

Formosa Chemicals & Fibre Corporation

2020 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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I. Letter to Shareholders

Operating Performance in 2020

The world was impacted by COVID-19 throughout 2020. With countries imposing lock-downs, demand on the market shrunk drastically. The price of crude oil collapsed, which drove a significant slide in prices of petrochemical products, too. Our consolidated revenue totaled NT\$253.3 billion, a decline of NT\$62.1 billion and 19.7% from the consolidated revenue of NT\$315.4 billion in 2019, mainly because of the reduction in the selling price by NT\$54.9 billion. In sales, thanks to the proper control of the pandemic, production and distribution were as usual in Taiwan. Plus the adequate grasp of business opportunities brought about by the post-pandemic stay-at-home economy, the sales of most products grew compared to those in 2019. Nevertheless, restricted by the epidemic prevention measures adopted in respective overseas facilities and the relatively slow recovery of the market for textiles, the overall sales saw a decrease of NT\$7.2 billion.

In terms of income, the consolidated pre-tax income of 2020 was NT\$24.8 billion, a decline of NT\$12.3 billion or 33.3% from the consolidated pre-tax income NT\$37.1 billion in 2019, which was primarily due to the combined decrease of NT\$10.3 billion in investment income and cash dividends under the equity method. Business income, on the other hand, showed a recovery starting in May despite the sluggishness over the previous four months because of the impacts from the pandemic and rendered only a decline of 7.1% or NT\$1.2 billion from 2019.

COVID-19 kept spreading throughout 2020 and the China-US trade war evolved to be a struggle among emerging powers, which, plus Brexit, completed signing of the RCEP, and the US election, among other issues, significantly impacted the global economy. It was originally hoped that the economy would slowly recover once the Stage 1 trade agreement was signed between China and the US to drive up demand for petrochemical products. The unexpected breakout of COVID-19 at the end of January and its quick

spread throughout the world, in addition to the subsequent lock-downs of borders and cities for the sake of keeping the pandemic at bay and the significantly reduced personnel and cargo flows led to stagnant demand and were a big blow to the global economy. The reduced production in oil producing countries also triggered a collapse in international oil prices. The Brent crude oil once hit the historical bottom of US\$19 per barrel in April, which further deepened the falling stream of prices of petrochemical products. Losses incurred from falling price and reduced demand of petrochemical products and falling price of inventory resulted in operational deficits for the Company in the first quarter. For the second quarter, thanks to the climbing demand for stay-at-home economy and epidemic prevention products, the Company adjusted its sales strategy and reinforced its inventory management. The operation started to show a turn from loss to profit in June.

As the pandemic eased, governments gradually lifted lock-down measures and resumed economic activities and proactively introduced respective economic stimulus policies to save the sliding economy. The economy gradually bottomed out in the second quarter. Stay-at-home economy and revenge spending drove a come-back of demand on the market. Prices of the crude oil and petrochemical products slowly turned around. Despite the suppressed selling prices of some products as a result of new throughput from the Mainland, the Company held onto the business opportunities brought about by the stay-at-home economy and revenge spending. The operational performance in the third quarter was no longer impacted by the pandemic. With the market share maintained, the operation in the fourth quarter was even better than that in the third quarter.

As part of the consolidated revenue in 2020, the parent company's net revenue was NT\$123.6 billion, accounting for 48.8% of the consolidated revenue. Subsidiaries that contributed to the revenue included Formosa Industries Corporation in Ningbo, Formosa Industries Corporation in Vietnam, and Formosa Taffeta Co., Ltd., totaling NT\$129.7 billion, accounting for 51.2% of the consolidated revenue. Main contributors

to the parent company's revenue are petrochemical and plastic products. Both combined had a net worth of NT\$113.6 billion, accounting for 91.9% of the parent company's revenue. Among them, petrochemical products totaled NT\$66.2 billion or 53.6% and plastic products NT\$47.4 billion or 38.3%.

Each product is summarized as follows:

Operational highlights of respective major products throughout 2020 included not only continued promotion of water and energy conservation and reduced unnecessary consumption and emissions to improve the circular economy but also proactive initiation of AI-driven production in order to further enhance quality of products and reduce the costs and to hold onto new business opportunities brought about by the pandemic while deploying to meet the demand driven by post-pandemic new normal life and enhancing profits.

For aromatic hydrocarbon, SM, and phenol, the first and third aromatic hydrocarbon plants, and the SM plant in Mailiao completed multiple water and energy conservation improvements taking advantage of the annual inspection to effectively reduce energy consumption and enhance production efficiency. The first aromatic hydrocarbon plant completed the conversion to the new-generation transalkylation catalyst to improve reactivity and boost production efficacy. The third aromatic hydrocarbon plant completed multiple energy-saving improvements such as process optimization to greatly reduce the unnecessary consumption of steam. The SM plant in Mailiao completed water and energy improvements including multiple effect distillation (MED). In addition, the de-bottleneck improvement project began in 2020 for the Ningbo phenol plant in Mainland China. The annual throughput of phenol is increased from 300 thousand tons to 400 thousand tons to effectively enhance the operational performance and increase profits. Faced with the additional throughput from the Stage 2 Petrochemical Project in Zhejiang, competition on the market will become even fiercer in 2021. The petrochemical plant of the Company will continue to improve its process to be more energy-efficient and the AI technology will be combine process big data in

order to optimize production management efficiency and to bring down the production cost in the face of challenges on the market.

In terms of PTA and PIA, the increased supply from the commissioned additional throughput in Mainland China drove down prices of products. Despite the constant devotion of new throughputs for downstream polyester in 2020, the stress brought about by supply surplus could not be covered to result in deficits. The PTA plant in Ningbo, with its optimal quality and steady lead time, has been trusted by customers. In addition, the processing cost has been significantly reduced following process transformation in 2018. The operating stress was slightly lower than that of plants in Taiwan. In 2021, the PTA and PIA in Taiwan will first satisfy the needs on the domestic market. For PTA exports, besides Formosa Industries Corporation in Vietnam, more New South-bound markets outside Mainland China will be explored. Full-volume production will be maintained for production lines in Taiwan and optimization of process in respective plants will continue to further drive down the processing cost. In addition, the new production line for PIA in Ningbo with an expected annual throughput of 200 thousand tons is scheduled for commissioning in the second quarter of 2021. Operationally, preemptive action has been taken to develop the potential customer base in areas without tariff barriers such as the Middle East and Russia to be prepared in advance for the sales to be fulfilled following the commissioning.

For plastic products, impacted by the pandemic, demand on the market shrunk for the first half of 2020. The demand for plastic pellets was weak. As the pandemic was gradually under control, however, demand for the new stay-at-home economic life surged. Global purchase orders returned to Mainland China again. The demand for plastic pellets showed an explosion following the suppression. The differences in prices between finished products and raw materials hit the historical height. Profits of plastic pellets set new records in PS and ABS. The unprecedented profits were created by plants in both Taiwan and Ningbo. 2021 is expected to be another harsh year due to the global pandemic and hence the rigid demand brought about by the stay-at-home

economy is expected to remain steady. Faced with the rapid expansion of plastic productivity in Mainland China, we will expedite the production and distribution transforming cage change program to maximize the sales of high-value differential product and decentralize the market. In 2021, the sales of special PS products will climb from 46.1% to 50%. Hight-tone, refrigerator sheets, and sink plates will all be prioritized. In terms of ABS products, the sales of special ABS products from Taiwan plants will be enhanced from 35.3% to 45.6% in 2021 and the sales will be focused the increase in high-value special products. With the expanded productivities from the composite plants in Mailiao and Xingang, the production volume of composite PC/ABS products will be increased to 6,400 tons/month and above. The sales of special products from the PABS plant in Ningbo accounted for 27.3% in 2020. As business operation staff and technicians continue to promote application of the products, the sales will be smooth and are likely to continue with the growing streak.

In terms of PP products, the sales of special products in 2020 already reached 49.5%. To further maximize the market share, the goal is to have the overall product sales to grow by 5.5%. Special products need to account for 51.8%. High-quality and high unit-price medical device materials and development towards high liquidity and light weight will continue to be promoted. In 2020, they were successfully introduced and applied to new models of Toyota cars and the promotion of composite materials on the automobile market will continue in order to enhance the value added of the products. As far as the PC products are concerned, the sales of special products accounted for 20.5% in 2020 and started to be out of the red after the pandemic eased for the second half of the year. In 2021, the high-value strategy for the PC sector will be continued and efforts will be made to decentralize the market, maintain the good reputation on the market, and proactively work with customers in fulfilling their production and distribution demand. The target in the sales of special products is 30%.

In textiles and fiber products, impacted by undesirable factors, such as the pandemic for the plants in Taiwan and Vietnam and the price cut competition in the exportation of

textile products from Mainland China, the sales of yarn and Rayon cotton dropped in 2020 from 2019. Although the revenue and profitability remained undesirable, by proactively holding onto business opportunities, the activation rate and the production and distribution volume returned to the pre-pandemic levels in the fourth quarter of 2020 for Rayon cotton and short-fiber yarn. Deficits dropped each month for the plant in Taiwan and the plant in Vietnam took a turn from loss to profit in October and they were making efforts to increase the sales of differentiated yarn such as environmentally-friendly yarns and anti-bacterial yarns in the pursuit of the best sales income combination. Rayon cotton, on the other hand, targets high-value products and development of new markets as the operational priorities. In addition, nylon products saw a turn from loss to profit in the fourth quarter after organizational restructuring in 2020 where the production and distribution structure was adjusted in an effort to expand shares of high-value products such as nylon engineering plastic pellets, recycle environmentally-friendly silk and color silk. In the future, to go with the prevailing green, environmental protection, recycling, and re-generation trends, the ratio of green products will be enhanced. Developments will prioritize the production of differential products such as environmentally-friendly silk and color silk with recycled waste fishing nets; brand distribution networks will be combined; the production demand of downstream customers and prevailing trends on the market will be taken into consideration; and the production and distribution plan and the production model will be adjusted to form a marketing system combining the upstream, mid-stream, and downstream.

Our company highly values environmental protection and social responsibilities as always in terms of ESG corporate governance. The best available control technology (BACT) continues to be adopted for pollution preventing equipment. The Company was the first in the country to realize clean emissions and elimination of white smoke generated by its co-generation units in May 2019. The emission quality is comparable to that of a natural gas unit. Meanwhile, there is the real-time bulletin board set up outside

each plant to facilitate supervision by residents in the neighborhood. In addition, in honor of the belief in circular economy, energy conservation and emission reduction were promoted to reduce carbon emissions and to make utilization of water resource sustainable, fulfilling the Company's corporate social responsibilities. The AI technology was introduced to enhance energy conservation improvement efficiency. By 2020, the Company had invested accumulatively up to NT\$12.9 billion in the promotion of energy conservation and emission reduction; 5,297 projects on improvements were completed, saving a total of 98,100 thousand tons per day of water in total and steam of 1,070 tons per hour, electricity of 128,000 kWh; the benefits combined totaled NT\$11.1 billion.

To enhance the emphasis over safety, health, and environment management, the Sustainable Safety Mechanism Group was established in August 2019 to take charge of not only promoting environmental protection-related business but also exploring blind spots in industry safety management and eliminating hidden industrial safety risks at further depths as well as reinforcing awareness of safety among the employees to boost occupational safety. The plant in Mailiao was awarded the "2020 Outstanding Workplace" from the Ministry of Health and Welfare. In 2021, promotion will be focused on human-centered essential safety management from scratch for comprehensive improvements. Outstanding cases will be released on a quarterly basis of PHA, ISA/SOP, MOC, and false alarms to fulfill the experience-sharing purpose and educational training for contractors and employees will continue to be enforced while working towards zero hazards.

For the purpose of sustainable management, the Company continues to make investments. Expansion of the phenol plant in Ningbo was completed in 2020 and the throughput has been enhanced from 300 thousand tons to 400 thousand tons a year. The annual throughput of composite materials of the three plants across the Taiwan Strait under the Plastics Department combined reached 132 thousand tons. In 2021, efforts will be made to add 250 thousand tons to the existing capacity of the ABS plant in

Ningbo, to expand the annual production volume of the PTA plant to 1.5 million tons, to build a new PTA plant with an annual capacity of 200 thousand tons. The most advanced production technologies are exclusively adopted for the new plant, which is unparalleled in the industry. For the Petrochemical Plant in Louisiana, USA, however, the construction pace has slowed down due to impacts from COVID-19 and will be continued as soon as the pandemic dies out or the administered vaccines show extensive effectiveness.

Business Plan for 2021

The pandemic is likely to remain throughout 2021. Experienced preventive measures and vaccination in full swing, however, will help the economy pick up in speed towards recovery. The demand for crude oil will gradually stabilize and the steadily climbing oil prices will support prices of petrochemical products. The proactive policies adopted in Mainland China, such as dual circulation based primarily on the domestic cycle and new infrastructure construction meant to comprehensively maximize domestic demand, given its relatively stable condition in the midst of the pandemic compared to that in Europe, the United States, and India, also expedited the comeback of the petrochemical industry; it is conducive to the Company exploring business opportunities.

Nevertheless, there are many other pending challenges, such as the China-US trade conflicts, the mushrooming petrochemical production capacities, and the signing of the RCEP, among others, facing the Company. The stay-at-home economy catalyzed by the pandemic and the growing demand for epidemic prevention products, however, have brought about business opportunities under the new normal lifestyle. The Company will continue to hold onto the opportunities and deploy ahead of time and reinforce differentiation and high-value nature of its products, keep only the best under its production and distribution structure, and apply the AI big data for enhanced production and management efficiencies. Meanwhile, efforts will be continued in the promotion of comprehensive recycling of emissions and scraps for re-use and the practice of circular economy in response to the world trends.

II. Company Profile

2.1 Date of Incorporation: March 5, 1965

2.2 Company History

Due to geographical restrictions, Taiwan is short of natural resources. Over the past 30 years, the discarded branches and twigs from logging yard have been left in the rest to rot, wasting a valuable resource for production.

For this reason, the Changhwa Plant was established in March 1965. We utilized the wasted branches and hardwood to produce rayon staple fibre with initial production of 15,000 metric tons per year. There were 40,000 spindles of spinning machine and 510 sets of knitting machines. It was an integrated process plant.

In 1974, a nylon plant was established by continuously improving, the product capacity of nylon filament and rayon staple have increased at a jump-up pace. FCFC now includes the 1st, 2nd, 3rd Petrochemicals Division, Plastics Division, Textiles Division, Rayon Division, Nylon Division and Engineering Division. They are located in Changhwa (1965), Yilan (1973), Longde (1979), Xingang (1987) and Mai-Liao (2000). As part of the Sixth Naphtha Cracking Project and for the continuing growth of FCFC, the company stepped into the field of manufacturing petrochemicals.

In 1987, a PTA plant was established in Lungte with annual capacity of 2,000,000 metric tons nowadays. Both PS and ABS plants were established in 1991 and 1995 separately. The yearly production of PS pellets is 320,000 metric tons and that of ABS pellets is 410,000 metric tons, the PP plant, start up in 2000, with an annual capacity 510,000 metric tons. The major business of FCFC's now includes the sales and production of the integrated products from rayon and nylon and those of PTA, PS resin and ABS/ SAN resins. Environment protection has always been our company's first concern of all. Since the company was established in 1965, has been invested on 976 cases of inhibition measure. The total amount of investment will add up to NT\$ 14,296,000 thousand on environment protection. For the purpose of business reengineering, the Rayon Division has been renamed to Rayon Project

Dept. based on downsizing scale since January 1, 2020. Nylon Division II has been renamed Nylon Division, as well.

The major development phases are as follows:

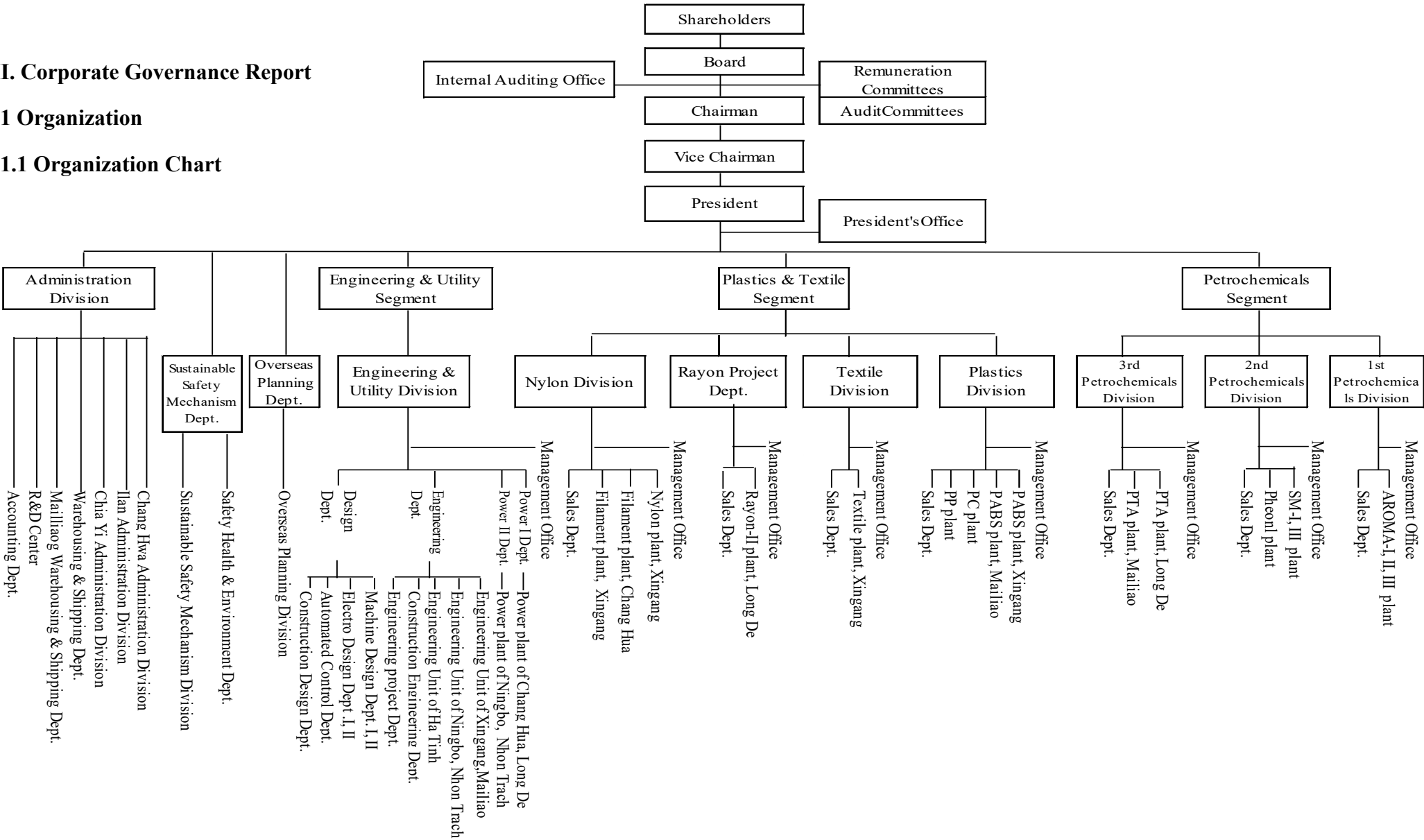
Year	Major Events
1964-1971	The Company prepared for establishing factory at Changhwa plant site in 1965, and got company registration documents to build plants on March 1965 with capital NT100 millions. The Company amended company laws and authorized to increase capital to NT300 millions with daily rayon capacity of 45 thousand tones and spin yarn capacity of 40 thousand spindles in 1967. Total spinning spindles increased to 80 thousand spindles after the 2 nd spinning factory was built in 1969. A new detergent factory was built and daily rayon capacity was increased to 67.5 thousand tones in 1970. Total spinning spindles increased to 120 thousand spindles after the 3 rd spinning factory was built on July, and the 4 th spinning factory and a new cotton knitting factory were expanded by the end of 1971.
1972-1981	Building the 4 th spinning factory which has 29,736 spindles was in project in Yilan and preparing for building new nylon filament factory which has daily capacity of 60 thousand tones, and new nylon textured yarn factory which has daily capacity of 30 thousand tones in 1973. The Company also expanded rayon production lines from 4 to 6 in the same year. In 1975 the Company applied to go public, and then withdrew the plan due to the market in regression in 1976. The Company increased capital by the same year net surplus to purchased equipment to produce products of nylon tire cord filaments and nylon tire cord filaments for industry use in 1978. The Company built rayon factory at Longde plant site by the same year net surplus in 1979. The 9 th spinning factory which had capacity of 800 thousand spindles was built in 1980. The Company set up the 10 th spinning factory which had capacity of 400 thousand spindles in 1981.
1982-1991	The Company expanded the 2 nd rayon production line at Longde plant site in 1982. The Company increased capacity of 800 thousand

	spindles, and purchased equipment to produce nylon chips by the same year net surplus in 1986. The Company authorized to build PTA, CPL and Aromatic plants in 1987, and SM plant was in schedule in 1989. The net surplus came from profits in 1990 was to build PS plant, and issues oversea convertible bonds in 1990. The amount of capital exceeded NT10 billions in 1986.
1992-2001	The Company was accredited to build the 5 th nylon plant in 1992, and prepared for building ABS plant in 1994. The amount of capital exceeded NT20 billions in 1994. The 6 th nylon plant and DMF plant were scheduled in 1996. The Company was accredited to expand the 2 nd PTA plant and set up new HAC and PP plants. The amount of capital exceeded NT30 billions in 1998. The 2 nd PS production line was scheduled in 1990. The Company was authorized to expanded ABS capacity, and set up a new PC plant in 2001.
2002-2011	The Company increased 2 nd PC production line and the amount of capital exceeded NT40 billions in 2002. The same year net surplus was made use of the 3 rd PP production line which had capacity of 160 thousand tons and debottlenecking capacity of the 1 st and 2 nd Aromatic plants and Phenol plant in 2003. The 3 rd Aromatic plant and SM plant were in schedule in 2004. The assets of detergent division was divided from the Company and transferred to Formosa Biomedical Technology Corporation in 2004. The 3 rd PC production line was authorized to investment and the capital amount exceeded NT50 billions in 2005. The Company invested in PIA production line in 2006. The Company was accredited to set up a new MX plant and expand capacity of SM and Benzene productions in 2009.
2003-2019	The Company replaced supervisors with audit committee in 2015. The current amount of capital is NT58.6 billion.
2020	The current amount of capital is NT58.6 billion. For the purpose of production intensive improvement, Nylon Division's Filament-V and VI plant have been merged into Filament plant, Xingang. based on downsizing scale since August 1,2020. Nylon plant has been renamed Nylon plant, Xingang, and Filament-III plant has been renamed Filament plant, Chang Hua, as well.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
1st Petrochemical Division	Responsible for products of Benzene, Toluene, Para-xylene, Ortho-xylene and Meta-xylene production and sale
2nd Petrochemical Division	Responsible for products of Styrene monomer, Phenol and Acetone production and sale
3rd Petrochemical Division	Responsible for products of Pure terephthalic acid and Purified isopropyl alcohol production and sale
Plastics Division	Responsible for products of ABS, PS, PP and PC production and sale
Textile Division	Responsible for products of Blended spun yarn, Viscose rayon spun yarn and Synthetic yarn manufacturing and sale
Rayon Project Dept.	Rayon Fibres manufacturing and sale
Nylon Division	Responsible for products of Nylon chips, Nylon filament, Nylon draw textured yarn
Engineering and Utility Division	Responsible for products of public utilities production and sale ; also responsible for design and planning to manufacture products
Overseas Planning Department	Responsible for overseas investment planning
Sustainable Safety Mechanism Department	Responsible for personnel safety and hygiene job training affairs
Administration Department	Planning and execution of general affairs, factory affairs, and information systems
Accounting Department	Journalizing accounting and filing tax return affairs; compiling financial statements
Transportation & Warehousing Department	Responsible for products transportation and storage affairs

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

Title	Nationality/ Place of Incorporation (Notes 1)	Name	Gender	Date Elected	Term (Years)	Date First Exected (Notes 2)	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Notes 3)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			(Notes 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Wen Yuan Wong	M	June 15, 2018	3	June 15, 1991	129,198,084	2.20	129,198,084	2.20	92,079	—	0	0	MA, Univ.of Houston	Chairman of Chinese National Federation of Industries. Chairman of Taiwan Textile Federation. Chairman of Formosa Taffeta Co., Ltd., and Formosa Advanced Technologies Co., Ltd.	Managing director	Wilfred, Wang	Two Degrees of Kinship	None
Managing director	R.O.C.	Fu Yuan, Hong	M	June 15, 2018	3	May 12, 1988	272,804	—	272,804	—	1,107	—	0	0	BA, Natl. Taiwan Univ.	Chairman, Formosa Chem. Ind. (Ningbo) Ltd.,	None	None	None	
Managing director	R.O.C.	Wilfred, Wang	M	June 15, 2018	3	June 15, 2012	16,867,218	0.29	16,867,218	0.29	66,080,446	1.13	0	0	BA, Univ. College London	Managing Director of Formosa Plastics Corp.,Nan Ya Plastics Corp., Formosa Petrochemical Corp.	Chairman	Wen Yuan Wong	Two Degrees of Kinship	
Managing director	R.O.C.	Nan Ya Plastic Corp. Ruey Yu, Wang-Juridical person representative	F	June 15, 2018	3	June 16, 2006	140,519,648	2.40	140,519,648	2.40	0	0	0	0	MA, Natl. Taiwan Univ.	Chairman, Formosa Biomedical Technology Corp. Managing Director of Nan Ya Plastics Corp.	Director	Walter, Wang	Two Degrees of Kinship	
							18,627,185	0.32	18,627,185	0.32										
Managing director- independent director	R.O.C.	Ruey Long, Chen	M	June 15, 2018	3	June 15, 2012	0	0	0	0	0	0	0	0	BA, Natl. Chung Hsing Univ.	Chairman,China Petrochemical Development Corp. Chairman, SINOCON Industrial Standards Foundation Independent Director of Inventec Corp.	None	None	None	
Independent director	R.O.C.	Hui Chen, Huang	M	June 15, 2018	3	June 15, 2018	0	0	0	0	0	0	0	0	BA, Natl. Chengchi Univ.	Chairman, Taiwan Research Institute	None	None	None	
Independent director	R.O.C.	Tai Lang, Chien	M	June 15, 2018	3	June 15, 2018	0	0	0	0	0	0	0	0	BA, Natl. Chung Hsing Univ.	Independent Director of Taiwan Fructose Co., LTD, Ta Ching Bills Finance Corp.	None	None	None	
Director	R.O.C.	Formosa Petrochemical Corp. Walter, Wang- juridical person representative	M	June 15, 2018	3	June 19, 2009	48,567,575	0.83	48,567,575	0.83	423,313	0.01	0	0	BA, Univ. of California, Berkeley	President and CEO, J-M Manufacturing Co., Inc. Managing Director of Formosa Petrochemical Corp.	Managing director	Ruey Yu, Wang	Two Degrees of Kinship	
							26,775,955	0.46	26,775,955	0.46										

Title	Nationality/ (Notes 1) Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected (Notes 2)	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Notes 3)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			(Notes 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Wen Chin, Lu	M	June 15, 2018	3	June 16, 2015	3,236	—	3,236	—	0	—	0	0	BA, Tatung Univ.	President of FCFC	None	None	None	None
Director	R.O.C.	Ing Dar, Fang	M	June 15, 2018	3	June 15, 2012	73	—	73	—	0	0	0	0	BA, Chinese Culture Univ.	Executive Vice President of FCFC	None	None	None	
Director	R.O.C.	Ching Fen, Lee	M	June 15, 2018	3	June 15, 2018	0	0	0	0	1	—	0	0	BA, Tamkang Univ.	Senior Vice President of FCFC	None	None	None	
Director	R.O.C.	Tsung Yuan, Chang	M	June 15, 2018	3	June 15, 2018	0	0	0	0	5,239	—	0	0	Assoc. D., Natl. Taipei Univ. of Technology	Senior Vice President of FCFC	None	None	None	
Director	R.O.C.	Wei Keng, Chien	M	June 15, 2018	3	June 15, 2018	0	0	0	0	0	0	0	0	BA, Natl. Cheng Kung Univ.	Vice President of FCFC	None	None	None	
Director	R.O.C.	Dong Terng, Huang	M	June 15, 2018	3	May 10, 2000	34,410	—	27,410	—	0	0	0	0	Assoc. D., Natl. Taipei Univ. of Technology	None	None	None	None	
Director	R.O.C.	Jin Hua, Pan	M	June 15, 2018	3	June 15, 2018	0	0	0	0	0	—	0	0	BA, Natl. Taiwan Ocean Univ.	None	None	None	None	

Note 1 : Disclose the names of institutional shareholders and its directors represent of, respectively, and fill in following Table 1.

