FORMOSA CHEMICALS & FIBRE CORPORATION

2018 ANNUAL SHAREHOLDERS' MEETING

MEETING HANDBOOK
(Summary)

(This English translation is prepared in accordance with the Chinese version and is for reference purposes only. If there are any inconsistency between the Chinese original and this translation, the Chinese version shall prevail.)

JUNE 15, 2018

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FORMOSA CHEMICALS & FIBRE CORPORATION

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FORMOSA CHEMICALS & FIBRE CORPORATION
2018 ANNUAL SHAREHOLDERS' MEETING
AGENDA

Time: 2:00 p.m., Friday, June 15, 2018

Venue: 2F, International Ballroom at Sunworld Dynasty Hotel
(No. 100 Dun Hua North Road, Taipei, Taiwan)

1. Report Items

   (1) 2017 Business Report

   (2) Audit Committee' Review Report on the 2017 Financial Statements

   (3) Distribution of 2017 Employees Compensation

2. Ratification Items

   (1) Please approve the 2017 Business Report and Financial Statements as required by the Company Act.

   (2) Please approve the Proposal for Distribution of 2017 Profits as required by the Company Act.

3. Discussion Items (I)

   (1) Amendment of the Articles of Incorporation of the Company. Please discuss and resolve.

   (2) Amendment to the Procedures for Engaging in Derivatives Transactions of the Company. Please discuss and resolve.

4. Election Items

   The Company Directors have their tenure nearly expired. Please elect the Board of Directors to conform to the applicable laws.

5. Discussion Items (II)

   Appropriateness of releasing the newly elected Directors and the juristic person shareholder which appointed their authorized representatives to be elected as directors, from non-competition restrictions. Please discuss and resolve.

Report Items

1. 1. About the Company's results of operation for fiscal year 2017, please refer to Business Report for further details (on page 5 of the Handbook,) which is hereby reported for record.

2. The Company's Audit Committee members reviewed the 2017 Business Report and Financial Statements and issued their Review Report according to the applicable laws. Please refer to Audit Committee's Review Report (on page 11 of the Handbook.)

3. The company has issued the report on compensation distributed to its employees for 2017.

   The pre-tax profit prior to deducting employees' compensation distributable for 2017 is NT$58,907,740,079. The company has no accumulated losses. Adopted by the Board Meeting on March 16, 2018, 0.1% of the profit is allocated as employees' compensation in accordance with Article 31 of the Articles of Incorporation. The total allocated amount is NT$58,907,740 ,which shall be distributed in cash. The above is hereby reported for record.

FORMOSA CHEMICALS & FIBRE CORPORATION
Annual Report of 2017

In 2017, the global economy grew despite US fed rate hikes and the geopolitical conflicts in North Korea and Middle East. Brent oil priced USD 55 per barrel in the beginning of the year, dropped to the low of USD 45 in June, then climbed back up to USD 67 by year end; the USDX was down by the notion of a positive effect of the weak US dollar while the currency rates of most other countries have risen. Higher raw material costs and exchange losses from the above factors were out-balanced by the rising international economy, reformation of Chinese suppliers, strict environmental protection acts, and waste plastic import ban. The annual revenue reached a record high due to benefits from internal control such as best product combinations, top product quality, and the recycle and reuse of raw materials and energy.

The 2017 consolidated revenue was USD 12,008 million, contributing USD 1,314 million, representing an increase of 12.3%, which was derived from average sales price rose contributing USD 1,055 million, and increased sales volume contributing USD 259 million although it was covered partially by the large units regular inspections of ARO-3 and SM-3, more compared to the 2016 consolidated revenue of USD 10,694 million. With reference to the annual profit, the 2017 consolidated income before tax of USD 2,235 million represents an increase of USD 403 million or 22% growth compared to the 2016 consolidated income before tax of USD 1,832 million.

The 2017 consolidated income consists of 53.2% from the parent company net income of USD 6,385 million, and 46.8% respectively from China, Vietnam and Formosa Taffeta combined net income of USD 5,623 million.

The main output of the parent company was petrochemical and plastic products, which contributed 91.8% of the 2017 consolidated income, with petrochemical contributing USD 3,980 million, plastic products USD 1,880 million, representing 62.3% and 29.5%, respectively.

The respective product operation statuses are as follows:

With regard to the petrochemical division, the key is to reduce process costs through process improvements, increase major product productivity with less raw material and energy consumption.

In 2017, the Aromatic plant III completed process optimization and de-bottlenecking during regular inspection. All three Aromatic plants had completed a new round of process optimization, contributing enhanced reforming processes and transalkylation feed-in and cost effectiveness from the reduction of high-cost raw material consumption. Each plant will continue on with the water and energy saving strategy for better energy efficiency. In 2018, the priority is to upgrade the Aromatic plant II reforming reheating furnace convection area and all three Aromatic plants energy saving program activation to save steam, reduce production costs and enhance competitiveness.

As for SM plants, the SM plant III processes have been enhanced after several water usage improvements during 2017, leading to a significantly reduced SM-III production cost. Though there was little new production output on the market, plastic material demand shall increase and hence benefit the SM market. In 2018, the priority work is to maintain consistent production. Due to face imposing anti-dumping tax for SM importation from china, we will put more energy in domestic market and focus on India and Southeast markets instead of China to ensure profitability.

The excess capacity of synthetic phenol in 2017 is a major challenge. In addition to promotion products to maintain full production, cost down initiatives is another key to ensuring profitability. Looking into 2018, the excess capacity of phenol production in China will be consumed by the government industry structure adjustments, strict environmental protection inspections, improved activation, and stronger demand from downstream buyers. The ongoing de-bottlenecking in the Ningbo plant is expected to bring productivity increases from 30 million tons to 40 million tons, adding another profitable aspect to the operation.

