-
Formosa Taffeta Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets measured at cost - noncurrent	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 - noncurrent	14,400	3,000	10.00	3,000	-
Formosa Taffeta Co., Ltd.	Stocks_Shin Yun Natural Gas Corp.	-	Financial assets measured at cost - noncurrent	644,230	3,100	1.20	3,100	-
Formosa Taffeta Co., Ltd.	Stocks_Wk Technology Fund IV Ltd.	-	Financial assets measured at cost - noncurrent	1,926,759	262	3.17	262	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Optical Corp.	Other related parties	Financial assets measured at cost - noncurrent	4,261,443	58,345	9.53	58,345	-
Formosa Taffeta Co., Ltd.	FG INC	Other related parties	Financial assets measured at cost - noncurrent	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 - noncurrent	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 - noncurrent	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 - noncurrent	-	137	0.11	137	-
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 - noncurrent	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 - noncurrent	2,130,721	29,172	4.77	29,172	-

Table 3, Page 3

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_Syntronix Corporation	-	Financial assets measured at cost - noncurrent	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
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
Disposal of real estate reaching \$300 million or 20% of paid-in capital or more
For the year ended December 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

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			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Percentage of total notes/accounts receivable (payable)	Footnote (Note 1)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		
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	35	-
									Accounts receivable 297,761	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	-
Formosa Phenol (Ningbo) Limited Co.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	(\$ 4,826,983)	(33)	30 days	-	-	709,403	60	-

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 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	-
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	-

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 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

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
 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
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) 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	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
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	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended		Accumulated amount of remittance from Taiwan to	Net income of investee for the year ended	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended	Book value of investments in Mainland China as of December	Accumulated amount of investment income	Footnote
				Mainland China as of January 1, 2017	Remitted to Mainland China	Remitted back to Taiwan	as of December 31, 2017					December 31, 2017	
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. Its paid-in capital is RMB\$13,592,920.

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

Note 3: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 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 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

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	-	-	-	-	-