Note 2 : Fill in the date first elected as directors. If there is any interruption, it should be noted.

Note 3 : The work experiences of anyone above relating to their current roles, e.g. previous employment in the CPA firm or employment in an affiliated company, must be addressed with detailed job titles and responsibilities.

Note 4 : Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers):

Note 5 : — stands for shareholding ratio less than 0.01%.

As of April 20, 2021

Table 1 : Major shareholders of the institutional shareholders

April 20, 2021

Name of Institutional Shareholders(Note 1)	Major Shareholders(Note 2)	Shareholding (Donation) Ratio
Nan Yan Plastics Corporation	Chang Gung Medical Foundation	11.05
	Formosa Plastic Corporation	9.88
	Formosa Chemicals & Fibre Corporation	5.21
	Chang Gung University	4.00
	Landmark Capital Holdings Inc.	2.39
	Formosa Petrochemical Corporation	2.26
	Everred Corporate, Inc.	1.86
	Standard Chartered Bank (Taiwan) Ltd. in custody for LGT Bank (Singapore)	1.51
	Citibank Taiwan Limited in custody for Macro System Corp.	1.43
	Standard Chartered Bank (Taiwan) Ltd.in custody for Credit Suisse AG- Credit Suisse Singapore Branch	1.20
Formosa Petrochemical Corporation	Formosa Plastic Corporation	28.56
	Formosa Chemicals & Fibre Corporation	24.15
	Nan Yan Plastics Corporation	23.11
	Chang Gung Medical Foundation	5.79
	Formosa Taffeta Co., LTD.	3.83
	Standard Chartered Bank (Taiwan) Ltd.in custody for Genesis Equity Group Inc.	0.60
	New Labor Pension Fund	0.59
	HSBC Bank (Taiwan) Limited in custody for Power Unlimited Corporation	0.51
	Standard Chartered Bank (Taiwan) Ltd. in custody for Central Capital Management Inc.	0.49
	HSBC Bank (Taiwan) Limited in custody for Pacific Light and Power Corporation	0.48

Note 1 : Directors acting as the representatives of institutional shareholders shall indicate the names of the institutional shareholders.

Note 2 : The name of major shareholders of the institutional shareholders (top-10 in terms of shareholding percentage) and the holding percentage of each shall be noted. If any of those shareholders is an institutional shareholder should fill out the following table 2

Note 3 : If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

Table 2 : Major shareholders of the Company's major institutional shareholders in Table 1

Name of Institutional Shareholders(Note 1)	Major Shareholders(Note 2)	Shareholding (Donation) Ratio(Notes 4)
Formosa Plastic Corporation	Chang Gung Medical Foundation	9.44
	Formosa Chemicals & Fibre Corporation	7.65
	Standard Chartered Bank (Taiwan) Ltd.in custody for Credit Suisse AG- Credit Suisse Singapore Branch	6.26
	Nan Ya Plastic Corporation	4.63
	Chindwell International Investment Corporation	4.16
	Vanson International Investment Corporation	3.05
	Formosa Petrochemical Corporation	2.07
	Fubon Life Insurance Co., Limited.	1.74
	Citibank Taiwan Limited in custody for Funds of Government of Singapore	1.56
	New Labor Pension Fund	1.52
Formosa Taffeta Co., LTD.	Formosa Chemicals & Fibre Corporation	37.40
	Chang Gung Medical Foundation	5.79
	Yuanta/P-shares Taiwan Dividend Plus ETF	3.48
	Yu Yuan Textile Co., Ltd.	2.55
	Mine Hsiung, Lai	2.43
	Chang Gung University	2.20
	Chang Gung University of Science and Techonolgy	2.13
	Ming Chi Univ. of Technology	1.87
	Taiwan Life Insurance	1.59
	Asia Pacific Investment Corporation Ltd.	1.43
Chindwell International Investment Corporation	Everred Corporate, Inc.	100
Vanson International Investment Corporation	Landmark Capital Holdings Inc.	100
HSBC Bank (Taiwan) Limited in custody for Pacific Light and Power Corporation	Investment Account	—
HSBC Bank (Taiwan) Limited in custody for Power Unlimited Corporation	Investment Account	—
Standard Chartered Bank (Taiwan) Ltd. in custody for Central Capital Management Inc.	Investment Account	—
Standard Chartered Bank (Taiwan) Ltd.in custody for Genesis Equity Group Inc.	Investment Account	—
Standard Chartered Bank (Taiwan) Ltd. in custody for LGT Bank (Singapore) Ltd.,	Investment Account	—
Standard Chartered Bank (Taiwan) Ltd.in custody for Credit Suisse AG- Credit Suisse Singapore Branch	Investment Account	—
Citibank Taiwan Limited in custody for Macro System Corp.	Investment Account	—
New Labor Pension Fund	NA	—

Table 2 : Major shareholders of the Company's major institutional shareholders in Table 1

Name of Institutional Shareholders(Note 1)	Major Shareholders(Note 2)	Shareholding (Donation) Ratio(Notes 4)
Chang Gung Medical Foundation	Nan Yan Plastics Corporation	19.51
	Formosa Chemicals & Fibre Corporation	15.02
	Formosa Plastic Corporation	14.41
	Yong Tsai, Wang	12.19
	Yong Ching, Wang	7.97
Chang Gung University	Chang Gung Medical Foundation	57.08
	Wang Yong-Ching	13.19
	Chindwell International Investment Corporation	3.90
	Nan Yan Plastics Corporation	2.57
	Formosa Plastic Corporation	2.27

Note 1 : If any major shareholder listed in Table 1 is an institutional shareholder, it shall indicate the institutional shareholder's name.

Note 2 : The major shareholders of the corporation (top-10 in terms of shareholding percentage) and the percentage of each shall be noted.

Note 3 : If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

Note 4 : Ratio of the contribution or donation is calculated by the cumulative amount of donations over the years and the amount of donated stocks is calculated based on the face value.

Note 5 : Ratio of the donation of Chang Gung Medical Foundation is calculated by the cumulative amount of donation by December 31, 2020. Ratio of the donation of Chang Gung University is calculated by the cumulative amount of donation by the end of semester of 2019 (as July 31, 2020).

Professional qualifications and independence analysis of directors and supervisors

December 31, 2020

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Wen Yuan Wong			✓	✓					✓	✓	✓	✓		✓	✓		0
Fu Yuan, Hong			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wilfred, Wang			✓	✓			✓			✓	✓	✓	✓		✓	✓	0
Ruey Yu, Wang			✓	✓			✓			✓	✓	✓	✓		✓		0
Independent Director Ruey Long, Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Hwei Chen, Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Tai Lang, Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Walter, Wang			✓	✓			✓			✓	✓	✓	✓		✓		0
Wen Chin, Lu			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ing Dar, Fang			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ching Fen, Lee			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tsung Yuan, Chang			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wei Keng, Chien			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Dong Terng, Huang			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Jin Hua, Pan			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates
2. Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws)
6. Not a director, supervisor or employees of other companies controlled by the same person had shares over half of the company's director seats or voting rights. (It does not apply in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
7. Not a director, supervisor or employees of other companies or institutions whom or his/her spouse is also the chairman, general manager or employee of equivalent position in the company. (It does not apply in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has financial or business relations with the Company. (This does not apply, in the cases where a specific company or institution held more than 20% of the total issued shares of the company, but less than 50%, and also served as an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
9. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2. Diversity of board of directors

Professional competence of the existing Directors are diversified, including industry experience, business management background and, decision making ability. The present members of Board of Directors have 15 Directors including 3 Independent Directors and 1 female Directors (account for 6.7% of all Directors). The related information of each Director is as follows:

Basic Information											Industry Experience				Operation Management Background and Decision Management Ability										
Title	Name	Nationality	Gender	Also serves as an employee of the Company	Age			Term of office of Independent Director			Petrochemical	Finance	Technology	Textile	Operational Judgment	Accounting Analysis	Administration	Risk Management	Industrial Knowledge	International Outlook	Leadership	Decision Making	Law		
					51-60 years old	61-70 years old	Over 71 years old	Less than 3 years	3-9 years	Over 9 years															
Chairman	Wen Yuan Wong	R.O.C	Male				✓				✓		✓	✓	✓		✓	✓	✓	✓	✓	✓			
Managing Director	Fu Yuan, Hong	R.O.C	Male				✓				✓		✓	✓	✓		✓	✓	✓	✓	✓	✓			
Managing Director	Wilfred, Wang	R.O.C	Female			✓					✓		✓	✓	✓		✓	✓	✓	✓	✓	✓			
Managing Director	"Representative of Nan Ya Corporation Ruey Yu, Wang"	R.O.C	Male	✓	✓						✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Managing Director (Independent Director)	Ruey Long, Chen	R.O.C	Male				✓		✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓			
Independent Director	Hwei Chen, Huang	R.O.C	Male			✓		✓					✓		✓		✓	✓	✓	✓	✓	✓	✓		
Independent Director	Tai Lang, Chien	R.O.C	Male				✓	✓				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		
Director	"Representative of Formosa Petrochemical Corporation Walter, Wang"	R.O.C	Male								✓				✓		✓	✓	✓	✓	✓	✓			
Director	Wen Chin, Lu	R.O.C	Male	✓		✓					✓				✓		✓	✓	✓	✓	✓	✓			
Director	Ing Dar, Fang	R.O.C	Male	✓		✓					✓				✓		✓	✓	✓	✓	✓	✓			
Director	Ching Fen, Lee	R.O.C	Male	✓		✓					✓				✓		✓	✓	✓	✓	✓	✓			
Director	Tsung Yuan, Chang	R.O.C	Male	✓		✓					✓				✓		✓	✓	✓	✓	✓	✓			
Director	Wei Keng, Chien	R.O.C	Male	✓	✓						✓				✓		✓	✓	✓	✓	✓	✓			
Director	Dong Terng, Huang	R.O.C	Male			✓					✓				✓		✓	✓	✓	✓	✓	✓			
Director	Jin Hua, Pan	R.O.C	Male			✓					✓				✓		✓	✓	✓	✓	✓	✓			

3.2.2 Management Team

Title (Note 1)	National ity/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			(Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Wen Chin, Lu	Male	June 15, 2018	3,236	—	0	0	0	0	BA, Tatung Univ.	President of Formosa Chem. Ind. (Ningbo) Ltd.,	None	None	None	None
Executive Vice President	R.O.C.	Ing Dar, Fang	Male	January 1, 2017	73	—	0	0	0	0	BA, Chinese Culture Univ.	Director of FG INC	None	None	None	None
Senior Vice President	R.O.C.	Ching Fen, Lee	Male	June 16, 2018	0	0	1	—	0	0	BA. Tam Kang Univ.	Director of Formosa Chem. Ind. (Ningbo) Ltd.,	None	None	None	None
Senior Vice President	R.O.C.	Tsung Yuan, Chang	Male	August 8, 2019	0	0	5,239	—	0	0	BA. Natl. Taiwan Ocean Univ.	Director of Formosa Chem. Ind. (Ningbo) Ltd.	None	None	None	None
Vice President	R.O.C.	Wei Keng, Chien	Male	March 17, 2017	0	0	0	0	0	0	MA. Natl. Cheng Kung Univ.	Director of Formosa Chem. Ind. (Ningbo) Ltd.	None	None	None	None
Vice President	R.O.C.	Kuo Hsien, Huang	Male	August 8, 2019	0	0	0	0	0	0	BA. Tung Hai Univ.	Director of Formosa Chem. Ind. (Ningbo) Ltd.	None	None	None	None
Vice President	R.O.C.	Chun Hsiung, Su	Male	June 16 2018	359	—	0	0	0	0	Assoc. D., Ming Chi Univ. of Technology	None	None	None	None	None
Vice President	R.O.C.	Tien Chung, Huang	Male	August 1, 2015	1,712	—	20,412	—	0	0	BA. Chung Yuan Christian Univ.	None	None	None	None	None

Vice President	R.O.C.	Hong Ming Juang	Male	August 7, 2020	2,626	—	5,253	—	0	0	BA. Tam Kang Univ.	None	None	None	None	None
Acting Vice President	R.O.C.	Chun Chieh, Lee	Male	March 12, 2021.	0	0	0	0	0	0	Assoc. D., Ming Chi Univ. of Technology	None	None	None	None	None
Acting Vice President	R.O.C.	Chi Huang, Lin	Male	March 12, 2021.	0	0	0	0	0	0	BA. Chung Yuan Christian Univ.	None	None	None	None	None
Acting Vice President	R.O.C.	Yung Lung, Chen	Male	March 12, 2021.	61	—	0	0	0	0	BA. Natl. Cheng Kung Univ.	President of Formosa Power (Ningbo) Ltd.	None	None	None	None
Financial Controller & Corporate Governance Officer	R.O.C.	Chia Ju, Liu	Male	January 1, 2021	487	—	10,567	—	0	0	Chinese Culture Univ.	Supervisor of Formosa Chem. Ind. (Ningbo) Ltd.	None	None	None	None
Accounting Supervisor	R.O.C.	Wen Yen Cheng	Male	January 1, 2021	0	0	0	0	0	0	Chinese Culture Univ.	None	None	None	None	None

Note 1 : Include background information of the President, Vice Presidents, Assistant Vice Presidents, heads of various departments and branches, and anyone of equivalent authority to the above, regardless of their job titles.

Note 2 : The work experiences of anyone above relating to their current roles, e.g. previous employment in the CPA firm or employment in an affiliated company, must be addressed with detailed job titles and responsibilities.

Note 3 : Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed:
None

Note 4 : — 'stands for shareholding ratio less than 0.01%.

Note 5 : The above disclosures are for those who manage affairs and sign rights for the company

As of April 20, 2021

3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

Remuneration of Directors

December 31, 2020

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or the parent company (Note 11)
		Base Compensation (A)(Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Profit Sharing-Employee Bonus (G) (Note 6)				(A+B+C+D+E+F+G) to Net Income (%) (Note 10)		
		The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company		Companies in the consolidated financial statements (Note 7)		The company	Companies in the consolidated financial statements (Note 7)	
																Cash	Stock	Cash	Stock			
Chairman	Wen Yuan Wong	37,114	37,114	0	0	0	0	260	380	0.1912	0.1918	57,103	57,163	665	665	186	0	186	0	0.4877	0.4887	18,421
Vice Chairman	Fu Yuan, Hong																					
Managing Director	Wilfred, Wang																					
Managing Director	Ruey Yu, Wang																					
Director	Walter, Wang																					
Director	Wen Chin, Lu																					
Director	Ing Dar, Fang																					
Director	Ching Fen, Lee																					
Director	Tsung Yuan, Chang																					
Director	Wei Keng, Chien																					
Director	Dong Terng, Huang																					
Director	Chin Hua, Pan																					
Independent Managing Director	Ruey Long, Chen	5,400	5,400	0	0	0	0	390	390	0.0296	0.0296	0	0	0	0	0	0	0	0.0296	0.0296	0	
Independent Director	Hui Chen, Huang																					
Independent Director	Tai Lang, Chien																					

1. Please describe the policies, system, standards and structure of independent directors' remuneration, and describe all the correlations with remuneration according to the responsibilities, risks, and time spent :

The Company does not provide directors' compensation. The independent directors' remuneration is based on a fixed payment. The main consideration is to maintain their independence and facilitate the supervision function. The Company paid the independent directors with NT\$1.8 million remuneration and gave transportation allowance with NT\$10,000 for each attendance of Board meeting. In order to enable independent directors to exercise their functions and powers fully, The Company has insured directors' liability insurance for independent directors and the pressure on directors' work has been alleviated. The Company has also formulated the Company's "Rules Governing the Scope of Powers of Independent Directors", in order to implement the integrity of the Company's business operations, the independent directors review the internal audit report every month, and regularly communicate with internal audit officer and CPAs against internal control and financial statements issues. The attendance of independent directors is in detailed in Board of Directors' meeting, audit committees meeting and remuneration committees.

2. Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year :

None.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company (Note 8)	Companies in the consolidated financial statements (Note 9)H	The company(Note 8)	Companies in the consolidated financial statements(Note 9)I
Under NT\$ 1,000,000	Wilfred, Wang 、 Ruey Yu, Wang 、 Walter, Wang 、 Wen Chin, Lu 、 Dong Terng, Huang 、 Ing Dar, Fang 、 Ching Fen, Lee 、 Tsung Yuan, Chang 、 Wei Keng, Chien 、 Jin Hua, Pan 、 Nan Ya Plastic Corp. 、 Formosa Petrochemical Corp.	Wilfred, Wang 、 Ruey Yu, Wang 、 Walter, Wang 、 Wen Chin, Lu 、 Dong Terng, Huang 、 Ing Dar, Fang 、 Ching Fen, Lee 、 Tsung Yuan, Chang 、 Wei Keng, Chien 、 Jin Hua, Pan 、 Nan Ya Plastic Corp. 、 Formosa Petrochemical Corp.	Wilfred, Wang 、 Walter, Wang 、 Dong Terng, Huang 、 Jin Hua, Pan 、 Nan Ya Plastic Corp. 、 Formosa Petrochemical Corp.	Walter, Wang 、 Dong Terng, Huang 、 Jin Hua, Pan 、 Nan Ya Plastic Corp. 、 Formosa Petrochemical Corp.
NT\$1,000,000 (inclusive) to NT\$2,000,000(exclusive)	Ruey Long, Chen 、 Hwei Chen, Huang 、 Tai Lang, Chien 、	Ruey Long, Chen 、 Hwei Chen, Huang 、 Tai Lang, Chien 、	Ruey Long, Chen 、 Hwei Chen, Huang 、 Tai Lang, Chien 、	Ruey Long, Chen 、 Hwei Chen, Huang 、 Tai Lang, Chien 、
NT\$2,000,000 (inclusive) to NT\$3,500,000(exclusive)	—	—	—	—
NT\$3,500,000 (inclusive) to NT\$5,000,000(exclusive)	—	—	—	—
NT\$5,000,000 (inclusive) to NT\$10,000,000(exclusive)	—	—	Ing Dar, Fang 、 Ching Fen, Lee 、 Tsung Yuan, Chang 、 Wei Keng, Chien 、	Ing Dar, Fang 、 Ching Fen, Lee 、 Tsung Yuan, Chang 、 Wei Keng, Chien 、
NT\$10,000,000 (inclusive) to NT\$15,000,000(exclusive)	—	—	Wen Chin, Lu 、	Wen Chin, Lu 、
NT\$15,000,000 (inclusive) to NT\$30,000,000(exclusive)	Wen Yuan Wong 、 Fu Yuan, Hong	Wen Yuan Wong 、 Fu Yuan, Hong	Wen Yuan Wong 、 Fu Yuan, Hong 、 Ruey Yu, Wang	Wen Yuan Wong 、 Fu Yuan, Hong 、 Wilfred, Wang 、 Ruey Yu, Wang
NT\$30,000,000 (inclusive) to NT\$50,000,000(exclusive)	—	—	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000(exclusive)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	17	17	17	17

- Note 1: The names of the directors shall be separately listed (for legal person shareholders, the names of legal person shareholders and representatives shall be listed separately), directors and independent directors shall be separately listed, and the amount of each payment shall be disclosed on an aggregate basis. If the director is also the president or senior vice president, this table and the remuneration table for president and senior vice president shall be filled out.
- Note 2: Refers to the remuneration to directors (including directors' salaries, duty allowances, severance pay, various bonuses and incentives, etc.) in the most recent year.
- Note 3: Refers to the amount of remuneration to directors as approved by the Board of Directors for the most recent fiscal year.
- Note 4: Refers to the relevant business expenses of directors (including travel expenses, special disbursements, allowances, accommodation, company car, and other physical items) for the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration.
- Note 5: All pays to the director who is also an employee of the Company (including the position of president, vice president, other executive officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car for the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. Furthermore, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.
- Note 6: Refers to the employees' compensation (including stocks and cash) received by a director who is also an employee (including the position held concurrently as president, vice President, other executive officers, or an employee) for the most recent year compensations of and the proposed amount to be distributed this year is tentatively estimated based on the calculation principle of last year's actual distribution.
- Note 7: The total pay to the directors from all companies in the consolidated statements (including the Company).
- Note 8: Refers to the total remuneration paid to each director by the Company, and the director's name shall be disclosed in the corresponding remuneration bracket.
- Note 9: Refers to the total remuneration all companies (including the Company) in the consolidated financial statements paid to each director of the Company, and the director's name shall be disclosed in the corresponding remuneration bracket.
- Note 10: Due to the adoption of International Financial Reporting Standards, the net income after-tax refers to the net income after-tax in the individual statements for the most recent year.
- Note 11: a. This column is for the amount of relevant remuneration received by the Company's directors from invested companies other than subsidiaries or the parent company.
b. Where the Company's directors received relevant remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the Company's directors from invested companies other than subsidiaries or the parent company shall be included in the "I" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."
c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of an invested company other than subsidiaries or the parent company.
- * The information on the remuneration disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

Remuneration of the President and Vice President

Unit: NT\$ thousands December 31, 2020

Title	Name	Salary(A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary (Note 9)
		The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company		Companies in the consolidated financial statements (Note 5)		The company	Companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	Wen Chin, Lu	64,803	64,803	1,034	1,034	300	360	199	0	199	0	0.3394	0.3397	0
Executive Vice President	Ing Dar, Fang													
Senior Vice President	Chih Hsiun, Chen													
Senior Vice President	Ching Fen, Lee													
Senior Vice President	Tsung Yuan, Chang													
Vice President	Wei Keng, Chien													
Vice President	Kuo Hsien, Huang													
Vice President	Chun Hsiung, Su													
Vice President	Tien Chung, Huang													
Vice President	Horng Ming, Juang													

Range of Remuneration	Name of President and Vice President	
	The company(Notes6)	Companies in the consolidated financial statements(Notes7)
Under NT\$ 1,000,000	—	—
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	—	—
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Kuo Hsien, Huang 、 Tien Chung, Huang Horng Ming, Juang	Kuo Hsien, Huang 、 Tien Chung, Huang Horng Ming, Juang
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Ing Dar, Fang 、 Chih Hsiung, Chen Ching Fen, Lee 、 Tsung Yuan, Chang Wei Keng, Chien 、 Chun Hsiung, Su	Ing Dar, Fang 、 Chih Hsiung, Chen Ching Fen, Lee 、 Tsung Yuan, Chang Wei Keng, Chien 、 Chun Hsiung, Su
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Wen Chin, Lu	Wen Chin, Lu
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000	—	—
Total	10	10

* It should include the information disclosure of the position equivalent to president, or vice president.

Note 1 : Names of President and Vice President should be separately disclosed. The amount of remunerations should be disclosed in summary. If a director concurrently serves as the President or Vice President, this table and the above table must be filled out.

Note 2 : It refers to the President's and Vice President's salary, special responsibility allowance, and severance pay.

Note 3 : Refers to the remuneration paid to the president or vice president, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year . Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is

provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. Furthermore, the salaries recognized in accordance with IFRS 2 "Share-based Payment, including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

- Note 4 : It refers to the employee remuneration (including stock and cash) received by the President and Vice President that is distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of board of directors and such proposal has not been submitted to the Shareholders 'Meeting for approval. If such amount is unable to be estimated, the amount can be determined in accordance with the actual distribution ratio for last year. The following table shall be filled out as well. It refers to the net income of the recent year. After the adoption of IFRSs, it refers to the net income in the individual or independent financial statements of the recent year.
- Note 5 : Disclose the total amount of remuneration paid to the President and Vice President by all the companies (including the Company) included in the consolidated financial statements.
- Note 6 : Disclose the name of the President and Vice President in the respective range of total remuneration received from all the Company.
- Note 7 : Disclose the total amount of remuneration paid to the President and Vice President by all the companies (including the Company) included in the consolidated financial statements. Disclose the name of the President and Vice President in the respective range of total remuneration received.
- Note 8 : It refers to the net income of the recent year. After the adoption of IFRSs, it refers to the net income in the parent company only financial reports or individual financial reports of the recent year.
- Note 9 : a. This column is for the amount of relevant remuneration received by the Company's president and vice president from invested companies other than subsidiaries or the parent company.
b. Where the Company's president and vice president received relevant remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the Company's president and vice president from invested companies other than subsidiaries or the parent company shall be included in the "E" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."
c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of an invested company other than subsidiaries or the parent company.
- * Compensations in the table are different from incomes for income tax law. Therefore, figures in the table are mainly for information disclosure and cannot be used as the basis for taxation.