Regarding PTA, high activation in the downstream polyester industry and low in stocks resulted in climbing prices. In 2017, both Taiwan and China plants increased in revenue and profit compared to 2016. In 2018, the Taiwan plant shall continue on with consistent supply to faithful domestic customers. For export, in addition to Formosa Industries Corporation, market exploration including Southeast Asian countries, Middle Eastern countries and China, material-based clients will be focused to ensure two full production lines. As for the China plant, though it takes only about 3% market share, the sustainable quality and shipping have maintained smooth operation. The process reformation project has started and will be complete by mid-2018. Process costs are expected to reduce USD 25 per ton, contributing great competency. A new expansion project with an additional 1.5 million tons capacity per year is in schedule as well.

As for PIA, with four plus years of effort, it has now established its brand in the market. Year 2017 was a better profit year with higher prices in an environment whereby the overall market source was tight and with continuously high demand of bottle chips and coating materials from downstream markets. In the coming year, in preparation for sales after the China plant completion by the end of 2019, developing out of China markets will be enhanced with priorities set in the Middle East, Russia, and other potential customers with the same market competition conditions on import duties.

As for plastic products, with the oil price, China's strict eco-inspection and restrictions on waste plastic material imports have caused supply reductions, leaving sales supported only by the local market. The rising economy caused increasingly rigid demand, which benefited the plastic pellets price. In 2017, we contributed to high-value sales and customer-service based operations, which not only stabilized customers but also raised product prices. While short on material, at the same time we expanded the sales in other regions and have gained positive profits. Looking into 2018, other China markets development and product promotions, new specification developments, product differentiation, technical service and made-to-order capabilities shall continue to enhance product competitiveness.

In respect of PS resins, Taiwan plants experienced good profit levels and consistent demand for LCD TV diffusers and OPS; as for the China plant, the revenue came mainly from A/C panels, high gloss, high impact, LED lighting and LGP. In 2018, for Taiwan plants, in addition to stable growth in the Middle East and other regional sales targets, Latin America, South Africa, Southeast Asian major OA company orders must be enhanced by focusing on LCD diffusers, home appliances and electronic packing material with specification differentiation for market diversification. For the China plant, continue focusing on increasing sales of special grade products such as high LGP, refrigerator liners, super high impact and high flow products.

As for ABS resins, the Taiwan plant's special grade ABS reached 25.4% of total sales, with China plant reached 14.0%. In 2018, high threshold, high value-added special grade products are to be developed for increased sales, with 30% and 21% as the goal for the Taiwan plant and China plant, respectively. For the Taiwan plant, sales will be focused on regions other than China to contribute to market diversification with better regional sales figures. Meanwhile, optimized production and sales specification adjustments will be based on niche products, with positive development of combined PC and ABS resins and other combined specification products. Carry out detailed inspection tours to downstream factories for better knowledge of needs and demands. Co-development of materials with customers for long-term stable collaboration while enhancing special grade product sales.

On the subject of PP resins, in order to maintain good profit levels, ECFA and vertical integration with stable production quality, as well as being the continuous supplier to JPP of Japan, will be carried out in the near future. In the coming year, PP resins demand from the China auto-parts and home-appliance industries is expected to rise steadily. Our priority is to maintain consistent production while moving onto high flow and light weight featured quality. Our quality strength in medical materials and featured modules in contact lens looks promising for market share expansion. Meanwhile, to increase profit, the work will focus on flexible production specification adjustments, made-to-order and high-value products with the advantages of high-impact copolymer, high rigidity, and low ECFA duty.

Regarding PC resins, high demand in 2017 plus consistent production and high product quality have brought customer satisfaction. Mid-high-end customer exploration also increased special needs sales volume. Once again, the 2017 profit had outperformed 2016, reaching a new record. In 2018, in order to set foot in the high-end market, the main focus will be consistent production and supply of special products with high flow, high transparent grades, Silicide Copolymer, high flow with solar-radiation-proof ability; enhanced market exploration in Israel, Turkey, Germany, Vietnam and Philippines for better brand awareness; positive customer relationships to maintain high profitability.

For the fiber and textile products, low price competition from China continued to affect the annual revenue and profit, but operation results has been improved in 2017. In 2018, the focus will be on new market development for High-Value Viscose Staple Fiber. For the Nylon Division and Textile Division, certain achievement in production stabilization and new market exploration in 2017 must combine with branding and sales in the future. Consistent production quality, down-stream-customer-based vertical sales channel integration will be the effort focus in 2018.

In addition, the revenue growth of 2017 Formosa Industries Corp, Vietnam, was counterbalanced by utility department high fuel costs, with overall profit not being achieved. However, considering that Vietnam is a developing market with Southeast Asian countries joining RCEP and the “One Belt One Road” policy promoted by China at the same time, the production schedule will be in line with market trends, and the 2018 Formosa Industries Corp profit forecast is on the rise.

On work safety and environmental protection, FCFC continues to fulfill corporate social responsibilities with the attitude of finding the root causes and striving for perfection.

Regarding work safety, the Long-de plant site was recognized with the “2017 MOL Excellent Occupational health and Safety Units” award, while the Mai Liao plant site won the excellence award of the “2017 MOEA Industrial Zone Regional Security Organization Classification Group Type I”. “Safe Production” is the primary goal this year. The only way to effectively cost down is through equipment safety, personnel safety and zero occupational hazards. Each plant will learn from one another through the competition over PHA, JSA/SOP, MOC, and false alarm case sharing to locate blind spots of work safety management and potential risks.

As for environmental protection, BACT and energy optimization processes, pollution prevention facilities, and waste reduction efforts continued. Up until the end of 2017, the accumulated pollution prevention investment reached USD 597million. In addition, based on the concept of “circular economy”, the company sees corporate responsibility to implement “energy saving, waste reduction” for carbon reduction and water resource sustainability and GHG reductions. Our goal is sustainable development. The ARO-1 plant won the golden award of the “2017 Energy Saving Standard Award Group B of Bureau of Energy”, “2017 Greenhouse Gas Reduction Ratio Model”; the PC plant won the “2017 Water Resources Agency Industrial Water Saving Award” for performance excellence. To date, investments totaling USD 335 million has been made on energy saving and waste reduction, with 3,784 individual improvement cases accomplished, representing a total saving of 89 thousand tons/ day water, 872 tons/hour steam, and 102 kWh/hour electricity. The implementation has saved USD 310 million and 3.38 million tons CO_2, which is equivalent to 282 thousand hectares of forest.