Remuneration of the Manager, Chief of Finance Department and Accounting Department

Unit: NT\$ thousands

Title		Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Wen Chin, Lu	0	227	227	0.0012
	Executive Vice President	Ing Da, Fang				
	Senior Vice President	Chih Hsiun, Chen				
	Senior Vice President	Ching Fen, Lee				
	Senior Vice President	Tsung Yuan, Chang				
	Vice President	Wei Keng, Chien				
	Vice President	Kuo Hsien, Huang				
	Vice President	Chun Hsiung, Su				
	Vice President	Tien Chung, Huang				
	Vice President	Horng Ming, Juang				
	Chief of Finance Department	Tsan Chang, Chuang				
	Accounting Supervisor & Corporate Governance Officer	Chia Ju, Liu				

December 31, 2020

Note 1 : Names and job title of each individual should be separately disclosed. The amount of remunerations can be disclosed in summary.

Note 2 : It refers to the employee remuneration (including stock and cash) received by the managerial officers that is distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of Board of Directors. If such amount is unable to be estimated, the amount can be determined in accordance with the actual distribution ratio for last year. It refers to the net income of the recent year. After the adoption of IFRS, it refers to the net income in the parent company only financial reports or individual financial reports of the recent year.

Note 3 : The scope of application for managers is defined in accordance with the Tai.Chai.Chen (III) No. 0920001301 Letter dated March 27, 2003 by the SEC as follows:

- (1) President and the equals
- (2) Senior Vice President and the equals
- (3) Vice President and the equals
- (4) General Manager of Finance
- (5) General Manager of Accounting
- (6) Managerial officers and the individuals authorized to sign

Note 4 : If Directors, President, and Senior Vice President have collected employee remuneration (including stock and cash), in addition to filling out the above table, and it should fill in this table too.

3.2.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents and vice presidents of the Company, to the net income.

Unit: %

Year	The Company		Companies in the consolidated financial statements	
	2020	2019	2020	2019
Directors	0.5173	0.395	0.5183	0.396
President and Vice Presidents	0.3394	0.2348	0.3397	0.2349

The increase of the ratio of total remuneration to Directors, President and Vice Presidents of the Company, to the net income resulted from the reduction in 2020 net income as compared to 2019.

- B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.
- (1) The Articles of Association of the Company states that if the Company is profitable in the year, it shall pay 0.05% to 0.5% of the pre-tax profit to the employees' remuneration in the current year.
 - (2) The Company's Independent Directors and some directors receive a fixed amount of compensation monthly as well as reimbursement transportation expenses based on their actual attendance of the Board meetings. No varied remuneration is paid to Independent Directors and some directors.
 - (3) Other directors receive reimbursement for transportation expenses based on their actual attendance of the Board meetings. No other directors' remuneration is paid to Independent Directors and some directors.
 - (4) Compensation to Directors and Supervisors attributed from capital surplus is cancelled as approved by shareholders' meeting on June 6, 2008.
The Company established the Audit Committee to replace the Board of Supervisors on June 29, 2015
 - (5) The President's, Vice President's, and Assistant Manager's compensations are handled in accordance with the company's Articles of Incorporation and Articles 29 of the Company Act. In addition to fixed monthly salary, year-end bonuses, festival bonuses and special awards are also given subject to the company's operating conditions. Among them, special rewards are adjusted and issued with reference to the target achievement rate, operating results, industrial safety incidents, water and energy saving, etc. Fixed monthly salary is also adjusted by the Remuneration Committee in reference to the Company's overall employee salary adjustment standards.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in the previous period.

The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Wen Yuan Wong	6	0	100	
Vice Chairman	Fu Yuan, Hong	6	0	100	
Managing Director	Wilfred, Wang	2	0	33	
Managing Director	Ruey Yu, Wang	6	0	100	
Managing Director (Independent)	Ruey Long, Chen	6	0	83	
Independent director	Hwei Chen, Huang	6	0	100	
Independent director	Tai Lang, Chien	6	0	100	
Director	Walter Wang	1	0	17	
Director	Wen Chin, Lu	6	0	100	
Director	Ing Dar, Fang	6	0	100	
Director	Ching Fen, Lee	6	0	100	
Director	Tsung Yuan, Chang	6	0	100	
Director	Wei Keng, Chien	6	0	100	
Director	Dong Terng, Huang	5	0	83	
Director	Jin Hua, Pan	6	0	100	

Other mentionable items:

A. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Explanation: inapplicability

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.

Explanation: none

B. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified

1. Mar.13, 2020

(1) Directors' names: Wen Yuan Wong, Fu Yuan, Hong, Ruey Yu, Wang

(2) Agenda: Set up the credit to objective companies, amount and interest rate for 2nd quarter, 2020.

(3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed as a managing directorate, directorate or legal representative in objective companies.

(4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

2. Mar.13, 2020

(1) Directors' names: Wen Yuan Wong, Fu Yuan, Hong, Ruey Yu, Wang

(2) Agenda: Acquire assets from interested party who are 'Nan Ya Plastic Corporation' and 'Formosa Heavy Industries Corporation'.

(3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed in these companies as a managing directorate, directorate or legal representative in objective companies.

(4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

3. Mar.13, 2020

(1) Directors' names: Fu Yuan, Hong

(2) Agenda: Announcement that the Company disposes the land to 'Hwa Ya Power Corporation'.

(3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed as directorates in the company.

(4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

4. Mar.13, 2020

(1) Directors' names: Wen Chin, Lu

- (2) Agenda: Authorize Director Wen Chin, Lu to manage the internal audit unit.
- (3) Interest conflict avoidance: The director was interested party and should be recused.
- (4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

5. Mar.13, 2020

- (1) Directors' names: Ing Dar, Fang
- (2) Agenda: Increase Investment amount of US\$12.9m in 'FG INC'.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed as directorates in the company.
- (4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

6. May.7, 2020

- (1) Directors' names: Wen Yuan Wong, Fu Yuan, Hong, Ruey Yu, Wang
- (2) Agenda: Set up the credit to objective companies, amount and interest rate for 3rd quarter, 2020.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed as a chairman, managing directorate, directorate or legal representative in objective companies.
- (4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

7. May.7, 2020

- (1) Directors' names: Wen Yuan Wong, Fu Yuan, Hong, Ruey Yu, Wang
- (2) Agenda: Acquire assets form interested party who are, 'Nan Ya Plastic Corporation' and 'Formosa Heavy Industries Corporation'.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed in these companies as a managing directorate, directorate or legal representative in objective companies.
- (4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

8. Aug.7, 2020

- (1) Directors 'names: Wen Yuan Wong, Fu Yuan, Hong, Ruey Yu, Wang
- (2) Agenda: Set up the credit to objective companies, amount and interest rate for 4th quarter, 2020.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed as a chairman, managing directorate, directorate or legal representative in objective companies.
- (4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

9. Aug.7, 2020

- (1) Directors' names: Wen Yuan Wong, Fu Yuan, Hong, Ruey Yu, Wang

- (2) Agenda: Acquire assets from interested party who are 'Formosa Plastics Corporation', 'Nan Ya Plastic Corporation' and 'Formosa Heavy Industries Corporation'.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed in these companies as a managing directorate, directorate or legal representative in objective companies.
- (4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

10. Nov.6, 2020

- (1) Directors' names: Wen Yuan Wong, Fu Yuan, Hong, Wilfred, Wang, Wen Chin, Lu, Ching Fen, Lee, Tsung Yuan, Chang, Wei Keng, Chien
- (2) Agenda: The Company issued a commitment letter to 'Formosa Chemicals Industries (Ningbo) Limited Company' for drawing up a line of credit.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed as directorates or directors who are related with two degrees of kinship in the company.
- (4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

11. Nov.6, 2020

- (1) Directors' names: Wen Yuan Wong, Fu Yuan, Hong, Wilfred, Wang, Ruey Yu, Wang, Walter Wang, Wen Chin, Lu, Ching Fen, Lee
- (2) Agenda: Set up the credit to objective companies, amount and interest rate for 1st quarter, 2021.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed in these companies as a chairman, managing directorate, directorate or legal representative in objective companies.
- (4) Resolution: Except for these above directors, the rest attendant directors approve the agenda.

12. Nov.6, 2020

- (1) Director's name: Wen Yuan Wong, Fu Yuan, Hong, Wilfred, Wang, Ruey Yu, Wang, Walter Wang
- (2) Agenda: Acquire assets from interested party who are 'Formosa Plastics Corporation', 'Nan Ya Plastic Corporation' and 'Formosa Heavy Industries Corporation'.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed in these companies as a managing directorate, directorate or legal representative or directors who are related with two degrees of kinship in the company.
- (4) Resolution: Except for these above directors the rest attendant directors approve the agenda.

13. Nov.6, 2020

- (1) Directors' names: Wen Yuan Wong, Fu Yuan, Hong, Wilfred, Wang, Ruey Yu, Wang, Walter Wang

- (2) Agenda: To Donate NT\$6,120.6K to 'Chang Gung University'.
- (3) Interest conflict avoidance: Mentioned directors evaded vote due to that these mentioned directors are employed as a chairman or directorates or directors who are related with two degrees of kinship in the company.
- (4) Resolution: Except for these above directors, the rest attendant directors approve the agenda.

14. Nov.6, 2020

- (1) Directors' names: Fu Yuan, Hong,
- (2) Agenda: Increase Investment amount of NT\$500m in 'Formosa Plastics Construction Corporation'.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed as directorates in the company.
- (4) Resolution: Except for these directors above mentioned, the rest attendance approved the agenda.

15. Dec.11, 2020

- (1) Director's name: Wen Yuan Wong, Fu Yuan, Hong, Ruey Yu, Wang,
- (2) Agenda: The Company acquires assets form interested parties who are 'Formosa Plastics Corporation', 'Nan Ya plastic Corporation' and 'Formosa Heavy Industries Corporation'.
- (3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed in these companies as a managing directorate, directorate or legal representative in objective companies.
- (4) Resolution: Except for these above directors the rest attendant directors approve the agenda.

16. Dec.11, 2020

- (1) Director's name: Wen Yuan Wong, Fu Yuan, Hong, Wilfred, Wang
- (2) Agenda: The Company issued a commitment letter to 'Formosa Ha Tinh (Cayman) Limited' for drawing up a line of credit..
- (3) Interest conflict avoidance: Mentioned director evaded vote due to that the mentioned director is employed as directorates in the company.
- (4) Resolution: Except for these above directors the rest attendant directors approve the agenda.

17. Dec.11, 2020

- (1) Director's name: Wen Yuan Wong, Fu Yuan, Hong, Wilfred, Wang
- (2) Agenda: The Company issued a commitment letter to 'Formosa Ha Tinh Steel Corporation' for drawing up a line of credit.
- (3) Interest conflict avoidance: Mentioned director evaded vote due to that the mentioned director is employed as directorates in the company.
- (4) Resolution: Except for these above directors the rest attendant directors approve the agenda.

C. TWSE/TPE should implement the evaluation cycle and period, evaluation scope, method and evaluation content and other information of the self (or peer) evaluation of the Board of Directors : Evaluation of the Implementation of the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once annually	2019.10.01-2020.09.30	Board of Directors	Self-evaluation of Directors	1. Participation level in the company's operations 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the Board of Directors 4. Election of the directors and their continuing professional education 5. Internal control
Once annually	2019.10.01-2020.09.30	Directors	Self-evaluation of Directors	1. Control of the company's goal and mission 2. Acknowledge the duty of Directors. 3. Participation level in the company's operations 4. Communication and relationship maintenance within the Board of Directors 5. Director's profession and continuing professional education 6. Internal control
Once annually	2019.10.01-2020.09.30	Audit Committee	Self-evaluation of Directors	1. Participation level in the company's operations 2. Acknowledge the duty of Audit Committee 3. Improvement of the quality of Audit Committee's decision making 4. Composition and structure, and election of Audit Committee 5. Internal control

Once annually	2019.10.01-2020.09.30	Remuneration Committee	Self-evaluation of Directors	1. Participation level in the company's operations 2. Acknowledge the duty of Remuneration Committee 3. Improvement of the quality of Remuneration Committee's decision making 4. Composition and structure, and election of Remuneration Committee
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D. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

- 1、The capability of board of directors is fully fulfilling the governance of corporation.
- 2、The board of directors on June 15, 2018 nominated independent directors, Ruey Long, Chen, Hwei Chen, Huang and Tai Lang, Chien, as the committee of Audit Committee and Remuneration Committee. The tenure of committee is the same as the term of office of directors.
- 3、The Remuneration Committee convened conferences on Jan. 15, 2020 and Aug. 8, 2020 respectively to evaluate and stipulate emolument for directors and managers. The suggestions will be subject to board of director.
- 4、The Audit Committee call five times conferences in 2020 to approve agenda, such as schedule internal control plans, amend the procedures for loaning funds to other parties, amend the procedures for providing endorsements an guarantees to other parties of the company, amend operational procedures for loaning funds to others, procedures for engaging in derivatives trading, amend debit loans, admit endorsement or guarantee for debts, declare financial statements, and confess interested party by exceed half members of audit committee. The suggestions will be subject to board of director.
- 5、In addition to strength the capability of board of director, the members of internal auditing suggest internal auditing reports to board of directors.

Note 1: Directors acting as the representatives of institutional shareholders shall indicate the names of the institutional shareholders.

Note 2: (1) If there is a director leaving the company before the end of the year, the date of departure should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the board of directors during the term of office and their actual attendance.

(2) Before the end of the year, if there are reelected directors, the new and outgoing directors should be filled in, and the remarks should indicate

that the directors are new or outgoing, and reelection date. The actual attendance rate (%) is calculated based on the number of meetings of the board of directors during the term of office and their actual attendance.

3.3.2 Audit Committee (or Attendance of Supervisors at Board Meetings)

A. Audit Committee

A total of 5 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Managing director Independent	Ruey Long, Chen	5	0	100	
Independent director	Hui Chen, Huang	5	0	100	
Independent director	Tai Lang, Chien	5	0	100	
Other mentionable items: 1. If there are the circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.					
Board Meeting Date & Sessions	Agenda and Procedures			Securities & Exchange Act, Article14-5	Resolutions were not approved by the Audit Committee but were approved by two thirds or more of all directors
Mar.13, 2020 (1 st 2020)	1. Set forth 2019 financial statement of the Company.			✓	—
	2. To formulate the Company's Internal Control System Statement.			✓	—
	3. Guidelines for lending of capital in 2 nd quarter of			✓	—

	<p>2020</p> <p>4. Acquire assets form interested parties, ‘Nan Ya Plastic Corporation’ and ‘Formosa Heavy Industries Corporation’.</p> <p>5. Announcement that the Company disposes the land to ‘Hwa Ya Power Corporation’.</p> <p>6. Authorize Director Wen Chin, Lu to manage the internal audit unit.</p> <p>7. Increase Investment amount of US\$12.9 m in ‘FG INC’.</p> <p>8. Amend the Company’s ‘audit committee charter’.</p> <p>9. Amend the Company’s ‘internal control systems’ and ‘internal audit implementation rules’ of compiling the financial statements.</p> <p>Resolutions by audit committee: all attended committee approved these agendas.</p> <p>The Company’s procedures: The Company’s board of director approved these resolutions.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>
May 7, 2020 (2 nd 2020)	<p>1. Amend the Company’s ‘internal control systems’ and ‘internal audit implementation rules’.</p> <p>2. Set up Guidelines for lending of capital in 3rd quarter of 2020.</p> <p>3. Acquire assets form interested parties, ‘Nan Ya Plastic Corporation’ and ‘Formosa Heavy Industries Corporation’.</p> <p>4. To adjust investment structure of ‘Formosa Ha Tinh Steel Corporation’.</p> <p>5. To announce the replacement of the Internal Audit Officer.</p> <p>Resolutions by audit committee: all attended committee approved these agenda.</p> <p>The Company’s procedures: The Company’s board of director approved these resolutions.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>
Aug 7, 2020 (4 th 2020)	<p>1. Set up Guidelines for lending of capital in 4th quarter of 2020.</p> <p>2. Acquire assets form interested parties, ‘Formosa Plastics Corporation’, ‘Nan Ya plastic Corporation’ and ‘Formosa Heavy Industries Corporation’.</p>	<p>✓</p> <p>✓</p>	<p>—</p> <p>—</p>

	Resolutions by audit committee: all attended committee approved these agenda. The Company's procedures: The Company's board of director realized or approved these resolutions.		
Nov. 6, 2020 (5 th 2020)	<p>1. The Company issues a commitment letter to Formosa Chemicals Industries (Ningbo) Limited Company' for drawing up a line of credit.</p> <p>2. Set up Guidelines for lending of capital in 1st quarter of 2021</p> <p>3. Acquire assets form interested parties who are 'Formosa Plastics Corporation', 'Nan Yan Plastics Corporation' and 'Formosa Heavy Industries Corporation'.</p> <p>4. To Donate NT\$6,120.6K to 'Chang Gung University'.</p> <p>5. Increase Investment amount of NT\$500m in 'Formosa Plastics Construction Corporation'.</p> <p>Resolutions by audit committee: all attendant committee approve these agenda.</p> <p>The Company's procedures: The Company's board of director approves these resolutions.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>
Dec.11, 2020 (6 th 2020)	<p>1. Acquire assets form interested parties who are 'Nan Yan Plastics Corporation' and 'Formosa Heavy Industries Corporation'.</p> <p>2. The Company issues a commitment letter to 'Formosa Ha Tinh (Cayman) Limited' for drawing up a line of credit.</p> <p>3. The Company issues a commitment letter to 'Formosa Ha Tinh Steel Corporation' for drawing up a line of credit.</p> <p>4. Personnel Change of principal financial officer and principal accounting officer.</p> <p>Resolutions by audit committee: all attendant committee approve these agenda.</p> <p>The Company's procedures: The Company's board of director approves these resolutions.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p>
<p>2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: Explanation: none.</p> <p>3. Communications between the independent directors, the Company's chief internal</p>			

auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

- (1) The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The communication channel between the Audit Committee and the internal auditor has been functioning well.
- (2) The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. The communication channel between the Audit Committee and the CPAs has been functioning well.
- (3) The Company's communication events are among Audit Committee, internal auditors and CPAs.

Date	Occasions	Person	Communication Events	Communication Result
Mar. 13, 2020	Audit Committee	Accountants	Communication for the findings of 2019 financial reports	Excellent
Mar. 13, 2020	Audit Committee	Chief internal auditor	Set up prior year's 'Management's report on internal control'	Set forth agenda to Board of Directors
Mar. 13, 2020	Audit Committee	Chief internal auditor	To amend the Internal Control System and the Enforcement Rules of the Internal Control System for the preparation of its financial statements.	Set forth agenda to Board of Directors
Mar. 13, 2020	Board of Directors	Chief internal auditor	Implementation of internal schemes for the November and December of 2019	Realization
May 7, 2020	Audit Committee	Chief internal auditor	To amend the Company's 'internal control systems' and 'internal audit implementation rules'	Submit to Board of Directors
May 7, 2020	Audit Committee	Chief internal auditor	To announce the replacement of the Internal Audit Officer.	Submit to Board of Directors

May 7, 2020	Board of Directors	Chief internal auditor	Implementation of internal schemes for the 1 st quarter of 2020	Realization
June 5, 2020	Board of Directors	Chief internal auditor	Improvement of objections and abnormal events occurred on internal control system in 2019	Realization
Aug. 7, 2020	Board of Directors	Chief internal auditor	Implementation of internal schemes for the 2 nd quarter of 2020	Realization
Nov. 6, 2020	Board of Directors	Chief internal auditor	Implementation of internal schemes for the 3 rd quarter of 2020	Realization
Dec. 11, 2020	Board of Directors	Chief internal auditor	Implementation of internal schemes of the October of 2020	Realization
Dec. 11, 2020	Board of Directors	Chief internal auditor	Schedule 2021 annual internal audit plan.	Approval

4. Annual work highlights and operation status:

- (1) The Company's Audit Committee is composed of 3 Independent Directors. A total of 5 meetings were held in 2020. The discussion proposals and status of follow-up addressing refer to "1. resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion" and the work highlights are as follows:
 - I. Amendment to the internal control system of the stock affair department.
 - II. Assessment of the effectiveness of the internal control system.
 - III. Rationality of matters in which a director is an interested party.
 - IV. Asset transactions of a material nature.
 - V. Loans of funds, endorsements, or provision of guarantees of a material nature
 - VI. Annual financial reports review.
- (2) The Audit Committee will continue to assist the Board of Directors to supervise fair presentation of the financial reports, the hiring (and dismissal), independence, and performance of certificated public accountants, the effective implementation of the internal control system, compliance with relevant laws and regulations, management of the existing or potential risks of the Company in 2021.

Note:

- * If there is an independent director leaving the company before the end of the year, the date of departure should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the audit committee during the term of office and their actual attendance.
- * Before the end of the year, if there are reelected independent directors, the new and old directors should be filled in, and the remarks should indicate that the directors are new or outgoing, and reelection date. The actual attendance rate (%) is calculated based on the number of meetings of the audit committee during the term of office and their actual attendance.

3.3.3 Corporate Governance Implementation Status and Deviations from the “ Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” :

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1. Did the Company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company passed the resolution of the Board of Directors on November 7 th , 2014 and set a Corporate Governance Practice Principles. Thereon on November 4 th , 2016 the Company amended the Corporate Governance Practice Principles which was disclosed on the information reporting website designated by the securities authority and the Company’s website.	Consistent with Article 1 and Article 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The “Principles of Corporate Governance” established by the Company adheres to the principles of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” with minor amendments based on the Company’s actual practices.
2. Shareholding structure and shareholders’ rights (1) Did the Company establish an internal operating procedure to deal with	✓		(1) The Company has an internal operating procedure for handling shareholder matters and has set up a spokesperson to address shareholder suggestions or concerns at any time. In addition, each functional team in	In compliance with Article 13 of the Corporate Governance Best Practice

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?			the President Office fully supported the above matters, and have an in-depth understanding and review of the shareholders' suggestions or concerns. After that, an oral or written reply to the satisfaction of the shareholders is proposed.	Principles for TWSE/TPEX Listed Companies
(2) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(2) The Company shall pay attention to the situation of any increase, decrease or use as collateral in the shares of shareholders holding more than 5% of shares and holding Director or manager positions , and has disclosed the information of shareholders holding more than 5% of shares in the quarterly financial report. The Directors, managers and shareholders holding more than 10% of the shares are disclosed monthly by the information reporting website designated by the securities authority.	In compliance with Article 19 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(3) Did the Company establish and execute the risk management and firewall systems with its affiliated businesses?	✓		(3) a. Both the Company and its subsidiaries implement profit center management. Each company's personnel, property management rights and responsibilities are clearly divided, and there are no irregular transactions. b. The funds and loans of the Company and its related companies are calculated based on the accrued market interest rate. The amount of loan is reassessed every quarter based on business needs. Guaranteed coverage and limits have also been set for endorsement guarantees for other companies. c. To reduce losses, comprehensive risk assessment for banks, customers, and suppliers are performed. Each company credit authorization to the	In compliance with Article 14 to Article 17 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(4) Did the Company establish internal rules that prohibit Company insiders from trading securities using undisclosed information?	✓		<p>same customer and stop payment to the same supplier can be review through the computer system.</p> <p>d. The relationship between the Company and the related companies, such as transaction management, endorsement, loans, etc., are monitored. In accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies”, outlined by the Financial supervisory Commission, the Company has set up supervision and management operations to implement the risk control mechanism for its subsidiaries.</p> <p>(4) The Company has established "Personnel Management Rules," and "Guidelines for Prevention of Insider Trading" to forbid using undisclosed information to buy and sell securities for illegal profits. The employees also receive training to comply with relevant regulations.</p>	In compliance with Article 10-3 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
<p>3. Composition and responsibilities of the Board of Directors:</p> <p>(1) Did the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>(1) Article 20 of Code of Practice for Corporate Governance of the Company states that diversified backgrounds of the Company's Directors should be considered when forming the Board of Directors. Gender and nationality of the Board members shall not be limited, and the overall Board shall possess the following abilities: to make operational judgments, to perform accounting and financial analysis, to</p>	In compliance with Article 20 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(2) In addition to establishing the Salary and Remuneration Committee and Audit Committee according to the regulations, has the Company voluntarily established other functional committees?		✓	<p>conduct management administration, to conduct crisis management, to possess knowledge of the industry and an international market perspective, as well as to have abilities to lead and to make policy decisions.</p> <p>The present member of Board of Directors has 15 Directors including 3 Independent Directors and 1 female Director (account for 6.7% of all Directors). The goal of all Board members is to possess 50% or more of the diverse industry experiences or expertise. Please refer to Page 14-15,21 of this annual report for implementation of the Board members' diversification policy.</p> <p>(2) The Company has set up a salary remuneration committee after the resolution of the Board of Directors on August 22th, 2011. The Board of Directors also resolved on June 29th, 2015 to set up the audit committee. At present, apart from the above two committees, the Company has not set up any other functional committees.</p>	<p>In compliance with Article 28 and Article 28-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. Article 28-2 has not been met, since the Company is able to nominate suitable and appropriate Director candidates, and there is no operational need to set up a Nomination Committee.</p>