Looking into 2018, with the global economy turning up, China's industrial structure adjustments and quality products enhancement, the overall market exploration is positive. However, in order to the adjust operational direction in time, changing factors that impact the economy must not be overlooked, such as the continuous rise of the US Fed rate, tax reformation and the rise of protectionism in US, the rebound of price of international fuel, and the variety of exchange rate. Regarding the Taiwan economic growth rate being lower than the global average, government sectors is yet to come up with breakthrough policies that will lead the industry forward, while the dilemma between Taiwan and China has continued to drag down our chances of survival.

The investment environment in Taiwan is very limited, and therefore, the company will continue to focus on de-bottlenecking and circular economy improvement. Moving on to the goal of sustainable operations, it is necessary to ensure continuous investment. The ongoing investment projects in Louisiana, US and Ningbo, China will be focused as the main driving force to ensure the future development of the Company.

FORMOSA CHEMICALS & FIBRE CORPORATION

Audit Committee' Review Report

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements, including Consolidated and Individual Financial Statements, and Proposal for Profits Distribution. The CPA firm of PWC was retained to audit Formosa Chemicals & Fibre Corporation's Financial Statements and has issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and Proposal for Profits Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Formosa Chemicals & Fibre Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Chemicals & Fibre Corporation
Chairman of the Audit Committee:

Ruey-Long Chen

March 16, 2018

Ratification Items Proposal 1

Proposal: For approval of the 2017 Business Report and Financial Statements as required by the Company Act.

Proposed by the Board of Directors

Explanation:

1. The preparation of the Company's 2017 Consolidated and Individual Financial Statements were completed. The aforementioned Financial Statements were reviewed by the Audit Committee and approved by the Board Meeting on March 16, 2018 and audited by independent auditors, Mr. Chien-Hung Chou and Ms. Man-Yu Juanlu , of PWC. The aforesaid Financial Statements together with the Business Report were reviewed by the Audit Committee, which the Audit Committee' Review Report is presented.
2. For the aforementioned Business Report, please refer to page 5 through page 10 of the Meeting Handbook. As for the Financial Statements, please refer to page 36 through page 49 of the Handbook. Please approve the Business Report and the Financial Statements.

Resolution:

Ratification Items Proposal 2

Proposal: For Approval of the Proposal for Distribution of 2017 Profits as required by the Company Act.

Proposed by the Board of Directors

Explanation:

Please refer to page 50 of the Handbook for the Statement of Profits Distribution, which has been reviewed by the Audit Committee members of Formosa Chemicals & Fibre Corporation and approved by the Board of Directors on March 16, 2018. Please approve the Statement of Profits Distribution.

Resolution:

Discussion Items (I) Proposal 1

Proposal: To amend the Articles of Incorporation of the Company, the corresponding comparison table for the articles before and after the amendment is attached. Please discuss and resolve.

Proposed by the Board of Directors

Article	Article before Amendment	Article after Amendment	Reason for Amendment
Article 18	The Company shall have fifteen directors elected by shareholders from among the nominees listed in the roster of director candidates in accordance with the candidate nomination system. Total number of registered stock held by directors may not less than certain percentage of total shares. Foregoing percentage will be calculated in accordance with the requirements of competent authority for securities and futures.	The Company shall have <u>eleven to</u> fifteen directors elected by shareholders from among the nominees listed in the roster of director candidates in accordance with the candidate nomination system. Total number of registered stock held by directors may not less than certain percentage of total shares. Foregoing percentage will be calculated in accordance with the requirements of competent authority for securities and futures.	To conform to the needs of commercial practice, the company proposes to adjust the number of directors to increase flexibility.

Article 21	The company's Board shall be composed of the directors and shall elect five managing directors among the directors. At least one managing director must be independent director and shall elect a chairman of the board directors and a vice chairman of the board in the same manner. Chairman of the board directors shall externally represent the company. In case the chairman of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, the vice chairman shall act on his behalf. In case the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman of the board of directors shall designate one of the managing directors to act on his behalf.	The company's Board shall be composed of the directors and shall elect at least three managing directors among the directors that the number of managing directors shall not more than one-third of total number of directors. At least one managing director must be independent director and shall elect a chairman of the board directors and a vice chairman of the board in the same manner. Chairman of the board directors shall externally represent the company. In case the chairman of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, the vice chairman shall act on his behalf. In case the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman of the board of directors shall designate one of the managing directors to act on his behalf.	To refer to Article 208 of Company Law regarding managing directors,the company amend its Articles of Incorporation accordingly.

Article 34		(Amendment for the amended articles of incorporation) The Company adds "the 51th amendment on June 15, 2018"to the existing Article. on June 16, 2015.	To amend directors related articles, the Company encloses the date of the 51th amendment.

Resolution:

Discussion Items (I) Proposal 2

Proposal: To amend the Articles of the Company's "Procedures for Engaging in Derivatives Transactions of the Company", Please discuss and resolve.

Proposed by the Board of Directors

Explanation: In order to conform to the needs of commercial practice, certain articles of the Procedures for Engaging in Derivatives Transactions of the Company have been amended. The corresponding comparison table for the articles before and after the amendment is attached. Please determine whether the amendments are reasonable. Please discuss and resolve.

Article	Article before Amendment	Article	Article after Amendment
Article 4	The nature of the Company's derivatives transactions can be classified into "hedging purposes" and "trading purposes", which apply to different exposure limits, stop-loss limits and accounting principles, based on the purposes of the transactions.	Article 4	The principle of the Company's derivatives transactions is to manage volatility resulting from fluctuation in the financial markets such as movements in foreign exchange rates, interest rates, and asset price.