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(3) Did the company establish a standard to measure the performance of the Board of Directors and implement it annually? Did the Company submit the results of performance assessments to the board of directors and use them as reference in determining remuneration for individual directors, their nomination, and additional office term?		✓	(3) The Company has established the "Self-Evaluation or Peer Evaluation of the Board of Directors" upon resolution from the Board of Directors on August 7, 2020. The performance evaluation for 2020 has also been completed, and the results of which have been submitted to the Board meeting convened on December 11, 2020. The preceding information could serve as references in determining remunerations, nomination, and re-election of the Company Directors.	In compliance with Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(4) Did the Company regularly evaluate the independence of CPAs?	✓		(4) The Company evaluates the independence and competence of CPAs at least once a year, focusing on the size and reputation of the accounting firm, the number of consecutive years of providing audit services, the nature and extent of providing non-audit services, the audit fees, peer review, whether there are any legal proceedings or investigations by the competent authorities, quality of audit services, regular training, interaction with management and internal audit supervisors, etc. Relevant information and statements are requested from CPAs and the firms. The documents are then evaluated by the President Office, and the latest results have been submitted to the Board of Directors on	In compliance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons																					
	Yes	No	Summary																						
			March 12th, 2021.																						
4. Did the TWSE/TPEX listed company have designated appropriate personnel to handle corporate governance tasks and set up a Chief Governance Officer as the most senior manager in charge of corporate governance-related tasks (including but not limited to providing information required for Director/Supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change Company registry and producing meeting minutes of board/shareholder meetings)?	✓		<p>(1) The Company has set up a Chief Governance Officer as the most senior manager in charge of corporate governance-related tasks on May 3, 2019. Appropriate personnel have also been designated to handle corporate governance tasks.</p> <p>(2) The officer supervises President Office, which is responsible for corporate governance-related matters and is assisted by the relevant departments such as the Legal Affairs Office of the General Administrative Office, which includes handling Board of Directors and shareholders meetings, taking minutes of such meetings, assisting Directors come to office and continue training, providing Directors relevant information for operations, assisting Directors compliance with law and regulations, and so on.</p> <p>(3) Chief Governance Officer Training Records:</p> <table border="1"> <thead> <tr> <th>Date of Training</th><th>Course</th><th>Organization</th><th colspan="2">Training Hours</th></tr> </thead> <tbody> <tr> <td>May 14, 2020</td><td>Practical Analysis of "Corporate Governance Supervisor/Staff" Required by Competent Authority to Be in Place</td><td>Accounting Research and Development Foundation</td><td>3</td><td rowspan="4">12</td></tr> <tr> <td>May 15, 2020</td><td>Business Corporate Governance Practice: Exploration of Employee Reward Strategy and Utilization of Tools</td><td>Accounting Research and Development Foundation</td><td>3</td></tr> <tr> <td rowspan="2">November 27, 2020</td><td>2021 Economic Outlook and Industrial Trends.</td><td>Securities and Futures Institute</td><td>3</td></tr> <tr> <td>Role of Institutional Investor in Enhancement of Corporate Governance</td><td>Taiwan Corporation Governance Association</td><td>3</td></tr> </tbody> </table>	Date of Training	Course	Organization	Training Hours		May 14, 2020	Practical Analysis of "Corporate Governance Supervisor/Staff" Required by Competent Authority to Be in Place	Accounting Research and Development Foundation	3	12	May 15, 2020	Business Corporate Governance Practice: Exploration of Employee Reward Strategy and Utilization of Tools	Accounting Research and Development Foundation	3	November 27, 2020	2021 Economic Outlook and Industrial Trends.	Securities and Futures Institute	3	Role of Institutional Investor in Enhancement of Corporate Governance	Taiwan Corporation Governance Association	3	In compliance with Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Date of Training	Course	Organization	Training Hours																						
May 14, 2020	Practical Analysis of "Corporate Governance Supervisor/Staff" Required by Competent Authority to Be in Place	Accounting Research and Development Foundation	3	12																					
May 15, 2020	Business Corporate Governance Practice: Exploration of Employee Reward Strategy and Utilization of Tools	Accounting Research and Development Foundation	3																						
November 27, 2020	2021 Economic Outlook and Industrial Trends.	Securities and Futures Institute	3																						
	Role of Institutional Investor in Enhancement of Corporate Governance	Taiwan Corporation Governance Association	3																						

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
5. Has the Company established a communication channel with stakeholders(including but not limited to shareholders, employees, customers and suppliers)? Has a stakeholders’ area been set up on the Company website? Are major Corporate Social Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the Company?	✓		<p>(1) The Company instructs the President Office to communicate with stakeholders depending on the situation. A spokesperson and a deputy spokesperson have been appointed as the external communication channel.</p> <p>(2) The Company set up the stakeholder area on the Company website to provide detailed contact information for the dedicated personnel, including phone number and e-mail, as the channels for the stakeholders to communicate with the Company.</p> <p>(3) The Company responds to stakeholders' issues of concern at the appropriate time through the following channels:</p> <p>a. Shareholders: Shareholders' meetings are held annually and shareholders can fully exercise their voting rights through electronic means. In addition, the annual report of the shareholders' meeting, the monthly revenue and the quarterly self-closing profit and loss are issued to facilitate shareholders' understanding of the Company's operating conditions.</p> <p>b. Employees: mainly concerned with workplace safety, employee welfare, human rights protection, labor and employment issues, etc. Communication with employees can be conducted through trade unions, factory (office) meetings, etc.</p> <p>c. Suppliers: The Company adheres to the principle of sustainable management and fair trade and is committed to working with manufacturers that comply with environmental protection, safety, and human rights standards. Open tenders are held through the Formosa Plastics electronic trading platform, and regular briefings are held to strengthen two-way communication and advocacy. Also suppliers can</p>	In compliance with Article 47 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			ask questions on the Formosa Plastics electronic trading platform, and the questions will be replied by personnel immediately, to achieve the goals with good communications. d. Customer: Issues including product quality and after-sales service that customers care about can be addressed through customer visits, participating in exhibitions, product briefings, customer satisfaction surveys, etc. The website also lists the sales service line and e-mail address. Customer complaints are handled through the "Customer Response Form" and the "Customer Complaint Handling Form." (The status of stakeholder communication refers to 1.4 Stakeholder Identification and Communication of 2019 Corporation Social Responsibility Report)	
6. Does the Company appoint a professional shareholder services agency to deal with shareholder affairs?		✓	The held affairs of shareholders' meeting of the Company is currently handled by itself, but the relevant procedures are handled by the designated share unit, the legal office, and the President Office in accordance with rigorous regulations, so that the shareholders' meeting will be convened in a legal, effective, and safe context to ensure shareholders' rights.	Although it does not meet the requirements of Article 7-1 of the the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, it does not impair the operational efficiency of the shareholders' meeting.
7. Information disclosure (1) Did the Company establish a website to disclose information on financial operations and corporate	✓		(1) The Company has set up a website in Chinese and English with disclosed relevant financial business and corporate governance information under “Investor Relations Section”. The Company's website is: www.fcfc.com.tw .	In compliance with Article 57 and Article 59 of the Corporate Governance Best Practice Principles for

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
governance? (2) Did the Company have other information disclosure channels (such as establishing an English language website, delegating a professional to collect and disclose Company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)? (3) Does the Company publish and report its annual financial report within two months after the end of an accounting period, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline?	✓	✓	<p>(2) The Company has a spokesperson and a deputy spokesperson. A dedicated person has been appointed in the President Office to collect and disclose Company information, as well as providing the spokespersons and relevant business departments with answers to stakeholders, investors, and authorities.</p> <p>(3) In principle, the Company submits and announces operating revenue data from the previous month on the 6th in every month and announces self-monitored finance data from the previous quarter on the 10th day in each quarter. The Company also submits and announces financial reports before the deadline in accordance with laws and regulations. Though the Company does not announce annual financial statements two months within the end of an accounting period due to CPA's auditing work, the Company does announce our self-monitored financial information one month before the deadline to help investors to understand our operating status.</p>	<p>TWSE/TPEX Listed Companies.</p> <p>In compliance with Article 55 paragraph 3 and Article 56 and Article 58 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>Although it does not meet the requirements of Article 55 paragraph 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies ,the Company does announce our self-monitored financial information</p>

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee wellness, investor relations, supplier relations, stakeholders' rights, Directors and Supervisors training records, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and Supervisors of the Company)?	✓		<p>(1) Employees' rights: The Company strives to pursue a harmonious labor-management relationship and attaches importance to the right of employees to express their opinions. We have set up physical suggestion boxes at the places where employees have easy access to, as well as an online suggestion box in the Company information system. Each suggestion box is appointed to dedicated personnel for replying, in order to facilitate communication. An "inspection method" that establishes the internal whistle-blower channel and protection system has also been set up. In the meantime, board of supervisors and labor-management meetings are held by the unions regularly. The heads of relevant departments attend the meetings to fully communicate with the labor representatives. On major labor issues, the Company gives higher priority to the opinions of the unions, and the top leaders consult with the unions to reach a consensus and ensure the harmonious labor-management relationship as well as the sustainable development of the Company.</p> <p>(2) Employee wellness: In order to take care of employees' physical and mental health, the Company has budgeted annual health checks at Chang Gung Memorial Hospital. In addition to the items required by the law, the Company has added cancer screening programs such as A-type fetal protein and cancer embryo antigen. The goal is to ensure the employees understand and improve their health status. In terms of the employees' diet, the Company follows health regulations concerning food source, acceptance and</p>	In compliance with Articles 51 to Articles 54 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>storage, water safety and hygiene, food staff and kitchen cleaning operations, and food and tableware cleaning inspections to ensure the health and safety of employees' diet. For the relevant welfare measures, please refer to annual report. Besides, the Company has employed counseling personnel in charge of the interview with newcomers, helping them fit in the Company as soon as possible. The counseling personnel could also provide both advice and care when employees face difficulties with work or life. For the relevant welfare measures, please refer to page 165 of the annual report.</p> <p>(3) Investor Relations: The Company uses the President Office and the shareholding department as a bridge between the Company and its shareholders. In terms of corporate information transparency, the Company's website has an "Investor Relations Section" to provide investors with relevant information. In order to maintain a good relationship with investors, the Company has set up a spokesperson system to provide a means of contact with shareholders and corporate investment institutions. The Company also holds meetings with both domestic and international investors on irregular basis.</p> <p>(4) Supplier Relations: The Company's procurement and contracting operations are mainly aimed at creating a level playing field by looking for good manufacturers that can provide suitable and appropriate equipment, materials or projects at</p>	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>reasonable prices to meet the needs of expansion or operation of various departments in a timely manner.</p> <p>a. Open and fair procurement and delivery mechanism: The Company uses the "open tender" method to purchase and distribute the contracting system through the Formosa Plastics electronic trading platform. It provides functions such as inquiry, quotation, bargaining, order, delivery, payment progress inquiry, etc. All information is encrypted by electronic voucher and firewall control to ensure the security of all incoming and outgoing data. Vendors can access the inquiry case and make quotations anytime and anywhere through the Internet without time and space restrictions, which greatly improves the efficiency of operations, saves time and money, and reduces operating costs to increase profits. After all the inquiry cases have been launched electronically, the manufacturers with the lowest quotation, fastest delivery time, and best quality are chosen so that both the buyer and the seller can reasonably achieve the goals in a harmonious atmosphere.</p> <p>b. Sound vendor management: In order to stabilize the quality and delivery of materials and ensure the quality and progress of construction, the Company has conducted evaluation and ranking of all manufacturers through the sound management and evaluation of the manufacturers. In the case of overdue delivery of the products (engineering), poor quality, or violation of the safety regulations, the event will be automatically included in the assessment record in order to replace unqualified</p>	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>manufacturers, and cultivate excellent manufacturers to achieve good relations as well as long-term cooperation between the two sides.</p> <p>c. Electronic trading for a win-win situation: The Company combines the comprehensive ERP computer management system and the digital, open, and transparent online procurement and delivery mechanism to build a high-quality, safe, convenient and fast electronic trading environment. The Company has further extended the same system vertically and horizontally to the rest of the industry, sharing the e-generation "Formosa Plastic experience" with all enterprises. At present, combined with the Company's upstream and downstream supply chain systems, with more than 10,000 suppliers and third-party suppliers, this electronic trading platform shares the business opportunities and economic benefits brought about by open trading.</p> <p>(5) Stakeholders' Rights In addition to continuing to improve in the industry, the Company pursues good business performance and strives to achieve the mission of “caring for the employees, serving the customers, and rewarding the shareholders.” Therefore, it is committed to caring for the shareholders, customers, suppliers, employees, and society. In addition to complying with laws and business ethics, the Company is in line with international standards in enhancing competitiveness, create shareholders' benefits, as well as providing supplies of stable, high-quality and low-cost products. With industrial and environmental protection as a priority, the Company</p>	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons																
	Yes	No	Summary																	
			<p>will develop towards eco-industrial areas and promote green building and green energy conservation, raw materials procurement, actively planting forests, paying attention to various social issues, investing in community and social welfare undertakings suitable for enterprises to contribute to the society.</p> <p>(6) Director Training Records</p> <table><tr><th>Title</th><th>Name</th><th>Date of Study</th><th>Organizer</th><th>Course</th><th>Length of Hours</th></tr><tr><td rowspan="2">Director</td><td>Wen Yuan Wong</td><td rowspan="2">Nov. 27, 2020</td><td>Securities and Futures Institute</td><td>2021 Economic Outlook and Industrial Trends.</td><td>3</td></tr><tr><td>Fu Yuan, Hong Wilfred, Wang Ruey Yu, Wang Hwei Chen, Huang Tai Lang, Chien Wen Chin, Lu Ing Dar, Fang Ching Fen, Lee Tsung Yuan, Chang Wei Keng, Chien Dong Terng, Huang Jin Hua, Pan</td><td>Taiwan Corporation Governance Association</td><td>Role of Institutional Investor in Enhancement of Corporate Governance</td><td>3</td></tr></table>	Title	Name	Date of Study	Organizer	Course	Length of Hours	Director	Wen Yuan Wong	Nov. 27, 2020	Securities and Futures Institute	2021 Economic Outlook and Industrial Trends.	3	Fu Yuan, Hong Wilfred, Wang Ruey Yu, Wang Hwei Chen, Huang Tai Lang, Chien Wen Chin, Lu Ing Dar, Fang Ching Fen, Lee Tsung Yuan, Chang Wei Keng, Chien Dong Terng, Huang Jin Hua, Pan	Taiwan Corporation Governance Association	Role of Institutional Investor in Enhancement of Corporate Governance	3	<p>In compliance with Article 40 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</p>
Title	Name	Date of Study	Organizer	Course	Length of Hours															
Director	Wen Yuan Wong	Nov. 27, 2020	Securities and Futures Institute	2021 Economic Outlook and Industrial Trends.	3															
	Fu Yuan, Hong Wilfred, Wang Ruey Yu, Wang Hwei Chen, Huang Tai Lang, Chien Wen Chin, Lu Ing Dar, Fang Ching Fen, Lee Tsung Yuan, Chang Wei Keng, Chien Dong Terng, Huang Jin Hua, Pan		Taiwan Corporation Governance Association	Role of Institutional Investor in Enhancement of Corporate Governance	3															

Evaluation Item	Implementation Status (Note)								Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons		
	Yes	No	Summary								
			Director	Ruey Long, Chen	May. 12, 2020	Taiwan Corporation Governance Association	Impacts of COVID-19 on the economy and industry and their prospects.	1.5			
					Aug. 11, 2020	Taiwan Corporation Governance Association	Little Blue Cup Storm - Luckin Coffe from the Perspective of Corporate Governance.	1.5			
					Sep. 04, 2020	Taiwan Corporation Governance Association	Responsibilities of Directors and Supervisors in Corporate Mergers and Acquisitions.	3			
					Nov. 10, 2020	Taiwan Corporation Governance Association	Economic Model Based on Spending Behavior of the New Generation.	1.5			
			Director	Walter, Wang	Nov. 05, 2020	Securities and Futures Institute	Tax Management Trends of the Group in the Post-pandemic Era.	3			
					Nov. 06, 2020	Securities and Futures Institute	Liabilities of Directors and Supervisors in Corporate Mergers and Acquisitions.	3			
			(7) The situation in which the Company purchased liability insurance for the Directors: The Company has purchased liability insurance for all Directors, and the insured amount is US\$30 million. The above insurance period is from February 1st, 2021 to August 1st, 2022.								

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>(8) Implementation and policies of risk management: The Company established risk management policies to identify, evaluate, supervise and control risk from every aspect, enhance the sense of awareness of employees and make sure all potential risks that might happen are endurable, thus, can the Company execute the optimal strategy to rationalize the balance between profits and risks, please refer to page 189~194 of the annual report for further disclosure of risk management policies of the Company.</p> <p>(9) Implementation of customer policy: Customers are the cornerstone of the Company's existence. The goal is to quickly supply the requested products and achieve stable and adequate supply so that customers can continue operate.</p> <p>a. Creating a stable supply and demand The Company and its customers have an important relationship of interdependence, coexistence, and co-prosperity. Therefore, building a stable supply and demand relationship is an issue that every sustainable company must pay attention to. Focusing on the long-term development of the industries in Taiwan, the Company actively invests in the production of chemicals, plastic, and fiber raw materials to provide customers with a stable source of materials and lay a solid foundation for related industries. The solid long-term cooperation has allowed the customers to show steady growth.</p> <p>b. Improving raw material self-sufficiency rate The completion of the sixth naphtha cracker has greatly eased the problem of long-term raw material shortage in Taiwan and reduced the degree of dependence on foreign countries. Current</p>	In compliance with Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>self-efficiency rate of Ethylene in Taiwan reaches above 90 percent, therefore, greatly mitigating the dependence of Ethylene import and enhancing the competitiveness of the overall industry.</p> <p>c. Enhancing the competitiveness of midstream and downstream manufacturers</p> <p>In order to improve the management capabilities of the middle and lower suppliers of the plastic industry, the founders set up a series of management courses at the early stage, and actively shared the Company's system and experience with the industry. The Company has received positive feedback while strengthening the competitiveness of customers. So far, if other companies come visit, we are willing to share. From a management point of view, the Company has always believed that by taking customer interests into account, the Company will also benefit from it. In addition, in order to cooperate with customers to expand the market, the Company also actively supports customers and provides after-sales service.</p> <p>d. E-commerce saves costs and improves efficiency</p> <p>In order to improve the efficiency of the transaction process with the customer, the customer can get instant information and respond quickly when placing orders, order progress inquiries, receipts and payments, the Company officially established the Formosa Plastics E-Commerce Center in January 2001. This B2B online trading portal imports the e-commerce trading system, coordinates the management of internal resources and strengths, and integrates upstream and downstream supply chain systems and customer business relationships.</p>	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	

9. Please specify the Company's measures to improve the items listed in the corporate governance review result by Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be completed.

The Company has ranked among the top 20 percentile of all listed companies that participated in the 7th Corporate Governance Evaluation in 2020. The following are descriptions for items in the Corporate Governance Evaluation in which the Company has either made improvements or the improvement of which will be set as a priority:

Category	Evaluation Indicator	Improvement Status
Items Improved	1. Does the Company simultaneously disclose material information in English?	The Company has disclosed material information in English starting from 2020.
	2. Does the Company formulate risk management policies and procedures approved by the Board, which disclose the scope, the organizational structure, and the operations of risk management?	The Company has formulated the risk management upon resolution from the Board of Directors on December 17, 2020. The scope, the organizational structure, and the operations of risk management are disclosed on the Company website.
Improvement Set as a Priority	1. Does the Company establish an intellectual property management plan which is linked to operational targets, disclose the execution process on the Company website or the Annual Report, and report to the Board of Directors at least once a year?	The company's website will disclose the specific circumstances of the implementation.
	2. Does the Company establish appointment, removal, appraisal, and remuneration policy of the Company's internal auditors, which have been either submitted to the Board of Directors or signed by the audit supervisor and submitted to the Chairman of the Board for approval? And is the preceding policy disclosed on the Company website?	The company will revise the corporate governance code through the board of directors, and update the appointment and dismissal, evaluation, salary and remuneration of internal auditors. The internal audit supervisor will sign the board of directors' approval regulations and disclose them on the company's website.

Note: Provide a brief description in the appropriate column regardless whether "yes" or "no" is selected.

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Convener	Ruey Long, Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Committee Member	Hui Chen, Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Committee Member	Tai Lang, Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note1 : Title should be filled in director, independent director or others.

Note2 : Tick “✓” in the appropriate corresponding boxes if the members qualify the following conditions during the two years before being elected or during the term of office

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, or employee of other companies controlled by the same person

with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

7. Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
9. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
10. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 2 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Ruey Long, Chen	2	0	100	
Committee Member	Hui Chen, Huang	2	0	100	
Committee Member	Tai Lang, Chien	2	0	100	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified):
None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Remuneration committee Date & Sessions	Agenda, Procedures and Resolution
Jan. 15, 2020 (1 st , 2020)	1. Report the resolution from board of meeting on the grant standards of yearend bonus, according to the grant measures for yearend bonus and remuneration, for managers, chiefs of finance and accounting department. The date of payment is on January 20, 2020. Resolution from remuneration committee: none. Procedures from the Company: none.
Aug. 7, 2020 (2 nd , 2020)	1. The remuneration for managers would not to be adjusted in 2020. Resolution from remuneration committee: all attendance approves, and submits resolution to board of meeting. Procedures from the Company: all attendance of board of meeting approves the resolution. 2. Amend the Company's remuneration committee charter. Resolution from remuneration committee: all attendance approves, and submits resolution to board of meeting. Procedures from the Company: all attendance of board of meeting approves the resolution. 3. Established the Company's methodology for evaluating the performance of its Board of Directors. Resolution from remuneration committee: all attendance approves, and submits resolution to board of meeting. Procedures from the Company: all attendance of board of meeting approves the resolution.

Note 1: Scope of duties of remuneration committee of the Company includes followings:

- (1) Periodically reviewing remuneration committee charter and making recommendations for amendments.
- (2) Establishing and periodically reviewing performance goals for the directors and managers of the Company and the policies, systems, standards, and structure for their compensation.
- (3) Periodically assessing and setting the types and amounts of the directors and managers compensation of the Company.

Note 2: If there is a remuneration committee member leaving the company before the end of the year, the date of departure should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the remuneration committee during the term of office and their actual attendance.

Note 3: Before the end of the year, if there are reelected remuneration committee member, the new and outgoing members should be filled in, and the remarks should indicate that the members are new or outgoing, and reelection date. The actual attendance rate (%) is calculated based on the number of meetings of the remuneration committee during the term of office and their actual attendance.

3.3.5 Social Responsibilities Implementation Status and Deviations from the “ Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” :

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
1. Does the Company conduct risk assessment in regards to environmental, social, and governance topics related to company operations in accordance with the materiality principle, and establish relevant risk management policy or strategy?(Note 3)	✓		The Company's President Office and FPG Administration Department assess the risks to the Company from environmental, social and governance issues based on the levels of influence to stakeholders, and establish risk policies that enable effective identification, measurement and evaluation, supervision, and control to lower influences from relevant risks. The Company's website is: http://www.fcfc.com.tw/pre/tw/ICM-HazardMP.html#gsc.tab=0	In compliance with the Article 3 paragraph 2 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
2. Has the Company established an exclusively (or concurrently) dedicated unit for promoting CSR? Is the unit empowered by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?	✓		To promote Corporate Social Responsibility, the Vice Chairman, Hong, Fu Yuan has been appointed as the general convener and President Office, safety and health department, and other units form “The Corporate Social Responsibility Special Unit” which is dedicated to the implementation of social responsibility. The Corporate Social Responsibility Special Unit will report the work items to the Company's Directors through internal official documents. The unit will also reports the preparation and implement of Corporate Social Responsibility report in the Board of Directors meeting at least one time at each year.	In compliance with the Article 9 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
3. Environmental issues (1) Has the Company referred to the nature of its industry to	✓		(1) The Company formulated the administrative standards for security and health management, management information	In compliance with Article 13 of the Corporate Social