Article 5	The total contract amount of derivatives transactions of the Company shall not exceed 50% of the Company’s net worth, and the maximum loss limit is 10% of the contract amount for all contracts in aggregate or for any individual contract. The content of individual derivatives contract shall be approved by high-level manager(s), who is authorized by the Board of Directors. Major derivatives transactions of the Company requires approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved	Article 5	The total contract amount of derivatives transactions of the Company shall not exceed 50% of the Company’s net worth, and the maximum loss limit is 10% of the contract amount for all contracts in aggregate or for any individual contract. The content of individual derivatives contract shall be approved by high-level manager(s), who is authorized by the Board of Directors <u>based on the scope of the approval level of the Company</u>. Major derivatives transactions of the Company requires approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be

	by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.		implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.
Article 6	The transaction personnel of the Department, which is in charge of derivatives transactions, shall follows the trading strategy in accordance with the approved deal terms and conditions of derivatives transactions and execute trades directly to counterparties. After the foresaid trades are done, the transaction personnel shall deliver the relevant transaction receipts to the settlement personnel to conduct the settlement procedures. The settlement personnel shall proceed contracts signing, bank accounts opening,	Article 6	The transaction personnel of the Department, which is in charge of derivatives transactions, shall follows the trading strategy in accordance with the approved deal terms and conditions of derivatives transactions. Also, the transaction personnel shall execute trades directly with counterparties. After the foresaid trades are done, the transaction personnel shall deliver the relevant transaction receipts to the settlement personnel to conduct the settlement procedures. The settlement personnel shall proceed contracts signing, bank

	settlement, accounts closing, etc. with counterparties in accordance with the trading conditions.		accounts opening, settlement, accounts closing, etc. with counterparties in accordance with the trading conditions.
Article 7	For the derivatives transactions of the Company, the <u>Department that is charge of establishing management regulations</u> shall establish a comprehensive management information system towards the balance position of the <u>Company</u>, profit/loss analysis, etc. to control risk properly and to respond to abnormal situations immediately.	Article 7	For the derivatives transactions of the Company, the <u>Company</u> shall establish a comprehensive management information system towards the balance position of the <u>transactions</u>, profit/loss analysis, etc. to control risk properly and to respond to abnormal situations immediately.
Article 8	The Company shall compile monthly report on the status of derivatives transactions <u>(including purposes of hedging and purposes of trading)</u> engaged in up to the end of the previous	Article 8	The Company shall compile monthly report on the status of derivatives transactions engaged in up to the end of the previous month by itself and enter the information in the regulated form into the

	month by itself and enter the information in the regulated form into the information reporting website designated by the competent securities authority before the tenth day of each month. If derivatives transactions of which maximum loss for all or individual contract exceeds 10% of contract amount respectively, or any amendment, termination or cancellation of the original contract occurs, the Company shall report and make public announcements accordingly on the information reporting website designated by the competent securities authority within two days from the date of occurrence of the event.		information reporting website designated by the competent securities authority before the tenth day of each month. If derivatives transactions of which maximum loss for all or individual contract exceeds 10% of contract amount respectively, or any amendment, termination or cancellation of the original contract occurs, the Company shall report and make public announcements accordingly on the information reporting website designated by the competent securities authority within two days from the date of occurrence of the event.
<u>Chapter 4</u>	Accounting Principles		(Chapter Deleted)

Article 13	The accounting treatment towards the Company's derivatives transactions will be conducted in accordance with the requirements of the General Accepted Accounting Principles and the relevant Financial Accounting Principle Statement announced by the Accounting Research and Development Foundation.		(Article Deleted)
Article 14	When the Company prepares periodical financial reports (including annual reports, semi-annual reports, quarterly reports and consolidated reports), the Company shall disclose the general relevant items of derivatives transactions by product purposes in the footnotes of the financial statements in accordance with the regulations of the Statements of Financial		(Article Deleted)

	Accounting Standards No. 34 'Accounting for Financial Instruments' and No. 36 'Disclosure and Presentation of Financial Instruments' announced by the Accounting Research and Development Foundation.		
Article 15	Regarding the derivatives products of trading purposes, in addition to the general disclosure items, the Company shall disclose the net income/loss arising from the current trading activities and its item presented in the income statement by product types.		(Article Deleted)
Article 16	Regarding the derivatives products of hedging purposes, in addition to the general disclosure items, the Company shall disclose the following items: 1. Hedging for the exiting assets or liabilities:		(Article Deleted)

	(1) The hedged assets or the liability amount and the type of derivatives products for the foresaid hedged assets or liability amount. (2) The definite but deferred or realized profit/loss amount due to hedging. 2. Hedging for the anticipated positions (including future positions from definite commitments and contingent commitments)： (1) Description of the content of the anticipated transactions. (2) Description of the content of the type of the adopted derivatives products. (3) The definite but deferred profit/loss amount due to hedging.		
Chapter 5	Internal Control and Internal Audit	Chapter 4	Internal Control and Internal Audit

Article 17	The Company engaging in derivatives transactions shall adopt appropriate risk management practices with regards to credit risk, market risk, liquidity risk, cash flow risk, operation risk and legal risk. The personnel who is responsible for the derivatives transactions may not serve concurrently in other operations such as confirmation and settlement. Regarding the appropriateness assessment towards the risk measurement, monitoring and control, and risk management procedures, the President Office of the Company should periodically report to the high-level manager(s), who is authorized by the Board of Directors.	Article 13	The Company engaging in derivatives transactions shall adopt appropriate risk management practices with regards to credit risk, market risk, liquidity risk, cash flow risk, operation risk and legal risk. The personnel who is responsible for the derivatives transactions may not serve concurrently in other operations such as confirmation and settlement. Regarding the appropriateness assessment towards the risk measurement, monitoring and control, and risk management procedures, the President Office of the Company should periodically report to the high-level manager(s), who is authorized by the Board of Directors.