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>establish a suitable environment management system (EMS)?</p> <p>(2) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental</p> <p>(3)Does the Company assess</p>	<p>✓</p> <p>✓</p>		<p>systems, office automation systems, etc., and strengthened the management of the security zone in the plants area through the improvement of the system. In addition, the Company will further introduce environmental accounting systems by collecting environmental expenditure information, environmental expenditure benefits, and informing stakeholders of environmental protection measures. (For details of the environmental management system based on industrial characteristics, please refer to 3.1 Mission in Maintaining Safety, Health, and Environmental Protection of the 2019 Corporate Social Responsibility Report.)</p> <p>(2) From raw material procurement to product sales, the Company attaches great importance to the health and safety of its customers. Therefore, the production process is continuously improved upon. To follow market trends and meet customer's needs, the Company has shifted its focus to producing non-toxic and environmentally friendly products with improved production processes as well as green energy products. (For details of the specific practices and products that are environmentally friendly, please refer to 2.3.4 Product Safety and Health Responsibility and 2.6.1 Green Procurement of the 2019 Corporate Social Responsibility Report)</p> <p>(3)The Company continued to assess potential risks and</p>	<p>Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>In compliance with Article 12 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>In compliance with Article 17,</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>potential risks and opportunities arising from climate change, and establish relevant risk management policy or strate?</p> <p>(4) Does the company monitor its greenhouse gas (GHG) emissions, water consumption, and waste volume for the past two years, and establish policies for energy conservation, carbon and GHG reduction, water consumption reduction, waste volume reduction accordingly?</p>	✓		<p>opportunities arising from climate change in aspects of finance, reputation, global economy, energy cost volatility, and environmental compliance costs, set energy conservation targets and measures, and develop eco-friendly products to keep the business operations stable and competitive. (Please refer to 3.3.1 Response Strategies to Climate Change Risks of the 2019 Corporate Social Responsibility Report.)</p> <p>(4)The Company regularly commissions BSI (British Standards Association) and SGS (Taiwan Inspection and Technology Corporation) to conduct greenhouse gas inventory. For energy conservation and carbon reduction, the Company will set a specific reduction target each year. (For further details, please refer to 3.2 Water Resource Use and Management ~3.7 Description of Material Environmental Issues of the 2019 Corporate Social Responsibility Report.)</p>	<p>paragraph 1 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>In compliance with Article 17, paragraph 2~3 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>4. Social issues</p> <p>(1) Has the Company referred to relevant laws and international human rights instruments to establish relevant management policies and procedures?</p>	✓		<p>(1) In order to guarantee the human right of employees, customers and stakeholders of the Company, the Company complies with relevant employment relations acts such as the Labor Standard Act, UN Universal Declaration of human Rights, and UN Guiding Principles on Business & Human Rights, International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, etc. The Company also complies with the various labor laws and regulations of the Republic of China and the local laws and regulations of each operating branch. The Company also complies relevant labor laws to formulate personnel rules and regulations to protect employees' rights and interests. It also provides stable and excellent treatment, complete education and training, promotion and development system, and a safe and healthy working environment to enhance the professional competence of employees. The Chairman of the Company, Wen Yuan Wong officially signed the human rights policy in August, 2019. For details, please refer to the official website of the Company(http://www.fcfc.com.tw/CSR/TW/pdf/台化人權政策201808.pdf).</p>	In compliance with Article 18 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(2)Did the company establish and implement reasonable employee benefits (including compensations, holidays, and other benefits), and appropriately reflect its business performance and results on its employee compensations?	✓		<p>(2) a.The Company has clear regulations on employee promotion, assessment, training, rewards, and punishments. The salary for new recruits is based on the qualifications required for the job. Female and male employees of the same position and rank receive equal pay for equal work. Employee performance is reviewed regularly in order for raise and promotion to be given accordingly.</p> <p>b.The Company's fixed holidays are Saturdays, Sundays, national holidays, and other holidays as stipulated by the central competent authority. Annual leaves are also given to employees pursuant to the Labor Standards Act. For more details on other employee benefits, please refer to page 168-172 of the annual report.</p> <p>c. Article 39 of the Articles of Incorporation of the Company states that when allocating the net profits for each fiscal year, the Company shall set aside 0.05% to 0.5% of the balance of pre-tax profit prior to deducting employees compensation as compensation of employees. In addition, the Company provide year-end bonus and formulate the degree of salary increase each year according to operation performance of the Company.</p>	paragraph 2 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	✓		(3)The Company regularly provides health and education information for employees. In order to enhance employees' safety and health awareness, the Company distributes "work hazard reminder cards" and "safety and hygiene manuals" to remind employees of work safety through education, training,	In compliance with Article 20 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(4) Has the Company established an effective competency development career training program for employees?	✓		<p>and safety observation. (For details on how to improve employee safety in the workplace, please refer to 4.4 A Healthy and Safe Workplace Environment of the 2019 Corporate Social Responsibility Report.</p> <p>(4)Through the e-training management system, the Company ensures that personnel are gradually completing the training of new personnel, foundation, professional and cadre reserve. In addition, in line with the work and safety needs of individual units, counseling staff with professional licenses hold occasional seminars on various topics as well as strengthening human rights and workplace safety awareness courses. For more details of the lessons of human rights, please refer to the official website of the Company.(http://www.fcfc.com.tw/CSR/TW/pdf/人才資本的培育.pdf)(For specific training practices, please refer to 4.3 Human Capital Development of the 2019 Corporate Social Responsibility Report.)</p>	In compliance with Article 21, paragraph 1 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(5) Does the company follow relevant laws, regulations and international guidelines in terms of customer health, safety, and privacy, as well as when marketing or labeling its	✓		<p>(5) a. Since most of the products produced by the Company are not directly sold to general consumers, there are fewer marketing activities such as media advertisements and campaigns. If there are promotion activities involving regulations, all units will first consult the legal office to avoid violation. To protect customer privacy, the Company has established the "Personal</p>	In compliance with Article 24 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
products and services and has the company established relevant consumer protection policies and grievance procedures?			<p>Data Management Procedures" to strictly limit the use and control on any queries into personal data.</p> <p>b. Customer relationship management is an important part of the Company's sustainable operation. In order to understand the valuable opinions of customers, the Company has clearly defined the customer complaints pipeline as well as return and compensation application procedures so that customers can express relevant appeals through the Response Form. Product complaints are handled by the salesperson filling out the Customer Complaint Handling Form for all returns and exchanges. The process is also monitored by the computer system. Another method for customers to make inquiries or comments is to contact the telephone number or e-mail address listed on the official website. Comments and suggestions are prioritized according to the level of importance and timeliness. They are then forwarded to the relevant departments to ensure that the Company meets all customers' needs.</p>	
(6)Has the company established supplier management policy and require suppliers to comply with relevant standards on environmental protection, occupational safety and health,	✓		(6)During procurement, the Company has always required upstream suppliers to meet RoHS, ISO, and related national industrial safety standards, where all goods must be suitably labeled according to the nature of the products, i.e. warning labels. Suppliers should also adopt appropriate recycling procedures for used containers or delivery vehicles. Products manufactured by	In compliance with Article 26 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
or labor and human rights issues?			the disadvantaged and products with non-radioactive labels are prioritized for procurement. The “Price Inquiries” and “Orders” include requirements for suppliers that they comply with the regulations and fair trade principles. The Company commits itself to ensuring that the partners meet environment protection, industrial safety, and human rights requirements. Non-compliant manufacturers will be rejected and placed under manufacturer evaluation. When purchasing materials, parts or products containing metal components, suppliers are required to investigate whether they meet the "conflict-free metal" to ensure that the purchased raw materials are obtained through legal channels. (For further details, please refer to 2.5 Customer Service and Supply Chain Relations of the 2019 Corporate Social Responsibility Report.)	
5.Does the company refer to guidelines for the preparation of internationally accepted reports and prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Has the aforementioned statement received any validation or guarantee from third-party accreditation/attestation organization?	✓		The content structure of the Company’s 2019Corporate Social Responsibility Report is based on the Global Resiliency Reporting Association's GRI standards guidelines, written in accordance with the guidelines and framework outlined in the Core Options, and exposes the Company's main sustainability issues, strategies, goals and objectives, as well as measures. Verified by the British Standards Association (BSI), an impartial third-party unit, and is disclosed in accordance with the core options, and is presented in international common indicators.	In compliance with Article 29 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
6. Where the Company has established its own Best Practices on CSR according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and actual implementations taken by the Company :				
Note: The Company passed the resolution of the “Corporate Social Responsibility Code” as set out in the resolution of the Board of Directors on August 11, 2015. Although the Company's practice has been slightly revised, the established code and the “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” comply with the same spirit. For the operation of the Company's Corporate Social Responsibility, please refer to the 2019 Corporate Social Responsibility Report and website description.				
7. Other important and helpful information in understanding CSR operation:				
Explanation 1: Relevant systems and structures				
the Vice Chairman Fu Yuan, Hong serves as the general convener and the President Wen Chin, Lu serves as Vic convener to be responsible for. strategy formulation, goal planning, performance monitoring and management policy about the Company’s CSR. President Office, safety and health department, accounting department and other units form “The Corporate Social Responsibility Special Unit to be responsible for corporate governance, work safety and environmental sustainability, water and energy saving, product and customer service, supplier and contractor management, happy workplace, good neighbors and other related work. Moreover, in order to effectively integrate and promote the Company's social responsibility, the Company established a “Social Responsibility Work Promotion Center,” which is responsible for strategy formulation and performance supervision. The medical and educational units of all companies, offices, staff unit and non-profit organizations collaborate to promote social responsibility. On the other hand, the seven foundations and charitable trusts funded by the founders, Mr. Wang Yong-Ching and Mr. Wang Yong-Tsai, also play an important role. They have long held the concept of “Take from society, give back to society” to invest in social welfare and do our part to improve social care and reduce social problems.				
Explanation 2: Social welfare engagement of the enterprise				
1. The system, measures, and performance of environmental protection, safety, and health:				
Since its establishment, the Company has always adhered to the philosophy of "industrial development and environmental protection," and pursues social responsibility and sustainable business. Therefore, it attaches great importance to the work of environmental protection.				
Following this concept, the Company adopts the latest international technology for production processes and environmental protection				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>equipment. For example, when building a power plant more than a decade ago, the Company was the first in the country to insist on the use of closed coal bunkers. Coal dust no longer polluted the air, and BACT is used to make pollution emissions far below domestic and international standards. Although the construction cost increased, the intangible environmental improvement and the reduction of resource waste and cost reduction can be obtained. In addition to selecting the best production processes and environmental protection equipment at the beginning of the planning period, the Company also took into consideration of the integration of upstream, middle, and downstream processes, and recycles the by-products and wastes of the upstream process as raw materials and fuels for the middle and downstream processes by fully integrating and reusing waste gas, waste heat and low-level energy between the plants, make the best use of resources and energy, reduce energy and waste resources, we pursue the goal of achieving an eco-industrial park. For example, the power and steam consumption per unit of product in 2020 years has decreased by 55.1% and 68.8% respectively since the trial operation began in 1999. Future reduction targets will continue to be promoted. The spirit of the Company is to always find out the root cause of any problem, continues to improve, consists in stopping in perfect goodness. Through continuous improvement, the Company will continue to improve the efficiency of equipment operation to reduce energy and resource use, and strengthen the competitiveness of sustainable operation.</p> <p>Taking water conservation as an example, from 1999 years to 2020, the sixth naphtha cracker has invested 8.791billion dollars to complete 2,329 improvement cases, saving 287,600 tons of water per day. The 318 ongoing cases will receive 2.24 billion dollars of investment to achieve the target of saving 17,500 tons of water per day. The total investment is 11.03 billion dollars. After the completion, the annual benefit will be approximately 1.36 billion dollars. In terms of energy conservation and carbon reduction, the sixth naphtha cracker has also invested 22.82 billion dollars 8,214 improvement cases have been completed, reducing about 11.536 million tons of CO₂. 1,281 ongoing cases will receive 8.44 billion dollars. It is estimated that an additional 1.532million tons of CO₂ will be reduced, with a total investment of 31.26 billion dollars. The end benefits will be about 34.58 billion dollars per year.</p> <p>The above-mentioned results can be affirmed by the Company awards from 52 business units and commendations from the competent authorities of the Ministry of Economic Affairs, the Water Resources Department, the Industrial Bureau, the Energy Bureau, and the Environmental Protection Agency during the 10 last years between 2011 and 2020.</p> <p>In addition to adopting the best international production process, doing environmental protection work such as pollution prevention, clean production, energy conservation, carbon reduction, and water conservation to reach the goal of becoming ecological industrial parks, the</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>Company also follows the trend of the times and pays attention to global warming. In recent years, the Company has promoted tree planting in the factory area. The Company have actively promoted the greening of various factories. At present, the Company have planted nearly 2 million trees and 390,000 square meters of shrubs, which can absorb about 15,000 tons of CO₂ per year. Providing a green aerobic environment for employees and nearby residents, and taking into account the best of both industrial development and environmental protection. Traditional factories give the impression that there are few green spaces and trees, and even chimneys emit black smoke from time to time, causing air pollution. The direction of the Company's various factories is to change the minds of people to create a green landscape just like the park, and to turn air pollution into a natural landscape.</p> <p>At the same time, the Company also responded to the government's afforestation and carbon reduction plan and cooperated with the Yunlin County Government to promote flatland afforestation and carbon reduction activities. In 2011, the Company started to receive a 10-year afforestation and carbon reduction subsidy. The Company has received the flatland afforestation award in Yunlin County, with an application area of 1,094 hectares, and about 1.359 billion in subsidies have been provided to the afforestation applicants, contributing to the afforestation and carbon reduction.</p> <p>The Company also fully cooperates with the Environmental Protection Agency to promote green procurement of private enterprises to implement the energy-saving and carbon-reduction green consumption policy. The statistical green procurement amount of the Company in 2020 is 588 million dollars.</p> <p>In the future, the Company will continue to take into account the concept of environmental protection and economic development, and implement various measures such as water conservation, energy conservation and carbon reduction, sustainable use of resources and friendly environment in order to fulfill social responsibilities.</p> <p>In addition, providing a healthy and safe working environment is the responsibility of the Company to employees and their dependents. Therefore, "Safety First" is an important principle for us to cherish our employees. In addition to establishing a reward system, employees and contractors are encouraged to raise issues with unsatisfactory behaviors and false alarms. Departments with zero occupational disasters are also rewarded, encouraging all units to report potential hazards, and report abnormalities, and unsafe behaviors. The quarterly review eliminates potential hazards and conducts inter-departmental competitions and performance reviews to increase employee engagement.</p> <p>2. Community participation: the Company is deeply rooted in Taiwan. Factories are distributed all over Taiwan. We strive to become a “good</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>neighbor” with the surrounding residents by setting up a dedicated group in each factory to communicate with residents and provide all kinds of assistance. In addition, we continue to mobilize our staff to clean up neighborhood streets and beaches, continually invest in local public welfare activities, and assist in caring for families and disadvantaged groups, so that our employees and community residents can be integrated. Employees have also spontaneously formed a charity group, responding to the feedback to the neighborhood, and by long-term and continuous attention, gradually expand human care and love to every corner of the society to jointly establish a peaceful society.</p> <p>3. Social contribution, social services, social welfare, and other social responsibility activities:</p> <p>Based on the spirit of " Take from society, give back to society ", the Company is committed to the sustainable operation and continues to give back to the society and fulfill its social responsibilities with the management policy of "quality, reputation, service, and environmental protection." Our results in social responsibility are also recorded in the "Corporate Social Responsibility Report."</p> <p>In addition to dedicating to business operations, we also invest in medical care, education, and various social welfare undertakings to fulfill Corporate Social Responsibility:</p> <p>(1) Medical treatment: Chang Gung Memorial Hospital was established in 1976. It is committed to "improving medical standards and creating social well-being" and has the courage to challenge the status quo. It not only drives the reform and progress of the medical community but also won the trust of the general public. Now, in Taiwan, there are four major sectors, the North Sector (including Keelung, Lover Lake, Taipei, Linkou, Taoyuan, Tucheng , and other nursing homes), Chiayi Sector, Yunlin Sector, and Kaohsiung Sector (Kaohsiung and Fengshan Hospital). In services, it is also the largest and most complete medical institution in Asia, from emergency medical treatment to rehabilitation, health care, and senior care. Chang Gung Memorial Hospital also donated 1,042 sets of artificial electronic ears for the benefit of hearing-impaired children, and set up a social service fund to subsidize poor patients for long-term treatment. As of the end of 2020, it has spent 9.55 billion dollars and continues to provide the medical assistance needed in remote and undeveloped countries.</p> <p>(2) Education: In the 1960s, various industries in Taiwan flourished. In view of the shortage of industrial talents, the Company founded Mingzhi Institute of Technology (now Mingzhi University of Science and Technology) to provide the students from poor families a chance to study and work at the same time. Later, Chang Gung Medical College (now Chang Gung University) and Chang Gung College (now Chang Gung University of Science and Technology) were established to cultivate students' diligence and simplicity by combining theory and practice, and to cultivate excellent industrial middle cadres and medical staff. Since the beginning of the 1995, the Company started funding for Aboriginal</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>youth education and employment opportunities. The total donation amount is over 1.7 billion dollars, and the number of assisted people reached 5,507.</p> <p>(3) Disaster relief: assisting in the 921 earthquake (1999), Morakot wind disaster (2009), Kaohsiung gas explosion incident (2014), Tainan earthquake (2016), Nibble wind disaster (2016), Hualien earthquake (2018) and other disaster relief in reconstruction and the rehabilitation of schools in the disaster areas. So far, 76 primary and secondary schools have been fully sponsored by the Company.</p> <p>(4) Other social welfare: In addition to medical and education, the founders of Formosa Plastics have set up seven foundations and charitable social welfare funds. Through the operation of the foundations and the active participation of companies within the corporation, they continue to promote and donate to various social welfare undertakings, such as:</p> <p>A. Nearly 1.15 million doses of Streptococcus pneumonia vaccines to promote the free vaccination program for the elderly over 75 years old to improve their health and quality of life.</p> <p>B. Continue to promote the "Professional Service of Early Treatment Effectiveness Improvement Program" to systematically and comprehensively improve the quality of Taiwan's overall early treatment services. Currently, 92 institutions have been provided with relevant medical assistance and subsidies; and an "early treatment professional communication platform" has been established. Information on national early treatment activities, treatment articles, and teaching files are shared.</p> <p>C. Support the inmates: donated to the Yunlin Second Prison, Kaohsiung Prison, and Taipei Prison to handle the Wang Jhan-Yang Foundation Rainbow Project (drug-addicted HIV inmates), with three courses of physiological education, psychological counseling, and vocational training the project assists drug-addicted prisoners with HIV to cultivate life skills, repair family relationships and reintegrate into society. Cooperation with Yunlin Second Prison and Kaohsiung Prison to handle the Wang Jhan-Yang charitable trust fund Xiangyang project (drug inmates) to assist inmates in returning to the society is also conducted. Collaboration with the Correctional Affairs Department of the Ministry of Justice in 2017 to expand the Xiangyang Project in three prisons including Hualien Prison, Tainan Prison, and Kaohsiung Women's Prison.</p> <p>D. Promote various scholarships and work-study programs: such as the Children's Education Assistance Program, Assistance to Teenagers/Young Adults who Recently Graduated from Children's Homes, Disadvantaged Student Scholarship, and the Student Financial Aid Program in Remote Areas, to help the economically disadvantaged or disabled children and young students to be able to receive education unhindered. The Excellent Talents Development Program provides long-term scholarships for outstanding students from disadvantaged backgrounds to assist</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>them in academic and moral development. In addition, we will promote semester and summer work-study programs, match students to work in social welfare institutions, cultivate the service spirit of students contributing to society, and reduce institutional operating costs and expenditures to serve more vulnerable people.</p> <p>E. Women and Children's Welfare: a. Promote the nutritional breakfast subsidy for the vulnerable children in the neighboring 7 Township for Mailiao Factory, b. Promote the economic assistance program for victims of domestic abuse, c. Promote the medical treatment and economic assistance of patients with rare diseases, d. Donation to Taitung and Hualien English Assistance Program, an introduction of outstanding American college students to primary schools in remote areas for English teaching, e. Promote the nutritional breakfast subsidy for the vulnerable Junior High School students of Pingtung County, f. Donation the nutritional lunch subsidy for all public elementary and junior high school students of Yunlin County, g. Donation Scholarship for Orphan, h. Donation living expenses for Preschool children from disadvantaged families. i. Donation the HPV 9-valent vaccine for the girls in the first year of junior high school of Yunlin County , j. Donation the ‘Childminder Management and Subsidy Programme’ of Yunlin County k. Set up a used toy recycling center.</p> <p>F. Elderly welfare: a. promote the elderly housing improvement and appliance donation plan, b. Mailiao and Taixi Township meal delivery plan for elderly living alone, c. promote the “Active Aging Center” corporately in Taiwan. Members in this center would participate in five major classes (of the elderly) through package-based individual planning courses, including health management, brain training, vitality, physical training and social participation, to maintain their health, preventing disability, and effectiveness of helping healthy elderly people improve, d. Donate to the elderly daycare center shuttle bus and dream plan, e. Elderly welfare institution lighting improvements plan. f. Donation daycare and health promotion for elder in Remote Areas. g. Donation the ‘Evergreen Canteen’ of Yunlin County.</p> <p>G. Vulnerable group support: a. Donation to social welfare institutions daily necessities and rice, b. The low-income households near Mailiao factory receive gifts and bonus for the three most important Chinese holidays c. Emergency Allowances plan, d. Donation of daily necessities to the Christian Relief Association food bank. e. Promoting Homeless Assistance Program, including the establishment of supportive housing and the subsidy of kitchen facilities, to support the homeless to live as independently as possible within their community., f. Promote 「The design and implementation of intelligent support system in long term care」 and 「Love Health Volunteer Promotion Program」.</p> <p>H. Promote the development of Taiwan's distinctive culture: sponsoring the "Ming Hwa Yuan Art & Cultural Group", " I Wan Jan Puppet Theater</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>", "Ifkids Theatre", "Da Long Jin Golden Lion Group", "Apple Theatre" to go on tours in the countryside</p> <p>I. Promote the Wang Jhan-Yang charitable trust fund " Burning Star Project" to cultivate outstanding sports talents, "Future Star Project " sports talents abroad training programs and sports player medical protection programs to help domestic sports talents improve their performance. Wang Chang Gung charitable trust has implemented the"Caretaker for Athletes Program"since 2019.</p> <p>J. Institutional support: a. Donation of social welfare institutions to purchase facilities and equipment and construction and repair (34 social welfare institutions), b. Donate funds for vulnerable groups to help plan(Kaohsiung City Government, Taoyuan City Government, Keelung City Government, ChiaYi County Government) .c. donation of mooncakes to social welfare institutions.</p>				

Note 1. When the operation item is checked "yes", please describe important policies, strategies, measures, and implementation status adopted, If the operation item is checked "no", please explain reasons and describe relevant policies strategies, or measure to be adopted.

Note 2. Companies who have compiled CSR reports may specify the ways to access the CSR and the page numbers of the cited content in place of the above-requested description.

Note 3. Materiality principle refers to any environmental, social, or governance issues that pose material influences to investors and other stakeholders of the company.

3.3.6 Fulfillment of Code of Ethics and Business Conduct and measures adopted :

Fulfillment of Code of Ethics and Business Conduct and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” and Reasons :

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>1. Stipulating policies and plans for ethical corporate management</p> <p>(1) Has the Company established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors, and clearly stipulated regulations and policies for ethical business conduct and relevant guidelines in company articles and external documents? Does the Company’s Directors and management team actively fulfill their commitment to corporate policies?</p>	✓		<p>(1) The Company complies with the Company Act, the securities trading law, and other related regulations, and upholding the “Diligence, Perseverance, Frugality and Trustworthiness” enterprise spirit in order to comply with the law and ethical standards. With the business philosophy of honesty, integrity, fairness, and transparency, self-discipline, and responsibility, the Company has established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors. With the Company's President Office as the driving unit to formulate and implement various ethical policies, the Company establishes a good corporate governance and risk control mechanism, to seek sustainable development of the Company. The Board of Directors and management also promises to actively implement and supervise the implementation of the integrity management policy.</p>	<p>In compliance with Article 4 and Article 5 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
(2) Has the company established a risk assessment mechanism against unethical conduct, regularly analyzed business activities within their business scope which are at a higher risk of being involved in unethical conduct? Does the company establish prevention programs accordingly including measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		<p>(2) a. The Company has established strict rules of conduct and ethics in the rules and regulations such as the “Personnel Management Rules” and “Working Rules”, and has specified the relevant reward and punishment regulations. Directors, managers, servants of the Company, or those who have substantial control capabilities are prohibited from providing, pledge, requesting or accepting any illegitimate interests directly or indirectly, or making other violations of good faith, illegality, or breach of fiduciary duty to prevent malpractice, misappropriation of public funds, acceptance of bribes, disclosure or lies, and other acts of dishonesty.</p> <p>b. The Company analyzes and assess periodically business activities within their business scope which are at a higher risk of being involved in unethical conduct. For those who engage in business activities with a high risk of dishonest behavior, the company has clearly established “Personnel Management Rules” and “Working Rules” which state that positions of interest for business, procurement, contracting, supervision, and budgeting, as well as contact with other manufacturers shall not accept business dinners or other entertainment activities invited by the manufacturer, nor accept the property or other interests of gifts. The offenders shall be</p>	Complying with the regulations specified in Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," the Company has specified and enacted regulations designed to prevent unethical conduct in multiple rules and systems. Nevertheless, specific "Procedures for Ethical Management and Guidelines for Conduct" has yet to be formulated.

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>(3) Has the Company established action plans to prevent unethical conduct? Has the Company clearly prescribed procedures, code of conduct, punitive measures for violations and appeal systems within the said plan? Did the action plans be implemented accordingly?</p>	✓		<p>excused from office and their Supervisors shall be jointly and severally punished. Besides, related duties have comprehensively promoted regular rotation operations to prevent the occurrence of any corruption.</p> <p>(3)The Company has clearly stipulated regulations and policies for ethical business conduct and relevant guidelines, code of conduct, whistleblowing, punitive measures for violations, and grievances in company articles and systems, including the "Personnel Management Rules," "Code of Ethics and Business Conduct," "Guidelines for Prevention of Insider Trading," "Whistleblowing Procedures," and "Guidelines to Employee Grievances.". The Company has established “Ethical Code of Conduct” for the Directors and Managers of the Company to adhere to (please refer to page 91 of the annual report.). The adequacy and effectiveness of regulations and policies for ethical business conduct were reviewed on a regular basis .</p>	In compliance with Article 6, paragraph 1 and Article10~13 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
<p>2. Implementing ethical corporate management</p> <p>(1) Has the Company evaluated ethical records of its</p>	✓		<p>(1) The contract signed by the Company for commercial activities is</p>	In compliance with Article 9 of the

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?			subject to the terms of good faith. In addition, the Company conduct inquiries such as honesty investigations for customers, suppliers, and other stakeholders to avoid the occurrence of dishonest behavior and damage of the Company's rights and interests.	“Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
(2) Has the Company designated an exclusively (or concurrently) dedicated unit reports its ethical business management policy, action plans to prevent unethical conduct, and implementation status of supervisory measures to the Board of Directors?	✓		(2) The President Office of the Company and the general management office of the whole enterprise are in charge of promoting ethical business. They promote regulations and policies for ethical business conduct .In addition, they handles and verifies whistleblowing cases based on the Company's Whistleblowing Procedure. The department in charge of promoting ethical business reports its ethical business management policy, and action plans to prevent unethical conduct to the Board of Directors at least once per year. The most recent report dated is on December 11, 2020.They mainly report the ethical corporate management policies, measures, implementation status of supervisory measures and commitments of the board of directors and management to implement business policies actively. Additionally the internal audit report is submitted to the Independent Director monthly.	In compliance with Article 17 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
(3) Has the Company established	✓		(3) a. The Company’s standards for the Board of Directors meetings has	In compliance with

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p>			<p>clearly states that if Directors or the juridical persons they represented have a personal interest, they shall state the key aspects of the interest in the meeting. If their interest may prejudice the interests of the Company, the persons concerned shall not participate in the discussion and voting of those items and shall recuse themselves from those sessions. Also, they shall not stand proxy for other Directors to exercise the voting right on those items.</p> <p>b. The Company has stated in its "Personnel Management Rules" that employees should strictly abide by the code of conduct for avoidance of interests and proactively report ethical concerns such as conflicts of interest, and have provisions prohibiting competition to prevent conflicts of interest.</p> <p>c. The Company has provisions for "operational key-points for employee complaints" and " Reporting Procedure ", etc., and provides specific reporting channels for reporting any illegal or improper behavior.</p>	<p>Article 19 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</p>
<p>(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate</p>	✓		<p>(4) The Company has established an effective and improved accounting system and internal control mechanism, and fully implemented computerization of operations. The six management functions of personnel, finance, business, production, materials, and engineering</p>	<p>In compliance with Article 20 of the “Ethical Corporate Management Best</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>management? Did internal auditors establish relevant audit plan to verify the status of compliance with unethical conduct prevention action plans based on the result of risk assessment on unethical conduct? Did the Company entrust audits to a CPA ?</p> <p>(5) Does the Company regularly organize internal and external training for ethical corporate management?</p>	✓		<p>are connected by computers, layer by layer, and executed for management of any abnormalities. In addition, the Company also established a professional and independent internal audit structure. The structure is divided into three levels. The first level is carried out by the Auditing Office attached to the Company's Board of Directors. The internal auditors will establish annual audit plan to verify the level of compliance with established regulations to lower the risk from unethical conduct. And the second level is routine and project-based independent auditing carried out by the general management office for routines and projects. Moreover, since internal auditing is the duty of all employees, the third level of auditing requires all departments to conduct voluntary operation inspections (on a monthly, quarterly, semi-annual, or annual basis) to extend the concept internal control to all levels of the Company.</p> <p>Through regular corporate publications as well as various occasions, the Company promotes the corporate culture of “Diligence, Perseverance, Frugality and Trustworthiness,” as well as cultivating work ethics based on integrity, fairness and transparency, self-discipline, and a sense of responsibility. All new recruits receive corporate culture training. In addition, training courses about regulations, anti-fraud, and</p>	<p>Practice Principles for TWSE/GTSM Listed Companies.”</p> <p>In compliance with Article 22-2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed</p>

[illegible]

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>(SOP) for whistleblowing cases, follow-up measures and relevant systems of confidentiality after the investigation ?</p> <p>(3) Has the Company adopted protection measures against inappropriate disciplinary actions for the whistle-blower?</p>	✓		<p>strictly forbidden to disclose any information to unrelated parties. Supervisors at all levels must also keep information confidential. All relevant information must be processed and archived according to the confidential document procedures to ensure the informant does not experience any unjust setback.</p> <p>(4) Where the occurrence of illegal or improper act has been found to be true, punitive actions will be taken based on the "Personnel Management Rules". Judicial or prosecuting institutions will be alerted when necessary.</p>	
<p>4. Improvement of information disclosure</p> <p>Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?</p>	✓		Information on integrity management and ethical behavior has been disclosed on both Chinese and English website of the Company.	In compliance with Article 25 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
<p>5.If the Company has established the Code of Ethics and Business Conduct based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe any deviations between the Code of Ethics and Business Conduct and their</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
implementations : On November 7, 2014, the Company passed the resolution of the “Corporate Integrity Code of Practice”, which was amended by the resolution of the Board of Directors on June 29, 2015. The code was slightly revised according to the Company's practice, but in line with spirit of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”				
6. Other information helpful for understanding the principle of integrity of the Company's operations (e.g., the Company's amendment of its principles of integrity): The Company schedules corporate governance courses for Directors and managers on a regular basis to strengthen their ability in supervision and governance, with the hopes of increasing the effectiveness of governance and implementation of integrity operation. The Company schedules corporate governance courses for Directors and managers and emphasizes the importance of governance to strengthen the effectiveness of governance and put ethical management into practice.				

Note 1: Provide a brief description in the appropriate column, regardless whether "yes" or "no" is selected.

3.3.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at www.fcfc.com.tw

3.3.8 Other Important Information Regarding Corporate Governance

1. According to the rules by Financial Supervisory Commission R.O.C. (Taiwan) to set up audit committee, and following the announcement, No. 1040001716, by Taiwan Stock Exchange to amend "Code of Ethical Conduct for Directors and Managers". The amended full text of "Code of Ethical Conduct for Directors and Managers" is as follow.

Formosa Chemicals & Fibre CORPORATION

Code of Ethical Conduct for Directors and Managers

Amended by Board of Directors on August 7, 2015

Chapter 1 General Principles

- Article 1: The Code of Ethical Conduct (the "Code") of Nan Ya Plastics Corporation (the "Company") is established to stipulate rules for Directors and managers (including President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Chief Financial Officer, Chief Accounting Officer, and other persons authorized to manage affairs and sign documents on behalf of the Company) to abide by in terms of ethical conduct when engaging in business activities within the scope of their authority, to prevent unethical conduct or any conduct that may damage the interest of the Company and its shareholders.

Chapter 2 Content of the Code

- Article 2: Directors and managers shall conduct corporate affairs on the basis of integrity, faithfulness, compliance with laws, fairness and righteousness and with an ethical, self-disciplined attitude.
- Article 3: Directors and managers shall avoid any conflicts of interest arising when their personal interest intervenes, or is likely to intervene in the overall interest of the Company, including but not limited to unable to perform their duties in an objective and efficient manner, or taking advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives

within the second degree of kinship. To prevent conflicts of interest, any matters pertaining to lending funds, providing guarantees , and major asset transactions between the Company and the above-mentioned persons or their affiliated enterprise thereof shall be submitted to the Board of Directors for its approval in advance. The corresponding purchase (or sale) of goods shall be dealt with the best interest of the Company.

Article 4: When the Company has an opportunity for profit, the Directors, Supervisors, and managers have the responsibility to conserve the reasonable and lawful benefits that can be obtained by the Company.

The Directors and managers shall not obtain personal gain by using the Company property or information or taking advantage of their positions. Unless otherwise stipulated in the Company Act or Articles of Incorporation, they shall not engage in activities that compete with the business of the Company.

Article 5: The Directors and managers shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.

Article 6: The Directors and managers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

Article 7: The Directors and managers shall have the responsibility to safeguard the Company's assets, to use the assets for official business purpose properly, and to avoid any impact on the Company's profitability resulting from theft, negligence in care or waste of the assets.

Article 8: The Directors and managers shall comply with applicable laws and the Company's regulations.

Article 9: When a director or manager is found by employee to have committed a violation of a law, regulation or the Code, the employee shall report to the Audit committee, their direct managers, president office personnel, chief internal auditor, or other appropriate personnel with sufficient evidence. Once the misconduct is confirmed, the Company will reward the above-mentioned employee in accordance with the Company's rules for employment management.

The Company shall handle the above-mentioned report properly and confidentially. The Company also shall use its best efforts to ensure the safety of the conscientious reporter and protect him/her from all kinds of reprisals.

Article 10: Where a director or manager is verified to have violated the Code, in addition to being subject to punishment under the Company's rules for employment management, the Company shall report the violation to the Board of Directors. The person involved in the violation shall be liable for civil, criminal or administrative responsibilities required by law and the Company shall disclose the violation on the Market Observation Post System (“MOPS”) immediately, including: the date of the violation, description of the violation, the provisions of the Code violated, and the disciplinary actions taken.

Chapter 3 Procedures for Exemption

Article 11: Where a Director or manager is to be exempted from the Code due to special circumstances, such exemption shall be approved by an majority vote at a meeting of the Board of Directors attended by over two-third of the Directors in person or through representation. The Company shall immediately disclose on the MOPS, including: date of exemption granted by the Board of Directors, any opposing or qualified opinion expressed by the independent directors, and the period of, reasons for, and the provisions of the Code behind the application of the exemption for shareholders to evaluate the appropriateness and to safeguard the interests of the Company.

Chapter 4 Method of information disclosure

Article 12: The Company shall disclose the Code on the Company's website,

annual reports, prospectuses, and the MOPS. Any amendment is subject to the same procedure.

Chapter 5 Additional Provision

Article 13: The Code shall be implemented after approval by the Board of Directors and shall be reported to the shareholders meeting. Any amendment is subject to the same procedure.

2. Managers training records as relevant to corporate governance.

Title	Name	Date of study	Organizer	Courses of title	Length of the curriculum
President	Wen Chin, Lu	November 27, 2020	Securities and Futures Institute	2021 Economic Outlook and Industrial Trends.	3
Executive vice president	Ing Dar, Fang		Taiwan Corporation Governance Association	Role of Institutional Investor in Enhancement of Corporate Governance	3
Senior vice president	Ching Fen, Lee				
Senior vice president	Tsung Yuan, Chang				
Vice president	Wei Keng, Chien				
Financial Controller& Corporate Governance Officer	Chia Ju, Liu				
Financial Controller& Corporate Governance Officer	Chia Ju, Liu	May 14,2020	Accounting Research and Development Foundation	Practical Analysis of "Corporate Governance Supervisor/Staff" Required by Competent Authority to Be in Place	3
		May 15,2020	Accounting Research and Development Foundation	Business Corporate Governance Practice: Exploration of Employee Reward Strategy and Utilization of Tools.	3

3. Boards of Directors and Major Managers Succession Plan of FCFC

- (1) The Company election of directors shall be conducted in accordance with the candidate nomination system and that shareholders shall elect directors from among those listed in the slate of director nominees. Now the directors are nominated by major shareholders and elected by shareholders meeting. Each director has the professional ability such as operating management, industrial knowledge and international outlook ,etc. And during his or her tenure, the Company arranges refresher courses 6 hours per year to assist director to equip various professional knowledge required to perform their duties.
- (2) In needs of perpetual business operation and ensuring the development of major managing talents can successfully take over, the Company has set up Talent Development Rule. The rule specifies the criteria of development candidates, election principles, the way of development conduction and the review of promotion criteria. The amount of manager development candidates of each department shall at least by 2 to for future optimum selection.
- (3) If the development candidates is lack of experienced, the Company will increase his or her experiences by job rotation or increasing his or her responsible business scope. The annual working achievement of development candidates shall be included in periodic working assessment in accordance with “Assessment Rule” and the periodic working assessment shall be the base of year-end performance appraisal assessment. If the year-end performance appraisal of the development candidates were rated as excellent, it shall be the reference for optimum promotion.
- (4) In 2020, in order to progress the managers’ and executives’ understanding of important regulations of other business and abnormal cases, supervise the department responsibilities and ensure that the cultivation of talents can be successfully taken over and continued, the Company arranges nine cross-functional training courses, including "production", "business", "project improvement", "engineering", "maintenance", "materials", "finance", “personnel affairs” and "Work Safety". In 2020, 182 people have attended the courses and accumulated 636 training hours.

4.Certification of Employees Whose Jobs are Related to the Release of the Company’s Financial Information

- (1)Finance Department: One employee with Certified Public Accountant of Republic of China (Taiwan) Certification.
- (2)Audit Department: None.
- (3)Accounting Department: Four employees with Certified Public Accountant of Republic of China (Taiwan) Certification.

5. Company Procedures for Handling Material Inside Information

- (1)"Diligence, Perseverance, Frugality and Trustworthiness" is the core enterprise spirit. The Company therefore set up a strict ethical policy hoping employees to obey every behavioral standard and principle of moral, and take full responsibility either for working or daily routine. Thus, employees disclose confidential information, tell a lie, indulge in malpractices, or spread rumours is strictly prohibited.
- (2)The Company has set up and clearly stated the "Personnel Management Rules." Without written permission issued by the Company, employees should not release any inside information or information has not been announced. Besides, the use of inside information for personal or business unrelated purposes is also strictly forbidden.
- (3)The Company has set up "Spokesperson Procedure" for information announcement and the procedures for critical factory events. Besides the Company's spokesperson, none of the staff can reveal corporate policies or business related information in order to prevent insider trading.

3.3.9 Internal Control Systems

- (1) Please see next page for 'The statement of Internal Control Systems'.
- (2) If internal control systems were entrusted to accountant the company should reveal the audit report.

Explanation: None.

3.3.9.1 The Company should reveal the punishment, mistake and the processing improvement due to against the regulations of internal control system by the date of print of annual report

Explanation: None.

The statement of Internal Control Systems

Formosa Chemicals & Fibre Corporation

Internal Control System Statement

Date: March 12, 2021

The Company states the following with regard to its internal control system in 2019, based on the findings of a self-assessment:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communications 5. Monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that on December 31, 2018 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance of reporting, and compliance with applicable laws, regulations, and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on March 12, 2021 where 0 of the 14 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Formosa Chemicals & Fibre Corporation

Chairman: Wen Yuan Wong

President: Wen Chin, Lu

3.3.10 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Shareholders' Meeting on June 5, 2020

(1) Ratification Items

Proposal 1

Proposal: For approval of the 2019 Business Report and Financial Statements as required by the Company Act.

(Proposed by the Board of Directors)

Resolution: Total voting rights represented by the attending shareholders are 4,572,342,963 votes for this proposal. Voting results show adoption of 4,338,887,369 votes (of which votes through electronic means account for 3,400,015,629), representing 94.9% of the total voting rights. Dissent voting rights are 217,509 votes (of which votes through electronic means account for 217,509 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 233,238,085 votes (of which votes through electronic means account for 232,951,265 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

Proposal 2

Proposal: For Approval of the Proposal for Distribution of 2019 Profits as required by the Company Act.

(Proposed by the Board of Directors)

Resolution: Total voting rights represented by the attending shareholders are 4,572,342,963 votes for this proposal. Voting results show adoption of 4,347,170,463 votes (of which votes through electronic means account for 3,408,298,723), representing 95.1% of the total voting rights. Dissent voting rights are 238,436 votes (of which votes through electronic means account for 238,436 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 224,934,064 votes (of which votes through electronic means account for 224,647,244 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

(2) Discussion Items

Proposal 1

Proposal: Amend the Company's "shareholders' meeting procedure rules".

(Proposed by the Board of Directors)

Resolution: Total voting rights represented by the attending shareholders are 4,572,342,963 votes for this proposal. Voting results show adoption of 4,303,420,581 votes (of which votes through electronic means

account for 3,364,548,841), representing 94.1% of the total voting rights. Dissent voting rights are 244,504 votes (of which votes through electronic means account for 244,504 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 268,677,878 votes (of which votes through electronic means account for 268,391,058 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

(3) Extempore motion

(Yong-Chang, Wu, shareholder No.637291, commissioned Mei-Shu, Liu to speak, asked questions about the Company's operation risks under the Covid-19, The Chairman replied and explained.)

(4) Execution of key resolution

A. The 2020 Shareholders' Meeting resolved cash dividends of NT\$3.8 per share.

On June 5, 2020, the Board of Directors set the date of July 7, 2020 as the base for the distribution of cash dividends. The actual distribution date was on July 30, 2020.

B. Other proposals of 2020 Shareholders' Meeting including amendments to the Amend the Company's "shareholders' meeting procedure rules are carried out in accordance with the resolutions of the Shareholders' Meeting.

2. Board of Directors Meeting on March 13, 2020

Proposal1

Proposal: Employee compensation of 2019.

Resolution: All attendants approved and it submitted to report on the 2020 Shareholders' Meeting.

Proposal2

Proposal: Creation of the 2019 business report and financial statements and the 2020 operating plans.

(The Secretariat reported that the appendix of this proposal have been submitted to the Audit Committee for approval, and the managers of each division reported the 2019 operating status and the 2020 annual operating plans.)

Resolution: All attendants voted in favor of the resolution.

Proposal3

Proposal: To compile 2019 profit distribution schedule.

Resolution: All attendants voted in favor of the resolution.

Proposal4

Proposal: Calling of the 2020 Shareholders' Meeting to take place on June 5, 2020.

Resolution: All attendants voted in favor of the resolution.

Proposal5

Proposal: To formulate the Company's "Internal Control System Statement".

Resolution: All attendants voted in favor of the resolution.

Proposal6

Proposal: To compile plan of lending funds for 2020 Q2.

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Ruey Yu, Wang serve as Managing Director, Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal7

Proposal: Transaction with related party.

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Ruey Yu, Wang serve as Managing Director, Director or representative of the institutional shareholders of the related company were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal8

Proposal: Announcement that the Company disposes the land to "Hwa Ya Power Corporation".

(The Vice Chairman Fu Yuan, Hong serve as Director of Hwa Ya Power Corp. was recused from the discussion and voting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal9

Proposal: Proposal to authorize Directors Wen Chin, Lu to manage the internal audit unit.

(Proposed by the Audit Committee)

(The Director Wen Chin, Lu was interested party and should be recused.)

Resolution: Except for Directors Wen Chin, Lu, who was recused due to the conflicts of interest, the remaining directors present agreed to pass the case.

Proposal10

Proposal: To increase investment to “FG INC” with US\$ 12.9 million according to the investment framework. (Proposed by the Audit Committee)

(The Director Ing Dar, Fang, serve as Director of FG INC was recused from the discussion and voting.)

Resolution: Except for Directors Ing Dar, Fang, who was recused due to the conflicts of interest, the remaining directors present agreed to pass the case.

Proposal11

Proposal: To amend the Company’s “Organizational Rules of the Audit Committee” . (Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal12

Proposal: To amend the Internal Control System and the Enforcement Rules of the Internal Control System for the preparation of its financial statements.

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal13

Proposal: To amend the Company's “Rules of Procedure for Annual Meeting of Shareholders” .

Resolution: All the Directors present agreed to pass the case and reported it to 2020 Annual Meeting of Shareholders for resolution.

Proposal14

Proposal: To amend the Company’s “Rules of Procedure for the Board of Directors’ Meetings” and “Scope of Duties of Independent Directors”.

Resolution: All attendants voted in favor of the resolution.

Proposal15

Proposal: To raise long-term funds for new expansion, replacement of old plant equipment, repayment of debts, enrichment of working capital, investment to domestic or overseas businesses, the Company planned to issue domestic unsecured corporate bond for NT\$ 10 billion.

Resolution: All attendants voted in favor of the resolution.

3. Board of Directors Meeting on May 7, 2020

Proposal1

Proposal: To amend the Company's "Internal Control System" and "Internal Audit Implementation Rules". (Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal2

Proposal: To compile plan of lending funds for 2020 Q3.

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Ruey Yu, Wang serve as Managing Director, Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal3

Proposal: Transaction with related party.

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Ruey Yu, Wang serve as Managing Director, Director or representative of the institutional shareholders of the related company were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal4

Proposal: To adjust investment structure of "Formosa Ha Tinh Steel Corporation".

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal5

Proposal: To announce the replacement of the Internal Audit Officer.

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

4. Board of Directors Meeting on June 5, 2020

Proposal1

Proposal: To set the base date and distribution date of the Company's 2019 allocation of cash dividend.

Resolution: All attendants voted in favor of the resolution.

Proposal2

Proposal: To amend the Company's "Corporate Governance Principles" and "Corporate Social Responsibility Principles".

Resolution: All attendants voted in favor of the resolution.

Proposal3

Proposal: To meet operational needs, the Company intends to update the credit line of various financial institutions.

Resolution: All attendants voted in favor of the resolution.

5. Board of Directors Meeting on Aug. 7, 2020

Proposal1

Proposal: To Establish the Company's methodology for evaluating the performance of its Board of Directors. (Proposed by the Remuneration Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal2

Proposal: To amend the Company's remuneration committee charter.
(Proposed by the Remuneration Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal3

Proposal: To compile plan of lending funds for 2020 Q4.
(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Ruey Yu, Wang serve as Managing Director, Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal4

Proposal: Transaction with related party.
(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Ruey Yu, Wang

serve as Managing Director, Director or representative of the institutional shareholders of the related company were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal5

Proposal: The promotion of management position.

Resolution: All attendants voted in favor of the resolution.

Proposal6

Proposal: The remuneration for managers would not to be adjusted in 2020.

(Proposed by the Remuneration Committee)

Resolution: All attendants voted in favor of the resolution.

6. Board of Directors Meeting on Nov. 6, 2020

Proposal1

Proposal: To issue a letter of undertaking for bank loan of Formosa Chemicals Industries (Ningbo) Limited Company.

(The Chairman, Vice Chairman and attending Managing Director, Wilfred, Wang, and Directors Wen Chin, Lu, Ching Fen, Lee, Tsung Yuan, Chang, Wei Keng, Chien serve as Chairman or Directors of Formosa Chemicals Industries (Ningbo) Limited Company or as Chairman's relative within the second degree of kinship were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal2

Proposal: To compile plan of lending funds for 2021 Q1.

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Directors, Wilfred, Wang, Ruey Yu, Wang, and Directors Walter Wang, Wen Chin, Lu, Ching Fen, Lee serve as Chairman, Managing Director, Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse

themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal3

Proposal: Transaction with related party.

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Wilfred, Wang, Ruey Yu, Wang, and Director, Walter Wang serve as Managing Director, Director or representative of the institutional shareholders of the related company or as Director's relative within the second degree of kinship were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal4

Proposal: To donate NT\$ 6,120,673 to "Chang Gung University".

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Directors, Wilfred, Wang, Ruey Yu, Wang, Walter Wang, serve as Chairman or Directors of Chang Gung University or as Director's relative within the second degree of kinship were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal5

Proposal: Increase Investment amount of NT\$500m in "Formosa Plastics Construction Corporation".

(Proposed by the Audit Committee)

(The Vice Chairman Fu Yuan, Hong, serve as Directors of Formosa Plastics Construction Corporation was recused from the discussion and voting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

7. Board of Directors Meeting on Dec. 11, 2020

Proposal1

Proposal: Preparation of 2021 internal audit plan.

Resolution: All attendants voted in favor of the resolution.

Proposal2

Proposal: Transaction with related party.

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Wilfred, Wang, Ruey Yu, Wang, serve as Managing Director, Director or representative of the institutional shareholders of the related company or as Director's relative within the second degree of kinship were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal3

Proposal: To issue a letter of undertaking for bank loan of "Formosa Ha Tinh (Cayman) Limited".

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Wilfred, Wang, serve as Directors of Formosa Ha Tinh (Cayman) Limited were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal4

Proposal: To issue a letter of undertaking for bank loan of "Formosa Ha Tinh Steel Corporation".

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Wilfred, Wang, serve as Directors of Formosa Ha Tinh Steel Corporation were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal5

Proposal: Personnel Change of principal financial officer and principal accounting officer.

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal6

Proposal: To amend the Company's "Risk Management methodology".

Resolution: All attendants voted in favor of the resolution.

Proposal7

Proposal: To raise long-term funds for new expansion, replacement of old plant equipment, repayment of debts, enrichment of working capital, investment to domestic or overseas businesses, the Company planned to issue domestic unsecured corporate bond for NT\$ 20 billion.

Resolution: All attendants voted in favor of the resolution.

Proposal8

Proposal: To meet operational needs, the Company intends to update the credit line of various financial institutions.

Resolution: All attendants voted in favor of the resolution.

8. Board of Directors Meeting on Mar. 12, 2021

Proposal1

Proposal: Employee compensation of 2020

Resolution: All attendants approved and it submitted to report on the 2021 Shareholders' Meeting.

Proposal2

Proposal: Creation of the 2020 business report and financial statements and the 2021 operating plans.

(The Secretariat reported that the appendix of this proposal have been submitted to the Audit Committee for approval, and the manager of President's Office reported the 2020 operating status and the 2021 annual operating plans.)

Resolution: All attendants voted in favor of the resolution.

Proposal3

Proposal: To compile 2020 profit distribution schedule.

Resolution: All attendants voted in favor of the resolution.

Proposal4

Proposal: Calling of the 2021 Shareholders' Meeting to take place on June 18, 2021.

Resolution: All attendants voted in favor of the resolution.

Proposal5

Proposal: To re-elect the Board of Directors during 2021 shareholders' meeting.

Resolution: All attendants voted in favor of the resolution.

Proposal6

Proposal: To formulate the Company's Internal Control System Statement.

Resolution: All attendants voted in favor of the resolution.

Proposal7

Proposal: To compile plan of lending funds for 2021 Q2.

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Wilfred Wang , Ruey Yu, Wang serve as Chairman, Managing Director, Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal8

Proposal: Transaction with related party.

(Proposed by the Audit Committee)

(The Chairman, Vice Chairman and attending Managing Director, Wilfred Wang , Ruey Yu, Wang serve as Managing Director, Director or representative of the institutional shareholders of the related company were recused from the discussion and voting. The Managing Director, Ruey Long, Chen, was designated as temporary chair of the meeting.)

Resolution: Except for the above-mentioned Directors who had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal9

Proposal: Proposal to promote the functions of the Company's management supervisors.

Resolution: All attendants voted in favor of the resolution.

Proposal10

Proposal: Amendment of rules for election of directors of the Company.

Resolution: All attendants voted in favor of the resolution.

Proposal11

Proposal: To amend to the Company's "Rules of Procedure for Annual Meeting of Shareholders".

Resolution: All attendants voted in favor of the resolution.

3.3.11 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

3.3.12 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit Officer, Corporate Governance Officer and R&D

Title	Name	Date of appointed	Date of termination	Reasons for resignation or dismissal
Financial Controller	Tsan Chang, Chuang	Nov.4. 2016	Jan.1.2021	Retirement
Accounting Supervisor	Chia Ju, Liu	July 1. 2013	Jan.1.2021	Internal conciliation functions

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Price Waterhouse Coopers, Taiwan	Chien Hung, Chou Han Chi, Wu	2020.01.01~2020.12.31	

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			120	120
2	NT\$2,000,001 ~ NT\$4,000,000				
3	NT\$4,000,001 ~ NT\$6,000,000				
4	NT\$6,000,001 ~ NT\$8,000,000		7,479		7,479
5	NT\$8,000,001 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

1. The amount of non-auditing relevant fees charged by the CPA and the related parties reaches 25 % of the Company's annual auditing expenses:

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Price Waterhouse Coopers, Taiwan	Chou, Chien Hung	7,479	-	-	-	120	120	2020.01.01 | 2020.12.31	Note 3
	Wu, Han Chi							2020.01.01 | 2020.12.31	

Note1: If any CPA or the accounting firm is replaced for the Company this year, the inspection periods shall be listed separately. In addition, the reason for the replacement shall be indicated in the remark column and information on audit and non-audit public expenditure shall be disclosed.

Note2: The non-audit public expenditure shall be listed separately by the service item. When "Other" of non-audit public expenditure reaches 25% of the total value of non-audit public expenditure, contents of the service shall be listed in the remark column.

Note3: Non-audit fee includes expenditure on direct deduction of business tax.

2. If there is any change in the appointed independent auditors and the Company's annual auditing decrease expenses decreased simultaneously, information regarding the amount, percentage and reasons for the in auditing expenses shall be disclosed : N/A.