Article 18	The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, but the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and monitoring of derivatives transactions from time to time, and periodically supervise and evaluate the derivatives transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be given to a high-level manager(s)	Article 14	The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, but the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and monitoring of derivatives transactions from time to time, and periodically supervise and evaluate the derivatives transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be given to a high-level manager(s) authorized by the Board of Directors for

	authorized by the Board of Directors for review. If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the maximum loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors. There shall be independent directors attending the Board of Directors meeting and expressing their opinions.		review. If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the maximum loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors. There shall be independent directors attending the Board of Directors meeting and expressing their opinions.
<u>Article 19</u>	The Company shall establish a log book to record all its derivatives transaction information, including types and amounts of derivatives transactions, and matters to be evaluated cautiously in accordance with Article <u>18</u> hereof. The Company's internal audit personnel shall be in charge of	<u>Article 15</u>	The Company shall establish a log book to record all its derivatives transaction information, including types and amounts of derivatives transactions, and matters to be evaluated cautiously in accordance with Article <u>14</u> hereof. The Company's internal audit personnel shall be in charge of

	periodically assessing the appropriateness of the internal control regarding the derivatives transactions, and take the responsibility of auditing the trading department's compliance with the Procedures, analyzing the transaction cycle, preparing the monthly auditing report and submitting the auditing report to the high-level management personnel authorized by the Board of Directors. If any material violation is discovered, the Audit Committee shall be notified in writing and the Company should, depending on the status of such material violation, penalize the relevant personnel in accordance with the Human Resources Management Policies.		periodically assessing the appropriateness of the internal control regarding the derivatives transactions, shall conduct monthly audit to evaluate whether the trading department conform to the Procedures, and shall prepare the monthly auditing report accordingly. If any material violation is discovered, the Audit Committee shall be notified in writing and the Company should, depending on the status of such material violation, penalize the relevant personnel in accordance with the Human Resources Management Policies.

Article 20	The Company's control and monitoring procedures towards the derivatives transactions by the Company's subsidiaries are as follows: 1. If the Company's subsidiaries intend to conduct derivatives transactions, the Company shall ensure that its subsidiaries establish their own "Procedures for Engaging in Derivatives Transactions". 2. The Company's subsidiaries shall submit the reference content of the derivatives transactions of the previous month to the Company for review by the fifth date of every month. 3. If any material violation is found by the internal auditors of the subsidiaries, the	Article 16	The Company's control and monitoring procedures towards the derivatives transactions by the Company's subsidiaries are as follows: 1. If the Company's subsidiaries intend to conduct derivatives transactions, the Company shall ensure that its subsidiaries establish their own "Procedures for Engaging in Derivatives Transactions". 2. The Company's subsidiaries shall submit the reference content of the derivatives transactions of the previous month to the Company for review by the fifth date of every month. 3. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall submit a written notice to the Company of such violations. The Company

	subsidiaries shall submit a written notice to the Company of such violations. The Company shall closely monitor the violations and the resulting improvements.		shall closely monitor the violations and the resulting improvements.
Chapter 6	Additional Provision	Chapter 5	Additional Provision
Article 21	After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting. The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution	Article 17	After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting. The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by

	shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.		more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Resolution:

Election Items

Proposal: The term of office of the Company's Directors has expired. Please elect the new Directors pursuant to the applicable laws.

Proposed by the Board of Directors

Explanation:

1. The Company's current directors were elected in the Annual Shareholders' Meeting on June 16, 2015 and have their tenure expired on June 15, 2018. To conform to the applicable Rule, the Company shall elect 15 directors (including 3 independent directors) using the cumulative voting system. The tenure of new session of Directors (including independent directors) shall be three years, starting June 15, 2018 until June 14, 2021.
2. The election of Directors (including independent directors) shall adopt the candidate nomination system in accordance with Article 192-1 of the Company Act and Article 18 of the Company's Articles of Incorporation. The Company has examined and approved the qualification of 15 candidates in the Board of Directors Meeting on May 4, 2018. The related information of the 12 Director Candidates is shown below:

Name	Education	Major Experience	Shareholding (Share)
Wen Yuan, Wong	Master in Industrial Engineering, University of Houston	Current Appointment: President of National federation of industries Chairman of Formosa Chemicals & Fibre Corporation Chairman of Formosa Taffeta Co., Ltd. Chairman of Formosa Advanced Technologies Co., Ltd. Experiences: President of Formosa Chemicals & Fibre Corporation	129,198,084
Fu Yuan, Hong	Bachelor in Department of Chemical Engineering, Chung Yuan Christian University	Current Appointment: Vice Chairman of Formosa Chemicals & Fibre Corporation Experiences: President of Formosa Chemicals & Fibre Corporation	272,804
Wilfred Wang	Bachelor in Engineering, University of London	Current Appointment: Chairman of Formosa Plastic Marine Corporation Chairman of Nan Ya Photonics Incorporation Experiences: Chairman of Formosa Petrochemical Corporation	16,867,218

Ruey Yu, Wang Representative of Nan Ya Plastics Corporation	MBA, National Taiwan University	Current Appointment: Chairman of Formosa Biomedical Technology Corporation Experiences: Chairman of Formosa Technologies Corporation	140,519,648
Walter Wang Representative of Formosa Petrochemical Corporation	Bachelor in University of California, Berkeley	Current Appointment: President and CEO, J-M Manufacturing Co., Inc	48,567,575
Dong Terng, Huang	Associate Degree in Department of Chemical Engineering, National Taipei Institute of Technology	Current Appointment: President of Formosa Chemicals & Fibre Corporation Experiences: Executive vice president of Formosa Chemicals & Fibre Corporation	34,410
Ing Dar, Fang	Bachelor in Department of Chemical Engineering, Chinese Culture University	Current Appointment: Executive vice president of Formosa Chemicals & Fibre Corporation Experiences: Senior vice president of Formosa Chemicals & Fibre Corporation	73
Wen Chin, Lu	Bachelor in Department of Chemical Engineering, Tatung College of Engineering	Current Appointment: Senior vice president of Formosa Chemicals & Fibre Corporation Experiences: Vice president of Formosa Chemicals & Fibre Corporation	3,236
Ching Fen, Lee	Bachelor in Department of Chemical Engineering, Tamkang University	Current Appointment: Vice president of Formosa Chemicals & Fibre Corporation Experiences: Assistant vice president of Formosa Chemicals & Fibre Corporation	0
Jin Hua, Pan	Associate Degree in Department of Chemical Engineering, National Taipei Institute of Technology	Current Appointment: Vice president of Formosa Chemicals & Fibre Corporation Experiences: Assistant vice president of Formosa Chemicals & Fibre Corporation	0
Wei Keng, Chien	Master in Department of Chemical Engineering, National Cheng Kung University	Current Appointment: Vice president of Formosa Chemicals & Fibre Corporation Experiences: Assistant vice president of Formosa Chemicals & Fibre Corporation	0
Tsung Yuan, Chang	Bachelor in Department of Marine Engineering, Ocean College	Current Appointment: Vice president of Formosa Chemicals & Fibre Corporation Experiences: Assistant vice president of Formosa Chemicals & Fibre Corporation	0