3. Auditing expenses decreased by 10% in comparison to the previous year, information regarding

3.4.2 Replacement of CPA

A. Regarding the former CPA

Replacement Date	March 16, 2018		
Replacement reasons and explanations	The original CPAs of the Company were Chou, Chien Hung (CPA A) and Juanlu, Man Yu (CPA B) from Price Waterhouse Coopers, Taiwan firm. Due to internal restructuring at Price Waterhouse Coopers, Taiwan firm , the CPAs of the Company were changed to Chou, Chien Hung (CPA C) and Wu, Han Chi (CPA D), beginning January 1, 2018.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	✓	-
	No longer accepted (continued) appointment	✓	-
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	
	Remarks/specify details:		
Other Revealed Matters	None		

B. Regarding the successor CPA

Name of accounting firm	Price Waterhouse Coopers, Taiwan
Name of CPA	Chou, Chien Hung and Wu, Han Chi
Date of appointment	March 16, 2018
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.4.3 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2019.

None

3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2020		As of April 20, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Wen Yuan Wong	0	0	0	0
Vice Chairman	Fu Yuan, Hong	0	0	0	0
Managing Director	Wilfred, Wang	0	0	0	0
Managing Director	Nan Ya Plastic Corp.	0	0	0	0
Representative of Nan Ya Plastic Corp.	Ruey Yu, Wang	0	0	0	0
Managing Director (Independent)	Ruey Long, Chen	0	0	0	0
Independent Director	Hwei Chen, Huang	0	0	0	0
Independent Director	Tai Lang, Chien	0	0	0	0
Director	Formosa Petrochemical Corp.	0	0	0	0
Representative of Formosa Petrochemical Corp.	Walter, Wang	0	0	0	0
Director Interlocking Presidency	Wen Chin, Lu	0	0	0	0
Director Interlocking Executive Vice Presidency	Ing Dar, Fang	0	0	0	0
Director Interlocking Senior Vice Presidency	Ching Fen, Lee	0	0	0	0
Director Interlocking Senior Vice Presidency	Tsung Yuan, Chang	0	0	0	0

Director Interlocking Vice Presidency	Wei Keng, Chien	0	0	0	0
Director	Dong Terng, Huang	0	0	0	0
Director	Jin Hua, Pan	0	0	0	0
Shareholdings exceed 10% of outstanding shares	Chang Gung Memorial Hospital	0	0	0	0
Vice President	Kuo Hsien, Huang	0	0	0	0
Vice President	Chun Hsiung, Su,	0	0	0	0
Vice President	Tien Chung, Huang	0	0	0	0
Vice President	Horng Ming, Juang	0	0	0	0
Acting Vice President	Yung Lung, Chen	0	0	0	0
Acting Vice President	Chun Chieh, Lee	0	0	0	0
Acting Vice President	Chi Huang, Lin	0	0	0	0
Chief of Finance Department & Corporate Governance Officer	Chia Ju, Liu	0	0	0	0
Accounting Supervisor	Wen Yen, Cheng	0	0	0	0

Note 1: Shareholders holding greater than a 10 percent stake in the Company should be remark as major shareholders.

Note 2: If the transferees of shareholding transfer or shareholding pledge are related party, it should fill in the following table.

Note 3: Vice President Ching Shih, Lin retired on June 2020 ; Vice President Pai Rong, Ke and Senior Vice President Chih Hsiung, Chen resigned as manager since April 2020 and January 2021 respectively.

Note 4: Vice President Horng Ming, Juang served as a manager since August 2020 ; Acting Vice President Yung Lung, Chen, Chun Chieh, Lee and Chi Huang, Lin served as managers since March 2021.

3.5.1 Shares Trading with Related Parties

None

3.5.2 Shares Pledge with Related Parties

None

3.6 Relationship among the Top Ten Shareholders

As of April 20, 2021

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Chang Gung Memorial Hospital Representative: Ruey Huei Wang,	1,089,142,009	18.58	0	0	0	0	None	None	
Chindwell International Investment Corp. Representative: Everred Corporate, Inc.	371,938,814	6.35	0	0	0	0	Vanson International Investment Co., Ltd. Consolidated Power Development Corp. Standard Chartered Bank (Taiwan) Ltd.In Custody for Genesis Equity Group Inc. HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	Managers in common	

Vanson International Investment Co., Ltd. Representative : Landmark Capital Holdings Inc.	222,449,494	3.80	0	0	0	0	Chindwell International Investment Corp. Consolidated Power Development Corp. Standard Chartered Bank (Taiwan) Ltd.in custody for Genesis Equity Group Inc. HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	Managers in common	
Formosa Plastic Corporation Representative: Jason, Lin	198,743,936	3.39	0	0	0	0	Nan Ya Plastic Corporation	Legal person as a managing director in Formosa Plastic Corporation	
Nan Ya Plastic Corporation. Representative: Chia Chau, Wu	140,519,648	2.40	0	0	0	0	Formosa Plastic Corporation	Legal person as a director in Nan Ya Plastic Corporation	
Wen Yuan Wong	129,198,084	2.20	92,079	0.0016	0	0	None	None	
Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	120,682,907	2.06	0	0	0	0	None	None	

Consolidated Power Development Corp. Representative: Cabo de roca Corporation	95,386,877	1.63	0	0	0	0	Chindwell International Investment Corp. Vanson International Investment Co., Ltd. Standard Chartered Bank (Taiwan) Ltd.in custody for Genesis Equity Group Inc. HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	Managers in common	
Standard Chartered Bank (Taiwan) Ltd.in custody for Genesis Equity Group Inc.	87,772,905	1.50	0	0	0	0	Chindwell International Investment Corp. Vanson International Investment Co., Ltd. Consolidated Power Development Corp. HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	Managers in common	

HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	82,892,326	1.41	0	0	0	0	Chindwell International Investment Corp. Vanson International Investment Co., Ltd. Consolidated Power Development Corp. Standard Chartered Bank (Taiwan) Ltd.in custody for Genesis Equity Group Inc.	Managers in common	
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Note 1 : Name of the top-10 shareholders must be listed respectively. For institutional shareholders, the title of such institutional shareholder and the name of the representative(s) shall be listed respectively.

Note 2 : The shareholding ratio shall be calculated by taking into account the shares held by the shareholder, his/her spouse, children of minor age, and other persons holding shares in his/her name.

Note 3 : For the shareholders referred to above including legal person and natural person, shall have the relationship disclosed.

3.7 Ownership of Shares in Affiliated Enterprises

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Formosa Heavy Industries Corporation	651,706,181	32.91	1,328,515,462	67.09	1,980,221,643	100.00
Formosa Fairway Corporation	4,697,951	33.33	9,397,318	66.67	14,095,269	100.00
Formosa Plastics Transportation Corp.	6,566,384	33.33	13,132,858	66.67	19,699,242	100.00
Formosa Petrochemical Corporation	2,300,799,801	24.15	4,921,855,024	51.67	7,222,654,825	75.82
Mai Liao Power Corporation	601,733,151	24.94	1,805,236,976	74.82	2,406,970,127	99.76
HWA YA Science Park Management Consulting CO., Ltd	33,000	33.00	67,000	67.00	100,000	100.00
Formosa Environmental Technology Corporation	41,714,475	24.34	129,685,525	75.66	171,400,000	100.00
Formosa Synthetic Rubber (Hong Kong) Corp. Limited	138,334,000	33.34	276,666,000	66.66	415,000,000	100.00
Formosa Resources Corporation	741,594,000	25.00	2,224,782,000	75.00	2,966,376,000	100.00
Formosa Group (Cayman) Limited	12,500	25.00	37,500	75.00	50,000	100.00
Formosa Plastics Construction Corporation	60,000,000	33.33	120,000,000	66.67	180,000,000	100.00
FG INC	6,000	30.00	14,000	70.00	20,000	100.00
Beyoung International	0	0	467,400	30.00	467,400	30.00
Quang Viet Enterprise Co., Ltd.	0	0	18,595,352	17.99	18,595,352	17.99
Formosa Advanced Technologies Co., Ltd.	0	0	135,686,472	30.68	135,686,472	30.68
Nan Ya Photonics Incorporation	0	0	7,013,871	15.22	7,013,871	15.22
Scholler Textil AG	0	0	21,874	50.00	21,874	50.00

As of December 31, 2020

Note : It is investments accounted for using equity method of the Company.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (thousand shares)	Amount(NT\$ thousand)	Shares (thousand shares)	Amount(NT\$ thousand)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
July 2013	10	5,861,186	58,611,862	5,861,186	58,611,862	Increased by earning surplus	None	Note 1

Note 1 : In 2012, capital increase by earnings re-capitalization amounted to NT\$1,707,141,630 and was approved by the Financial Supervisory Commission under Jin-Guan-Zheng-Fa-Zi No.1020025691 dated July 2, 2013.

B. Type of Stock

Unit: Share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary stock	5,861,186,291	—	5,861,186,291	List stocks

Note : Issued Shares are the shares of listed company.

C. Information for Shelf Registration : None

4.1.2 Status of Shareholders

As of April 20, 2021

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	6	80	654	168,223	736	169,699
Shareholding (thousands shares)	126,266	558,939	1,927,684	1,169,863	2,078,434	5,861,186
Percentage	2.15	9.54	32.89	19.96	35.46	100

Note : The initial listed (OTC) companies and emerging companies should disclose the shareholding ratio of Chinese investors. Chinese investors meant for the citizens, legal persons, groups, institutions of Mainland China or the companies invested in third countries that have invested in Taiwan in accordance with Article 3 of the “the Measures Governing investment permit to the People of

the Mainland Area.”

4.1.3 Shareholding Distribution Status

A. Common Shares

As of April 20, 2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	70,441	14,665,729	0.25
1,000 ~ 5,000	72,406	151,519,043	2.59
5,001 ~ 10,000	13,288	98,527,794	1.68
10,001 ~ 15,000	4,792	58,514,610	1.00
15,001 ~ 20,000	2,458	44,125,860	0.75
20,001 ~ 30,000	2,250	55,361,015	0.94
30,001 ~ 40,000	1,067	37,260,726	0.64
40,001 ~ 50,000	642	29,259,070	0.50
50,001 ~ 100,000	1,108	76,857,623	1.31
100,001 ~ 200,000	572	79,990,200	1.36
200,001 ~ 400,000	270	75,333,019	1.29
400,001 ~ 600,000	87	42,157,960	0.72
600,001 ~ 800,000	42	29,466,079	0.50
800,001 ~ 1,000,000	34	29,852,946	0.51
1,000,001 or over	242	5,038,294,617	85.96
Total	169,699	5,861,186,291	100

B. Preferred Shares

None

4.1.4 List of Major Shareholders

As of April 20, 2021

Shareholder's Name	Shareholding	
	Shares	Percentage
Chang Gung Memorial Hospital	1,089,142,009	18.58
Chindwell International Investment Corp.	371,938,814	6.35
Vanson International Investment Co., Ltd.	222,449,494	3.80
Formosa Plastic Corporation	198,743,936	3.39
Nan Ya Plastic Corporation.	140,519,648	2.40
Wen Yuan Wong	129,198,084	2.20
Fubon Life Insurance Co., Ltd.	120,682,907	2.06
Consolidated Power Development Corp.	95,386,877	1.63
Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc.	87,772,905	1.50
HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	82,892,326	1.41

Note: List the name of top ten shareholders.

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2019	2020	Jan.1,2021 Mar.31,2021
Market Price per Share			
Highest Market Price	113.50	89.50	90.80
Lowest Market Price	85.00	58.50	77.30
Average Market Price	98.20	74.24	85.14
Net Worth per Share			
Before Distribution	60.83	58.75	—
After Distribution	57.03	56.25	—
Earnings per Share			
Weighted Average Shares (thousand shares)	5,832,942	5,849,017	5,849,017
Diluted Earnings Per Share	4.89	3.34	2.20
Adjusted Diluted Earnings Per Share	—	—	—
Dividends per Share			
Cash Dividends	3.80	2.50	—
Stock Dividends			
• Dividends from Retained Earnings	—	—	—
• Dividends from Capital Surplus	—	—	—
Accumulated Undistributed Dividends	—	—	—
Return on Investment			
Price / Earnings Ratio (Note 1)	20.08	22.23	—
Price / Dividend Ratio (Note 2)	25.84	29.70	—
Cash Dividend Yield Rate (Note 3)	3.87	3.37	—

* In case of profits or capital reserve reinvested to allotment of shares, the number of shares to be distrusted should be disclosed with traced adjustment of market value and cash dividend information.

Note 1 : Denotes the common shares with highest and lowest market value for each year, calculated for the average annual market value for the trading value of each year and the trading volume.

Note 2 : Please use the number of share outstanding by the end of the year and filled out by the distribution of the resolutions made by the Shareholders Meeting of the second year.

Note 3 : In the event of free allotment and requires tracing for adjustment, each EPS shall be listed before and after adjustment.

Note 4 : In case the condition of outstanding equity security is distributed according to the undistributed dividends of that year accumulated to the year with

earnings, the accumulated undistributed dividends of that year shall be disclosed respectively.

Note 5 : $\text{Price / Earnings Ratio} = \text{Average Market Price} / \text{Earnings per Share}$

Note 6 : $\text{Price / Dividend Ratio} = \text{Average Market Price} / \text{Cash Dividends per Share}$

Note 7 : $\text{Cash Dividend Yield Rate} = \text{Cash Dividends per Share} / \text{Average Market Price}$

Note 8 : Net worth per share and EPS shall be filled to the date of publication of the annual report with the data attested (reviewed) by the CPA in last quarter. The other columns should also be filled up data during the current fiscal year up to the date of publication of the annual.

Note 9 : Dividends per share about 2020 is estimated, including NT\$ 2.5 cash dividends/per share and NT\$ 0 stock dividends/per share.

4.1.6 Dividend Policy and Implementation Status

1. Dividend policy:

The Company adheres to the principle of stability and balance considering shareholders' profits. The dividend policy set out in the Articles of Association of the Company is as follows:

The Company is in a business of a mature industry and earns its annual profits on a stable basis. The Company adopts a dividend policy that allows the distribution to be made in either way of or a combination of cash dividends, earnings capitalization and capitalization of capital reserve. At least fifty percent (50%) of the annual distributable earning remained after deducting the legal reserve and special reserve will be distributed, preferably in cash. The total percentage of the capitalization of retained earnings and capital reserve shall not be more than fifty percent (50%) of the total dividends distributed of such year.

2. The proposal to this Shareholders' Meeting for dividend distribution: For this Shareholders' Meeting, a proposed dividend per share is NT\$ 2.5, including cash dividends with NT\$ 2.5 per share and stock dividend with NT\$ 0 per share.

3. Expected significant change in dividend policy: None.

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting: There are no proposed stock dividends at this Shareholders' Meeting and the Company does not need to prepare financial forecasts, so it is not applicable.

4.1.8 Compensation of Employees and Directors

1. The compensation of employees and directors set out in the Articles of Association of the Company is as follows:

Article 31: If the Company gains any profits in any year, the Company shall retain 0.05% to 0.5% of the pre-tax profit as employee compensation before deducting the employee compensation of such year; provided, however, that the Company shall reserve the amount for compensating the deficit, if any. The determination of employee compensation shall be made in accordance with Article 235-1 of the

Company Act.

The Company's employee compensation is distributed in cash, which adheres to the spirit of corporate governance, and is based on the dual principle of motivating employee performance and not diluting equity to protect shareholders' equity.

2. The accounting treatment of the discrepancy between accrual and actual payment for the employee compensation for directors:

The accrual basis for employees' compensation and remuneration of Directors' shall be based on relevant regulations, Articles of Incorporation, and past experiences. The difference, if any, between actual distribution and estimated amount will be included in the profit or loss in the following fiscal year based on relevant accounting principles.

3. Distribution of 2020 compensation approved by the Board of Directors:

The Board of Directors meeting on March 12, 2021 approved:

- (1) The amounts of employees' cash compensation are NT\$ 20,624 thousand; the amount of employees' stock compensation is NT\$ 0; the amount of directors' cash compensation is NT\$ 0.
- (2) The amount of employees' stock compensation is NT\$ 0, which accounted for 0% to the amount to earnings after tax and employee compensation.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

The shareholders' meeting of June 5, 2020 approved:

- (1) The actual amounts of employees' cash compensation are NT\$ 31,930 thousand; the actual amount of employees' stock compensation is NT\$ 0; the actual amount of directors' cash compensation is NT\$ 0.
- (2) The actual amount of employees' stock compensation is NT\$ 0, which accounted for 0% to the amount to earnings after tax and employee compensation.
- (3) The actual amounts of employees' cash compensation and stock compensation, and the actual amounts of directors' cash compensation are consistent with the amounts approved by Board of Directors.

4.1.9 Buyback of Treasury Stock

None

4.2 Bonds

4.2.1 Corporate Bonds

Corporate Bond Type	2012 Unsecured Corporate Bonds, Phase II	2012 Unsecured Corporate Bonds, Phase III
Issue date	December 7, 2012	January 22, 2013
Denomination	NT\$1,000,000	NT\$1,000,000

Issuing and transaction location		Market (listed)	Market (listed)
Issue price		Issue by denomination	Issue by denomination
Total price		A bond:NT\$3,000,000,000 B bond:NT\$3,900,000,000 C bond:NT\$4,100,000,000	A bond:NT\$2,800,000,000 B bond:NT\$2,200,000,000
Coupon rate		A bond: 1.23% B bond: 1.36% C bond: 1.51%	A bond: 1.34% B bond: 1.50%
Tenor		A bond: 5 years B bond: 7 years C bond: 10 years Maturity: December 6, 2022	A bond: 7 years B bond: 10 years Maturity: January 21, 2023
Guarantee agency		None	None
Consignee		Trust dept. of Bank of Taiwan	Trust dept. of Bank of Taiwan
Underwriting institution		None	None
Certified lawyer		AY Law	AY Law
CPA		Wu, Han Chi Juanlu, Man Yu	Wu, Han Chi Juanlu, Man Yu
Repayment method		A bound: repayment of 50% of the principal in the fourth and fifth year; B bound: repayment of 50% of the principal in the sixth and seventh year; C bound: repayment of 50% of the principal in the ninth and tenth year	A bound: repayment of 50% of the principal in the sixth and seventh year; B bound: repayment of 50% of the principal in the ninth and tenth year.
Outstanding principal		NT\$4,100,000,000	NT\$2,200,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause		None	None
Name of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Ratings Rating date: October 17, 2012 Credit rating: twAA-	Rating agency: Taiwan Ratings Rating date: December 3, 2012 Credit rating: twAA-
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A	N/A

	Issuance and conversion (exchange or subscription) method	None	None
	Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None	None
	Transfer agent	None	None

Corporate Bond Type	2013 Unsecured Corporate Bonds, Phase I	2013 Unsecured Corporate Bonds, Phase II
Issue date	July 8, 2013	January 17, 2014
Denomination	NT\$1,000,000	NT\$1,000,000
Issuing and transaction location	Market (listed)	Market (listed)
Issue price	Issue by denomination	Issue by denomination
Total price	A bond:NT\$4,500,000,000 B bond:NT\$2,700,000,000 C bond:NT\$2,800,000,000	NT\$10,000,000,000
Coupon rate	A bond: 1.24% B bond: 1.38% C bond: 1.52%	2.03%
Tenor	A bond: 5 years B bond: 7 years C bond: 10 years Maturity: July 7, 2023	12 years Maturity: January 16, 2026
Guarantee agency	None	None
Consignee	Trust dept. of Bank of Taiwan	Trust dept. of Mega Int'l Commercial Bank
Underwriting institution	None	None
Certified lawyer	AY Law	AY Law
CPA	Wu, Han Chi Juanlu, Man Yu	Wu, Han Chi Juanlu, Man Yu
Repayment method	A bound: repayment of 50% of the principal in the fourth and fifth year; B bound: repayment of 50% of the principal in the sixth and seventh year; C bound: repayment of 50% of the principal in the ninth and tenth year	Repayment of 50% of the principal in the eleventh and twelfth year.
Outstanding principal	NT\$2,800,000,000	NT\$10,000,000,000
Terms of redemption or	None	None

advance repayment			
Restrictive clause		None	None
Name of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Ratings Rating date: April 9, 2013 Credit rating: twAA-	Rating agency: Taiwan Ratings Rating date: December 12, 2013 Credit rating: twAA-
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A	N/A
	Issuance and conversion (exchange or subscription) method	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		None	None

Corporate Bond Type	2014 Unsecured Corporate Bonds, Phase I	2019 Unsecured Corporate Bonds, Phase I
Issue date	July 4, 2014	May 13, 2019
Denomination	NT\$1,000,000	NT\$1,000,000
Issuing and transaction location	Market (listed)	Market (listed)
Issue price	Issue by denomination	Issue by denomination
Total price	A bond:NT\$1,400,000,000 B bond:NT\$4,600,000,000	A bond:NT\$3,300,000,000 B bond:NT\$3,000,000,000 C bond:NT\$700,000,000
Coupon rate	A bond: 1.81% B bond: 2.03%	A bond: 1.75% B bond: 1.83% C bond: 1.93%
Tenor	A bond: 10 years B bond: 15 years Maturity: July 3, 2029	A bond: 5 years B bond: 7 years C bond: 10 years Maturity: MAY 12, 2029
Guarantee agency	None	None

Consignee		Trust dept. of Mega Int'l Commercial Bank	Trust dept. of Mega Int'l Commercial Bank
Underwriting institution		None	None
Certified lawyer		AY Law	AY Law
CPA		Wu, Han Chi Juanlu, Man Yu	Wu, Han Chi Chien Hung, Chou
Repayment method		A bound: repayment of 50% of the principal in the ninth and tenth year; B bound: repayment of 50% of the principal in the fourteenth and fifteenth year.	A bound: repayment of 50% of the principal in the fourth and fifth year; B bound: repayment of 50% of the principal in the sixth and seventh year; C bound: repayment of 50% of the principal in the ninth and tenth year
Outstanding principal		NT\$6,000,000,000	NT\$7,000,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause		None	None
Name of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Ratings Rating date: May 15, 2014 Credit rating: twAA-	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A	N/A
	Issuance and conversion (exchange or subscription) method	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		None	None

Corporate Bond Type	2020 Unsecured Corporate Bonds, Phase I	
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Issue date		Sep. 3, 2020	
Denomination		NT\$1,000,000	
Issuing and transaction location		Market (listed)	
Issue price		Issue by denomination	
Total price		A bond:NT\$2,900,000,000 B bond:NT\$5,200,000,000 C bond:NT\$1,900,000,000	
Coupon rate		A bond: 0.52% B bond: 0.60% C bond: 0.67%	
Tenor		A bond: 5 years B bond: 7 years C bond: 10 years Maturity: Sep.12, 2030	
Guarantee agency		None	
Consignee		Trust dept. of Mega Int'l Commercial Bank	
Underwriting institution		None	
Certified lawyer		AY Law	
CPA		Wu, Han Chi Chien Hung, Chou	
Repayment method		A bound: repayment of 50% of the principal in the fourth and fifth year; B bound: repayment of 50% of the principal in the sixth and seventh year; C bound: repayment of 50% of the principal in the ninth and tenth year	
Outstanding principal		NT\$10,000,000,000	
Terms of redemption or advance repayment		None	
Restrictive clause		None	
Name of credit rating agency, rating date, rating of corporate bonds		None	
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A	

	Issuance and conversion (exchange or subscription) method	None	
	Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None	
	Transfer agent	None	

Note 1 : The number of columns is adjusted depending on the actual issuances.

Note 2 : Fill in if it is overseas corporation bond.

Note 3 : Such as limiting the distribution of cash dividends, foreign investment or the requirement to maintain a certain proportion of assets, etc.

4.2.2 Convertible Bonds

None

4.2.3 Exchangeable Bonds

None

4.2.4 Shelf Registration for Issuing Bonds

None

4.2.5 Corporate Bonds with Warrants

None

4.3 Global Depository Receipts

None

4.4 Employee Stock Options

None

4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.6 Financing Plans and Implementation

None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. A201010 afforestation business ◦
2. A202040 lumbering business ◦
3. C301010 spinning business ◦
4. C302010 weaving business ◦
5. C305010 printing and dyeing business ◦
6. C501010 lumber mill business ◦
7. C601010 paper pulp manufacturing ◦
8. C801010 basic chemical industry ◦
9. C801020 petrochemical raw material manufacturing ◦
- 10.C801030 precision chemical material manufacturing ◦
- 11.C801100 compound resin and plastic manufacturing ◦
- 12.C801120 manmade fiber manufacturing ◦
- 13.C801990 others chemical material manufacturing ◦
- 14.C802080 environmental medicinal producer business ◦
- 15.C802090 detergent appliance manufacturing ◦
- 16.C802100 cosmetic industry ◦
- 17.C901990 others nonmetal minerals industry ◦
- 18.CB01010 mechanical equipment manufacturing ◦
- 19.CC01080 electronic parts industry ◦
- 20.D101050 power cogeneration industry ◦
- 21.E502010 fuel pipe engineering business ◦
- 22.E599010 distribution pipe engineering business ◦
- 23.E601010 electric appliance installation business ◦
- 24.E603010 electric cable installation business ◦
- 25.E603040 fire safety engineering equipment installation business ◦
- 26.E603050 auto control equipment business ◦
- 27.E603090 illumination equipment installation business ◦
- 28.E603100 welding engineering business ◦
- 29.E603110 cold working engineering business ◦
- 30.E603120 sand-blasted engineering business ◦
- 31.E604010 machinery installation business ◦
- 32.E605010 computer equipment installation business ◦
- 33.E901010 painting construction business ◦
- 34.E903010 anticorrosion and antirust engineering business ◦
- 35.EZ02010 crane engineering business ◦

- 36.EZ05010 apparatus installation business ◦
 37.EZ15010 heat and cold preservation engineering business ◦
 38.ZZ99999 except for permission business, operation in non- limited or prohibited business ◦

A. Main areas of business operations

- (1). Petrochemical raw material produce and sale.
- (2). Plastic material produce and sale.
- (3). Synthetic filament manufacturer and sale.