The related information of the 3 Independent Director Candidates is shown below:

Name	Education	Major Experience	Shareholding (Share)
Ruey Long, Chen	Bachelor in Economics, National Chung Hsing University	Current Appointment: Chairman of SINOCON Industrial Standards Foundation Chairman of Powerchip Technology Corporation Independent director of China Petrochemical Development Corporation Independent director of Inventec Appliances Corporation Experiences: Minister of Economic Affairs	0
Hwei Chen, Huang	Bachelor in Laws, National Chingchi University	Current Appointment: Chairman of Taiwan Research Institute National Taiwan University Lecturer Experiences: Chairman of CTCI Foundation Managing Director of CTCI Corporation National Policy Advisors to the President of R.O.C. Chief Director of News Bureau of Executive Yuan Minister without portfolio of Executive Yuan Issuer of Central Daily News	0
Tai Lang, Chien	Bachelor in Sociology, National Chung Hsing University	Current Appointment: Independent director of Taiwan Fructose Co., Ltd. Experiences: Secretary-General of Executive Yuan Minister without portfolio of Executive Yuan Political Deputy Minister of the Interior Chief Secretary of Central Election Commission The third term of delegates to the National Assembly	0

Resolution:

Discussion Items (II) Proposal 1

Proposal: Appropriateness of releasing the newly elected Directors and the juristic person shareholder which appointed their authorized representatives to be elected as directors, from non-competition restrictions. Please discuss and resolve.

Proposed by the Board of Directors

Explanation:

1. According to Article 209 of the Company Act, any Director conducting business for himself/herself or on another's behalf, and the scope of which coincides with the Company's business scope, shall explain at the Shareholders' Meeting the essential contents of such conduct and obtain approval from shareholders in the Meeting.
2. Meanwhile, according to Explanation Letter No.89206938 on Article 209 of the Company Act, announced by the Ministry of Economic Affairs dated April 24, 2000, where the juristic person shareholder's authorized representatives are elected as directors according to Article 27-2 of the Company Act, both the juristic person shareholder and the authorized representatives shall be subject to the non-competition restrictions under Article 209 of the Company Act.
3. If the newly-elected Directors and the juristic person shareholder which appoints its authorized representatives to be elected as directors in present year Annual Shareholders' Meeting violate the non-competition restrictions of Article 209 of the Company Act and the interest of the Company is not impaired, it is proposed to release the Directors and juristic person shareholders which appoints its authorized representatives to be elected as directors after having assumed office from non-competition restrictions for approval.

(Proclaim the information of engaging in competitive businesses conducted by the Directors and the juristic person shareholders)

Resolution:

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

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

(Continued)

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

	Items	Notes	For the years ended December 31 2017 AMOUNT	2017 %	2016 AMOUNT	2016 %
	Other comprehensive income (net)	6(18)(25)				
	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)	(1)	($ 505,220)	-
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(248,319)	-	(23,805)	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(906,690)	(1)	(529,025)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(3,985,822)	(1)	(4,757,556)	(1)
8362	Unrealised gain on valuation of available-for-sale financial assets		18,771,483	5	24,960,906	8
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method		2,048,005	1	1,081,694	-
8399	Income tax relating to the components of other comprehensive income		385,061	-	591,147	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		17,218,727	5	21,876,191	7
8300	**Total other comprehensive income for the year**		$ 16,312,037	4	$ 21,347,166	7
8500	**Total comprehensive income for the year**		$ 76,347,983	21	$ 70,113,894	22
	Net income attributable to:					
8610	Owners of the parent		$ 54,410,802	15	$ 43,833,045	14
8620	Non-controlling interest		5,625,144	2	4,933,683	1
			$ 60,035,946	17	$ 48,766,728	15
	Total comprehensive income attributable to:					
8710	Owners of the parent		$ 70,707,693	19	$ 57,934,824	18
8720	Non-controlling interest		5,640,290	2	12,179,070	4
			$ 76,347,983	21	$ 70,113,894	22

			2017 Before Tax	2017 After Tax	2016 Before Tax	2016 After Tax
	Basic earnings per share	6(26)				
9710	Profit for the year from continuing operations		$ 11.43	$ 10.29	$ 9.36	$ 8.35
9720	Non-controlling interest		(1.34)	(0.96)	(1.22)	(0.85)
9750	Profit attributable to common shareholders of the parent		$ 10.09	$ 9.33	$ 8.14	$ 7.50
	Assuming shares held by subsidiary are not deemed as treasury stock:					
	Profit for the year from continuing operations		$ 11.38	$ 10.24	$ 9.33	$ 8.32
	Non-controlling interest		(1.34)	(0.96)	(1.22)	(0.84)
	Profit attributable to common shareholders of the parent		$ 10.04	$ 9.28	$ 8.11	$ 7.48

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

FORMOSA CHEMICALS & FIBRE CORPORATION
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**	6(17) and 7	$ 235,759,413	100	$ 217,329,630	100
5000	**Operating costs**	6(5)(21)(22) and 7	(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	6(12)(21)(22) and 7				
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(18) and 7	6,581,077	3	5,631,922	3
7020	Other gains and losses	6(8)(19) and 7	443,714	-	(1,310,705)	(1)
7050	Finance costs	6(8)(20) and 7	(1,005,489)	-	(1,098,747)	(1)
7070	Share of profit of associates and joint ventures accounted for under equity method	6(7)	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	6(23)	(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)	6(16)(23)				
	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

			2017		2016	
	Basic earnings per share (in dollars)	6(24)	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 AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

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

(Continued)

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

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

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

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

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 11,907,286	3	$ 13,108,011	3
1125	Available-for-sale financial assets - current	6(2)	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**		185,649,551	41	178,234,183	42
	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**		268,224,446	59	244,441,183	58
1XXX	**Total assets**		$ 453,873,997	100	$ 422,675,366	100

(Continued)

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

	Liabilities and equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 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**		46,048,617	10	42,732,653	10
	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**		50,155,504	11	59,952,147	14
2XXX	**Total liabilities**		96,204,121	21	102,684,800	24
	Equity					
	Share capital	6(13)				
3110	Common stock		58,611,863	13	58,611,863	14
	Capital surplus	6(14)				
3200	Capital surplus		8,682,798	2	8,622,642	2
	Retained earnings	6(15)				
3310	Legal reserve		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**		357,669,876	79	319,990,566	76
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 453,873,997	100	$ 422,675,366	100

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

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

		Equity attributable to owners of the parent											
				Retained Earnings			Other Equity Interest						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges	Treasury stocks	Total	Non-controlling interest	Total equity
For the year ended December 31, 2016													
Balance at January 1, 2016		$ 58,611,863	$ 8,875,002	$ 43,905,716	$ 41,927,550	$ 52,528,055	$ 4,649,520	$ 72,615,548	$ 69,573	($ 352,309)	$ 282,830,518	$ 50,247,015	$ 333,077,533
Appropriations of 2015 earnings	6(17)												
Legal reserve		-	-	2,757,819	-	(2,757,819)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(20,514,153)	-	-	-	-	(20,514,153)	-	(20,514,153)
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	20,975	-	-	-	-	-	-	-	20,975	-	20,975
Changes in the net interest of associates recognised under the equity method	6(16)	-	(273,335)	-	-	-	-	-	-	-	(273,335)	-	(273,335)
Stocks of the parent company purchased by the subsidiary and recognised as treasury stock		-	-	-	-	-	-	-	-	(8,263)	(8,263)	-	(8,263)
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount		-	-	-	-	-	-	-	-	-	-	90,366	90,366
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(2,866,605)	(2,866,605)
Profit for the year		-	-	-	-	43,833,045	-	-	-	-	43,833,045	4,933,683	48,766,728
Other comprehensive income for the year		-	-	-	-	(529,025)	(3,660,896)	18,318,099	(26,399)	-	14,101,779	7,245,387	21,347,166
Balance at December 31, 2016		$ 58,611,863	$ 8,622,642	$ 46,663,535	$ 41,927,550	$ 72,560,103	$ 988,624	$ 90,933,647	$ 43,174	($ 360,572)	$ 319,990,566	$ 59,649,846	$ 379,640,412

(Continued)

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

		Equity attributable to owners of the parent											
				Retained Earnings			Other Equity Interest						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges	Treasury stocks	Total	Non-controlling interest	Total equity
For the year ended December 31, 2017													
Balance at January 1, 2017		$ 58,611,863	$ 8,622,642	$ 46,663,535	$ 41,927,550	$ 72,560,103	$ 988,624	$ 90,933,647	$ 43,174	($360,572)	$ 319,990,566	$ 59,649,846	$ 379,640,412
Appropriations of 2016 earnings	6(17)												
Legal reserve		-	-	4,383,305	-	(4,383,305)	-	-	-	-	-	-	-
Special reserve		-	-	-	4,639,539	(4,639,539)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(32,822,643)	-	-	-	-	(32,822,643)	-	(32,822,643)
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	43,842	-	-	-	-	-	-	-	43,842	-	43,842
Changes in the net interest of associates recognised under the equity method	6(16)	-	4,304	-	-	-	-	-	-	-	4,304	-	4,304
Stocks of the parent company disposed by the subsidiary and recognised as treasury stock transaction	6(16)	-	8	-	-	-	-	-	-	-	8	-	8
Expired cash dividends reclassified to capital surplus	6(16)	-	12,002	-	-	-	-	-	-	-	12,002	-	12,002
Stocks of the parent company purchased by the subsidiary and recognised as treasury stock		-	-	-	-	-	-	-	-	(265,896)	(265,896)	-	(265,896)
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount		-	-	-	-	-	-	-	-	-	-	5,922	5,922
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(4,464,858)	(4,464,858)
Profit for the year		-	-	-	-	54,410,802	-	-	-	-	54,410,802	5,625,144	60,035,946
Other comprehensive income (loss) for the year		-	-	-	-	(906,690)	(3,040,875)	20,279,553	(35,097)	-	16,296,891	15,146	16,312,037
Balance at December 31, 2017		$ 58,611,863	$ 8,682,798	$ 51,046,840	$ 46,567,089	$ 84,218,728	($ 2,052,251)	$111,213,200	$ 8,077	($626,468)	$ 357,669,876	$ 60,831,200	$ 418,501,076

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

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

				Retained Earnings			Other equity interest				
	Notes	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	Total
For the year ended December 31, 2016											
Balance at January 1, 2016		$ 58,611,863	$ 8,875,002	$ 43,905,716	$ 41,927,550	$ 52,528,055	$ 4,649,520	$ 72,615,548	$ 69,573	($ 352,309)	$ 282,830,518
Appropriations of 2015 earnings	6(15)										
Legal reserve		-	-	2,757,819	-	(2,757,819)	-	-	-	-	-
Cash dividends		-	-	-	-	(20,514,153)	-	-	-	-	(20,514,153)
Stocks of the parent company purchased by the subsidiary and recognised as treasury stocks	6(13)	-	-	-	-	-	-	-	-	(8,263)	(8,263)
Dividends paid to subsidiaries to adjust capital surplus	6(14)	-	20,975	-	-	-	-	-	-	-	20,975
Changes in the net interest of associates recognised under the equity method	6(14)	-	(273,335)	-	-	-	-	-	-	-	(273,335)
Profit for the year		-	-	-	-	43,833,045	-	-	-	-	43,833,045
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	(529,025)	(3,660,896)	18,318,099	(26,399)	-	14,101,779
Balance at December 31, 2016		$ 58,611,863	$ 8,622,642	$ 46,663,535	$ 41,927,550	$ 72,560,103	$ 988,624	$ 90,933,647	$ 43,174	($ 360,572)	$ 319,990,566
For the year ended December 31, 2017											
Balance at January 1, 2017		$ 58,611,863	$ 8,622,642	$ 46,663,535	$ 41,927,550	$ 72,560,103	$ 988,624	$ 90,933,647	$ 43,174	($ 360,572)	$ 319,990,566
Appropriations of 2016 earnings	6(15)										
Legal reserve		-	-	4,383,305	-	(4,383,305)	-	-	-	-	-
Special reserve		-	-	-	4,639,539	(4,639,539)	-	-	-	-	-
Cash dividends		-	-	-	-	(32,822,643)	-	-	-	-	(32,822,643)
Stocks of the parent company purchased by the subsidiary and recognised as treasury stocks	6(13)	-	-	-	-	-	-	-	-	(265,896)	(265,896)
Stocks of the parent company disposed by the subsidiary and recognised as treasury stock transaction	6(14)	-	8	-	-	-	-	-	-	-	8
Dividends paid to subsidiaries to adjust capital surplus	6(14)	-	43,842	-	-	-	-	-	-	-	43,842
Changes in the net interest of associates recognised under the equity method	6(14)	-	4,304	-	-	-	-	-	-	-	4,304
Expired cash dividends reclassified to capital surplus	6(14)	-	12,002	-	-	-	-	-	-	-	12,002
Profit for the year		-	-	-	-	54,410,802	-	-	-	-	54,410,802
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	(906,690)	(3,040,875)	20,279,553	(35,097)	-	16,296,891
Balance at December 31, 2017		$ 58,611,863	$ 8,682,798	$ 51,046,840	$ 46,567,089	$ 84,218,728	($ 2,052,251)	$ 111,213,200	$ 8,077	($ 626,468)	$ 357,669,876

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

(Continued)

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

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

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

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

		For the years ended December 31,	
	Notes	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		56,308,342	43,721,147

(Continued)

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 INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
(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		$ 11,907,286	$ 13,108,011

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

Formosa Chemicals & Fibre Corporation
Statement of Profits Distribution
For the year of 2017

Unit：NT$

Items	Amount	Items	Amount	Explanation
Available for Distribution:		**Distribution Items:**		1. Registered capital of the company is NT$58,611,862,910; outstanding shares entitled to cash dividends distribution are 5,861,186,291.
(1) Unappropriated retained earnings of previous years	30,714,616,245	(1) Appropriation of legal reserve (10% of the after-tax profit)	5,441,080,164	2. The Company plans to distribute dividends of $7 per share for current year (among which, $2.94 will be distributed as dividends and $4.06 will be distributed as bonus); all of which are cash dividends.
(2) Net profit after tax of current year	10,530,287,771	(2) Appropriation of Special surplus reserve	6,564,295,511	3. The Company distributes dividends and bonus, all of which are from net profit after tax of 2017.
(3) Other comprehensive income reclassified to unappropriated retained earnings of current year	-906,689,908	(3) Distribution of dividends in cash ($7 per share)	41,028,304,037	4. While the distribution of cash dividends to each individual shareholder is less than 1 dollar, the distribution will be rounded to the nearest dollar.
		(4) Unappropriated retained earnings carried forward to next year	31,185,048,260	5. Other comprehensive income reclassified to unappropriated retained earnings of current year, all of which are adjustment for actuarial pension valuation.
Total	84,218,727,972	**Total**	84,218,727,972	

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR17000308

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Impairment assessment of property, plant and equipment-PTA division

Description

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

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

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

How our audit addressed the matter

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

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

Investments accounted for under equity method and recognition of investment income

Description

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

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

How our audit addressed the matter

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

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

Other matter – audits of the other independent accountants

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

Other matter – parent company only financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Chou, Chien-Hung　　　　　　　　　　Juanlu, Man-Yu

for and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2018

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

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

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

<u>Description</u>

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.

<u>How our audit addressed the matter</u>

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

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Information regarding the Proposed Employees and Directors' Compensation to Adopted by the Board of Directors of the Company:

1. Amounts of employees' cash compensation, stock compensation, and Directors' compensation:	
Employees Cash Compensation	NT$ 58,907,740
Employees Stock Compensation	NT$ 0
Directors Compensation	NT$ 0
2. Share amount of the employees' stock compensation and the percentage of the share amount to that of all stock dividend s capitalization:	
Share amount of employees' stock compensation	0 share
Percentage of the share amount to that of all stock dividends capitalization	0%

The above-listed amount of employees' cash compensation is consistent with the proposed amount adopted by the Board of Directors of the Company.

Effect upon Business Performance and Earnings Per Share of the Company by the Stock Dividend Distribution Proposed at the 2018 Annual Shareholders' Meeting:

Not applicable since the Company does not propose the stock dividend distribution at the 2018 Annual Shareholders' Meeting and does not required preparing financial forecast information.

Formosa Chemicals & Fibre Corporation
Current Shareholdings of Directors

Title	Name	Shareholding (share)
Chairman	Wen Yuan, Wong	129,198,084
Vice Chairman	Fu Yuan, Hong	272,804
Managing Director	Wilfred, Wang	16,867,218
Managing Director	Nan Ya Plastics Corporation Representative: Ruey Yu, Wang	140,519,648
Managing Director (Independent Director)	Ruey Long, Chen	0
Independent Director	Tzong Yeong, Lin	0
Independent Director	Kung, Wang	0
Director	Formosa Petrochemical Corporation Representative: Walter Wang	48,567,575
Director	Dong Terng, Huang	34,410
Director	Ing Dar, Fang	73
Director	Wen Chin, Lu	3,236
Director	Hung Chi, Yang	152,289
Director	Chiu Ming, Chen	79,627
Director	Sun Ju, Lee	15,450

Note: According to Article 26 of Securities and Exchange Act, the minimum shareholdings of the Company's Directors are 93,778,981 shares. As of April 17, 2018, the actual shareholdings of the Company's Directors are 335,707,414 shares.