B. Revenue distribution

Major Divisions	(%) of Total Sales	Major Products
1st Petrochemical Division	17.5	Benzene, Toluene, PX, OX, MX
2nd Petrochemical Division	20.4	SM, Phenol, Acetone
3rd Petrochemical Division	15.7	PTA, PIA
Plastics Division	38.3	ABS, PS, PP, PC
Nylon Division	2.8	Nylon pellet, Nylon filaments, Stretch Nylon Filament
Textile Division	0.4	Blended spun yarn, Synthetic yarn
Rayon Project Dept.	1.0	Synthetic spun yarns
Engineering and Utility Division	3.9	Water vapors, electric power, etc.,

C. Main products

The Company was established for using wasted twigs or branches to produce pulp and rayon fibers in 1965. In order to magnify manmade fiber businesses, the Company built nylon factory to manufacture nylon filaments and nylon clothes in 1973. Thereafter, the Company transformed to upstream business in petrochemical plastic material industry in 1987 to produce ABS resins, PS chips and PTA chemical material.

The Company invested in Six-cracker project with affiliated companies in 1995 to build an integrated petrochemical system which allied upstream petrochemical chemical material producers with downstream plastic manufacturers to expand economic scales for reducing production cost and lifting competitiveness. Main products are listed as below:

Para xylene(PX), Ortho xylene(OX), Benzene 、Toluene, Meta Xylene (MX),

Styrene Monomer(SM), Phenol, Acetone, Pure Terephthalic Acid (PTA), High Acetic Acid(HAC), Purified Isopropyl Alcohol (PIA), Polystyrene (PS), Polypropylene (PP) 、 Polycarbonate (PC), Acrylonitrile Butadiene Styrene (ABS), Nylon chips, Nylon filaments, Rayon fiber, Synthetic Spun Yarn, Blend Spun Yarn
Public utilities such as electric power, water vapor, pure water, soft water, chilled water

D. New products development in plans

Plastic Products: Development of 65% high rubber powder for ABS, flame-resistant ABS ANC100 online white dye pre-colored resin, flame-resistant automobile external ornament weather-tolerant ASA, automobile dashboards and bumper PP materials, low-crystal point and high-cleanness core and cavity PP materials for contact lenses, highly impact tolerant PS air-conditioning panel materials, flame-resistant PC/ABS public transportation chair materials, and large ultra-thin light guide plates PC materials, etc.

Nylon Fiber Products: Low-melting point nylon silk, biomass nylon silk, high-melting point industrial nylon pellets

Short-Fiber Yarns: Flame-retardant anti-bacterial mildew-proof, deodorant blended yarns, environmentally-friendly yarns.

Rayon Cotton Products: Fine denier fiber non-woven fabric cotton, round-section Formocel fibers, high-strength Rayon cotton.

5.1.2 Industry Overview

A. Current Outlook of and Developments in the Industry and Various Developmental Trends and Competition of Major Products

(1)Benzene: Impacted by COVID-19, the downstream benzene users once adjusted the activation rate downwards during the Chinese New Year of 2020 in Mainland China. Despite the narrowed differences in the prices of benzene and light oil from the preceding term, the mean price for the first quarter managed to remain above US\$150/ton. As the pandemic eased in Mainland China, the activation rate was maximized in the petrochemical plant since prices of raw materials were low. Plus the fact that the pandemic peaked in Europe and America to close down the arbitrage window between Asia and America, prices of benzene in Asia were once obviously higher than those in other regions to attract the arrival of outer goods. Because of the slower digestion of overall demand for benzene in the downstream and the inventory constantly piling up, however, differences in prices of benzene and light oil dropped continuously, too, to arrive at less than US\$20/ton. Mainland China was the first in Asia to resume operation and production. The delay encountered in the overseas supply chain contributed to a significant rise in exports of Mainland China. Due to steady digestion of demand in the downstream, the activation rate for SM and phenol in the downstream of

benzene remained high; nevertheless, it was unable to digest the high inventory size built up as the pandemic continued. Under the persistent insufficient arbitrage spread between Asia and America, redundant benzene in Asia could only be digested locally; this led to the inventory of benzene in Mainland China remaining high and prices seriously suppressed. In the fourth quarter, however, prices of benzene climbed given the higher-than-expected demand for plastics in the downstream. Downstream prices kept climbing. SM prices jumped after a change in atmosphere after a long vacation to further drive up prices of benzene. The inventories in Europe and America were low during the previous term, too. As vaccination began, prices of benzene climbed and the arbitrage window between Asia and America was opened. Differences from prices of light oil widened to reach above US\$200 and arrive at US\$634/ton on December 31.

- (2) Para-xylene (PX): Prices of PX fluctuated with those of light oil throughout 2020. With the commissioning of the new PX capacity in Zhejiang, prices slid quickly and climbed slowly. The mean price of PX for the first quarter was US\$704/ton and it dropped significantly to US\$497/ton in the second quarter. Although it climbed back to US\$546/ton in the third quarter and US\$561/ton in the fourth quarter because of the higher baseline for oil prices, the surges in prices of PX were restricted and it led to the constantly reduced price difference between light oil and PX. The aromatic hydrocarbon plant in Asia suffered deficits; the activation rate was adjusted downwards; the price difference between PX and light oil were undesirable - it dropped from US\$267/ton in the first quarter and US\$221/ton in the second quarter to US\$149/ton and US\$153/ton in the third and fourth quarters.
- (3) Ortho-xylene: The relatively steadily controlled pandemic in Mainland China for the first half of 2020 contributed to an increase in the momentum for industrial activities and it helped digest the upstream raw materials. The selling price of OX once was higher than the buying price and attracted arbitrage incoming goods. The uncertainty of downstream demand driven by economic recovery, however, remains high. The mean difference from the prices of the raw material Xylene in the first quarter was up to US\$125/ton. As it was impossible to effectively digest the inventory, the price of OX was suppressed to squeeze the price difference in the second quarter to only US\$64/ton. For the second half of the year, the pandemic eased and economic activities were resumed. Demand for phthalic anhydride and plasticizers in Mainland China and India was maintained and the price continued to be adjusted upwards. The price of OX was still supported by the better-off atmosphere on the market for phthalic anhydride and DOP in the downstream. The domestic demand on the downstream market of OX for phthalic anhydride and plasticizers was relatively strong and the demand on emerging markets such as Southeast Asia and India was stabilized. The overall price

gradually climbed to further inspire the price of OX in the upstream.

- (4) SM: The commissioning of 1.92 million tons of capacity in total from Zhejiang Petrochemical and Hengli Petrochemical in Mainland China and the price war on crude oil among oil producing countries led to a collapse in the market quotations of SM in the first quarter of 2020. With the agreement reached on reduced production among oil producing countries and reinstated operation and production in Mainland China that attracted a large number of international purchase orders in the second quarter, the demand for plastics and the volume of SM imported saw a surge, leading to the accumulated inventory in East China to arrive at a high level in the third quarter. Market quotations bottomed out in the beginning of the second quarter and marginally climbed thereafter. By the fourth quarter, SM devices were mostly being serviced. The inventory was quickly digested. The tense supply and demand relationship significantly drove up the price.
- (5) Phenol, acetone: Although market quotations of phenol and acetone were impacted by COVID-19 for the first quarter and took a dive because of a decline in demand, supported by the centralized service for phenol and acetone plants in Mainland China during the second quarter, the falling streak stopped and market quotations bottomed out. With the completion of centralized service in the third quarter, market quotations weakened and went through adjustment. In the fourth quarter, as service was arranged by multiple phenol and acetone plants throughout Asia and LG Chem reduced production abnormally and the price of benzene rose powerfully, market quotations climbed again. Market quotations of phenol reached US\$850/ton on January 1, 2021 and acetone US\$1,000/ton.
- (6) Purified Terephthalic Acid (PTA): Impacted by the lock-downs in countries around the world in response to COVID-19, demand of downstream end users for the first four months of 2020 shrunk; the overall activation rate of polyester products was undesirable; and the pickup quantity of PTA dropped drastically. The Company adjusted its production and distribution rate of PTA downwards. The spot price of PTA slid along with crude oil from US\$620 per ton on average as of December 2019 to the lowest price of US\$395 per ton on April 22, 2020. Then, as governments followed one another to introduce measures to revitalize the economy, downstream demand slowly recovered and the spot price slightly rose back to US\$485 per ton by the end of the year. Due to the fact that the price difference in the costs of finished products and raw materials remained low, however, operations in Taiwan and in Ningbo suffered deficits throughout the year.
- (7) Purified Isophthalic Acid (PIA): For the first three quarters of 2020, the higher supply than demand situation remained on the market as a whole. Plus the confounding factor of the pandemic, demand for bottle chips, low melting point cotton, and coatings dropped and the selling price of PIA kept sliding,

from the mean price of US\$817 per ton as of December 2019 to the lowest US\$670 in May 2020. Later, with the Company downtime for periodic inspections and the reduced production by Korea LOTTEE of PX due to undesirable benefits, there were insufficient raw materials for isophthalic acid, PIS production was limited; sources of materials on the market became tense; and downstream market outlook turned better to drive the selling price back up to US\$846 in December 2020. As selling prices of finished products throughout the year were still unable to write off the overall costs, operations throughout the year bore slight deficits.

- (8) Plastic Raw Materials PS, ABS, PP, PC: Since January 23, 2020, when Wuhan of Mainland China was in a lock-down due to the breakout of COVID-19, the world has been in a panic about the pandemic, which later spread to Europe, the United States, and all over the world to impact the global economy. Various quarantine measures were imposed in pandemic-hit regions. The whole year was haunted by the pandemic. For the first half of the year, the world was devoted to quarantine efforts against the pandemic and the research and development of vaccines. The future for crude oil was unknown because of the obviously falling oil prices in response to the shrinkage of demand due to restricted economic activities and reduced production in the manufacturing industry. For the second half, as the pandemic in Mainland China was gradually under control and Mainland China took the lead in the world on the road to recovery and drove the alternative new life demand brought about by the post-pandemic stay-at-home economy. Purchase orders from around the world returned to Mainland China. The demand for plastic pellets showed an explosion following the suppression and because of the low market quotations of raw materials, the price difference between finished products and raw materials expanded to the highest in history. Profits of plastic pellets in PS and in ABS set historical records. The best profits were secured in plants in Taiwan and in Ningbo, too. The sales of PS, in particular, grew 1.6% from 2019, primarily because of the increase in domestic distribution of LCD TV diffusers and OPS materials, which secured a growth of 13.6%. Exports roared due to business opportunities brought about by the post-pandemic stay-at-home economy, with a growth of 24.3% in Mainland China. As for the other regions, such as North America and Latin America, food packing materials, home appliances, household hardware, among other materials, and in the Middle East, food packing materials and building XPS purchase orders remained stable and only saw a decline of 1.6% because of the impacts from the pandemic. Sales of ABS pellets declined by 3.3% from 2019. Due to the impacts from the pandemic for the first half of the year, despite the efforts made to secure full production and full distribution for the second half of the year, there was a slight decline throughout the year. In 2021, the priority is given to high-value products and the target is a growth of 36.7% from 2020. The sales of PC/ABS

need to grow by 68.7% from 2020 by keeping track of the 5G establishment opportunity, including the constant demand for mobile devices and audio-visual equipment such as components required as part of 5G configuration, namely the outdoor antenna enclosure small base stations, routers, set-top boxes, virtual office and classroom, video conferencing, etc. It is required to keep soliciting purchase orders from related direct users. For PP, the annual sales in 2020 grew 6.3% from 2019 primarily because of the growing contributions from the demand in Mainland China. Other ex-Mainland China regions bore a decline of 17.6% due to the confounding factor of the pandemic. The supply on the PP market is relatively loose. Market quotations throughout the year were relatively stable. Profits remained steady. The Company continues to develop high MI light-weight home appliances, pipes, and automobile materials, medical devices, non-woven fabric for face masks, modified materials as its priorities in 2021.

In polycarbonate resin products, the overall capacity of PC producing enterprises throughout Mainland China was 1.94 million tons in 2020, including 410 thousand tons added and expanded, a growth of 26.8% from 2019. For the first half of the year, impacted by the pandemic, market quotations remained low and fluctuated. In January and February, in particular, the market was basically in a stalemate. Starting from August, for the second half of the year, market quotations rose month after month. In early October, in particular, with the surging prices of both ABS and the raw material Bisphenol A, market quotations reached the ceiling in nearly two years. In the second half of the year, market quotations successfully took a turn from loss to profit. Profits were maintained throughout the year. The pandemic and market quotations, however, special sales were increased and optical and general sales were reduced to lead to a decline in annual sales by 8.6%. In 2021, the Company will continue to reduce optical sales and increase special sales such as high-unit-price LC, HQ, IN, and new model anti-UV in order to create optimal profits.

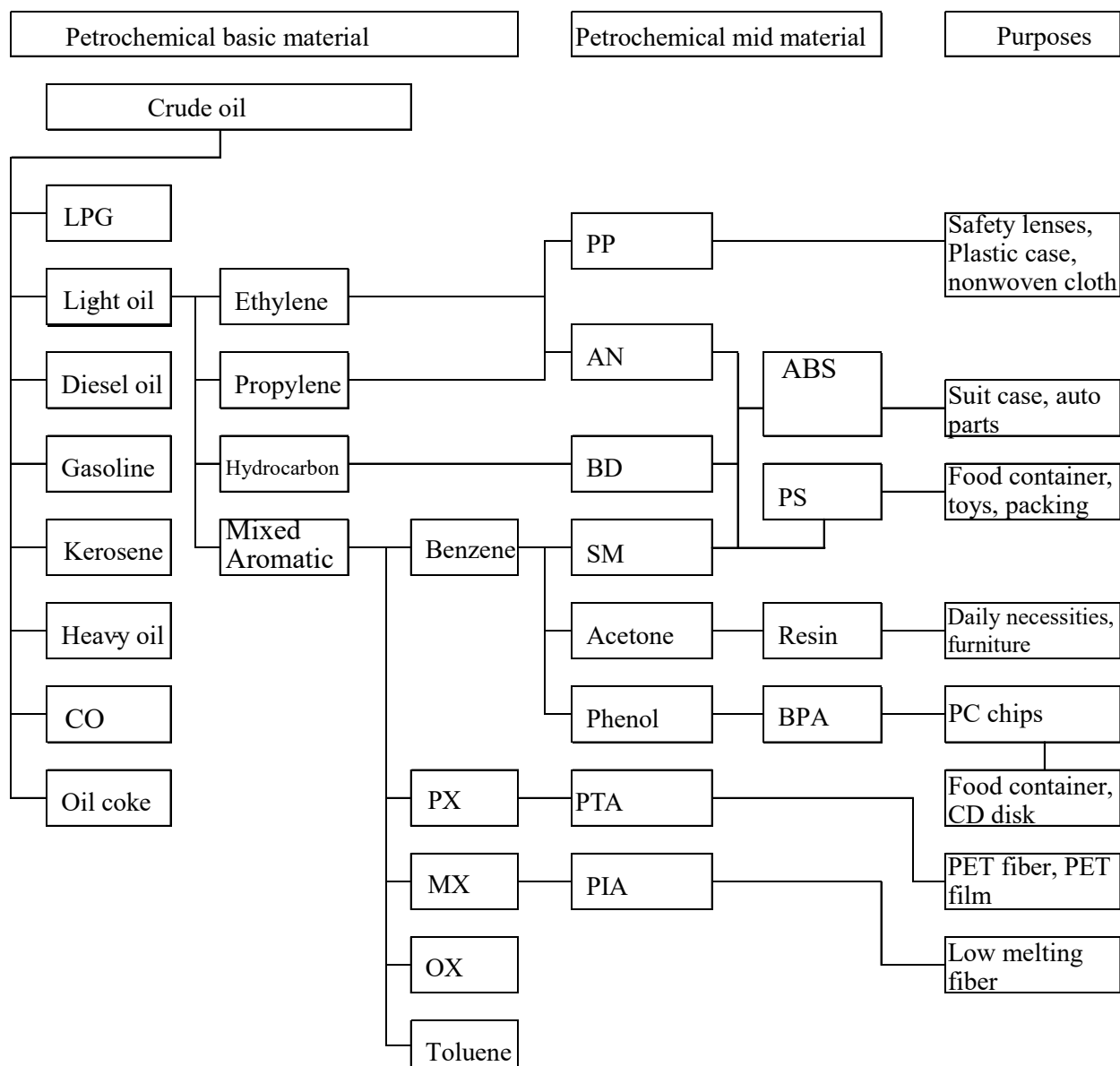
- (9) Nylon Fiber Products: As additional throughput was devoted throughout Mainland China, there was more supply than demand on the market to result in significant price reductions meant to secure purchase orders. Prices of nylon fiber products took a dive. In order to stay away from the red sea market, the Company proactively works with brand customers in the downstream and answers to the prevailing trends of green environmental protection, circulation and renewal by developing and expanding the recycling of environmentally-friendly silk and color silk that does not require back-stage dyeing and distinguishing blue ocean products and linking them to brand distribution networks to ensure profitability.
- (10) Short-Fiber Yarns: Counterparts in the spinning industry reduced their production scale to bring down deficits as low-priced yarns from India,

Pakistan, Indonesia, Vietnam, and Mainland China followed one another to enter the domestic market and the production of export-oriented fabrics for the purchase orders received by downstream textile businesses continued to be forwarded to Southeast Asia or developing countries and under the impacts of the high production cost of domestic spinning mills, the ever-daunting operations of the mills given price competition on the market, and the pandemic in 2020. As a result, the domestic spinning industry is gradually dying out. Despite the large volumes of various types of yarns imported to seriously impact prices on the domestic market, in order to survive, domestic spinning mills were proactively seeking transformation opportunities with profitable products through differentiation, high-value orientation, small quantities and diversification, and rapid supply and avoid competing with imported yarns, the red sea products.

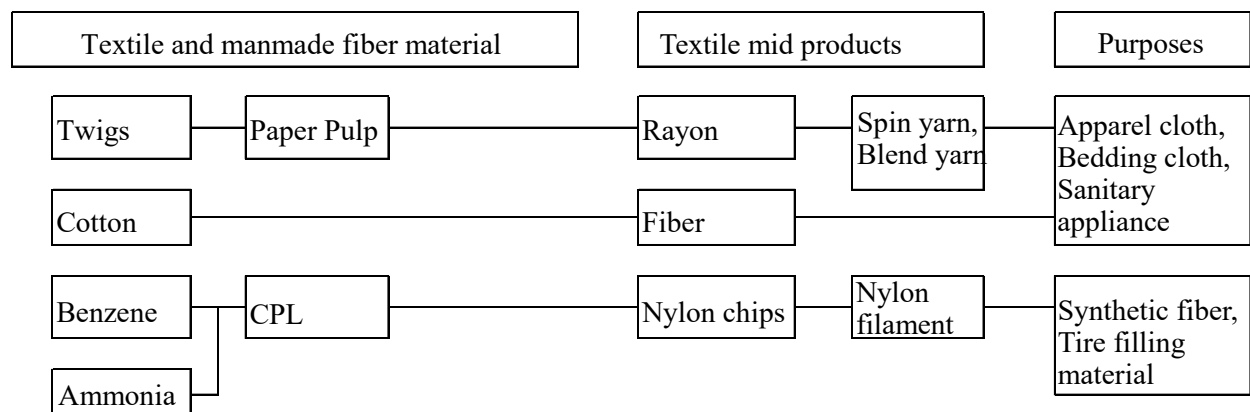
- (11) Rayon Cotton Products: The sluggishness from 2019 continued in 2020 for Rayon cotton. Plus COVID-19, the demand went from bad to worse to result in seriously backlogged inventory. As a result, Rayon cotton sellers in Mainland China peddled them at low prices and accordingly prices of Rayon cotton internationally slid month after month. Local market quotations hit the trough of 20 years in the second half of July. Manufacturing facilities were unable to bear the huge deficits and followed suit to respond with inspections/repairs or reduced production. It was not until August when the downstream vortex yarn was supported by an increase in demand from foreign trade purchase orders that the price stopped to fall and bottomed out. The demand from foreign trade purchase orders continued into the second half of August to accordingly drive subsequent rises in prices of other types of yarns in the country. The downstream knitting market gradually came back. Rayon yarn transactions came to life and the demand for Rayon cotton from spinning mills surged significantly, too. Prices of Rayon cotton continued to climb. As transaction sentiments bettered off, prices of Rayon cotton and Rayon yarn supported each other and took turns in climbing. During the National Day vacation of Mainland China, due to worsened pandemic in India, lots of purchase orders for knitting yarns were forwarded to Mainland China to result in the surge in natural cotton futures and textile raw materials. Downstream spinning mills largely replenishing their inventories to lead to a shortage in supply of Rayon cotton on the market, too. It is hence expected that the price of Rayon cotton will continue to steadily climb.

B. The flow charts of manufacture processes of upstream and downstream

(1) 、petrochemical and plastic products



(2) 、Textile and manmade fiber



5.1.3 Research and Development

A. Research and Development Expenses by the Central Research Institute (CRI) in the Past Two Years

Unit: NT\$ thousands

Year	2020	2021(Estimated)
Total Expenditure	685,172	522,292

B. Successfully developed technologies or products

Item	Successfully developed product	Description of purpose
ASA	Weather tolerant ASA pellet	The dyeing performance and strength of products are developed and improved. They are suitable for outdoor parts, automobile materials, mini-hardware, and building materials.
ABS	BP645 that contains 60% of rubber	Both production efficiency and reduced COD content in water are taken care of to be environmentally friendly.
PS	High-tone impact-tolerant HP835G	It is mainly applied in home appliances such as air-conditioning panels and covers of washing machines that feature relatively optimal tones in order to proactively secure the markets in Taiwan and Southeast Asia.
PP	High-value medical anti-radiation K1P38, Contact lens core and cavity material K1P12, Dialysis tube K4520	Impacted by COVID-19, applied in medical tests and consumables
	PP-modified specifications	For the In Line Compound production line, the application includes dashboards, transparent low-temp keep-fresh containers, baggages, PP fiber-added printer accessories, etc.

PC	High-cleanness products such as HQ2200 and IN2200	The focus is on the certification and development of first-rate heavyweight brands for automobile materials, 3C, and home appliances
PCR environmentally-friendly recycling	AF353R, HP825R, AC310R, AC381R	Development of PCR (Post-Consumer Recycled Plastic) environmentally-friendly recyclable materials; the TÜV Rheinland Certificate is obtained

Short-Fiber Yarns: New manufacturing processes and equipment are introduced to produce various types of yarns and research and develop functional fabrics as needed by brand holders for enhanced value added of the products. In 2020, the Company finished developing the functional (anti-bacterial mildew-proof, deodorant) yarn, closely-knitted yarn, SIRO yarn, SLUB yarn, flame-retardant yarn, PET bottle environmentally-friendly recyclable yarn, and environmentally-friendly biodegradable short-fiber yarn. The company will combine subsequent processing facilities in enhancing the quality level. Manpower and resources will continue to be invested in the pursuit of advancement in quality.

Nylon Fiber Products: In response to the world's appeal for being green and environmentally friendly, recycled raw materials are used during production. A series of environmentally-friendly nylon silk products have been developed and nylon color silk is being developed in order to minimize the impacts of back-stage dyeing wastewater on the environment.

5.1.4 Long-term and Short-term Development

- (1) Benzene: For the short term, 2.63 million tons of valid throughput will be added for benzene throughout Asia and the converted volume of benzene used given the additional valid throughput in the downstream will be 3.2 million tons in 2021. The additional throughput mainly comes from Mainland China, including large refinery projects such as the one of Zhejiang Petrochemical. The integrated upstream-downstream package layout will impact the overall industrial chain at greater depths and further bring down importation dependency and improve self-sufficiency. For the long term, due to competition in all items throughout the petrochemical chain, outer aromatic hydrocarbon plants in Japan and Korea have followed suit in reducing their load throughout 2020 and accordingly the output of benzene as byproduct dropped. In addition, given the advantage in the price of olefin, downstream benzene users in the US will continue to import benzene

from Asia. With the difference in price from light oil remaining at US\$120~200/ton, fluctuations reflective of the supply and demand on Asian markets are greater.

- (2) Para-xylene (PX): For the short term, valid throughput that is added of PX throughout Asia in 2021 will be 4.25 million tons. With the additional valid demand of 7.45 million tons for PX deducted from the new throughput of PTA, adequate growth in the polyester industrial chain will be maintained as the global economy grows each year. Due to the COVID-19 pandemic, the industrial momentum in 2021 will still be affected. For the long term, Mainland China will be the first to activate given the promising profitability with the market as a whole recovers among polyester plants throughout the world. The devotion of new PTA throughput and the maximized demand for PX are in favor of the PX spread. With the new throughput from the Stage 2 project of Zhejiang Petrochemical to be commissioned, however, it is expected that the profitability with the production of PX may be marginal in terms of gains and losses. The price difference will be maintained at around US\$200/ton from light oil and around US\$100/ton from Xylene. Close attention needs to be paid to the fluctuations in oil prices and market trends for downstream products as a whole.
- (3) Ortho-xylene: For the short term, demand for plasticizers on the market in the downstream of phthalic anhydride will shrink in early 2021. Despite the significant rises in the beginning, market quotations will be modified later. The wait-and-see aura is prevailing. Prices of both phthalic anhydride and plasticizers tend to be adjusted downwards throughout Asia. The activation rate in Mainland China is adjusted downwards, too, among phthalic anhydride plants given the inventory. In addition, due to the fact that there are still up to 30 thousand tons of OX in stock at the ports of Mainland China, the market bears certain pressure. Plus the persistent highly uncertain demand under the impacts of COVID-19, price difference between OX and the raw material Xylene mixture is minimal at the moment and the production benefits are unlike PX or OX producers or the output is reduced. Therefore, supply on the market is relatively minimal. For the long term, the Company will consider the price of Xylene mixture and the material preparation status while adequately enhancing the sales of OX to increase profits.
- (4) SM: For the short term, the additional throughput for SM will be commissioned centrally in Mainland China in 2021. The supply on the market is sufficient, which is expected to squeeze the room available for the profitability of SM. The Company will increase the ratio of external purchases for the plant in Ningbo and secure the domestic market in Taiwan to reduce the impacts from anti-dumping duties and to increase profits. For the long term, with the integration and improvement of column distilling heat of the SM plant, the use of water, electricity, and steam will be effectively enhanced to bring down the production cost. In addition, the Southeast Asian market will be expanded and the new

market in Australia will be explored to increase the Blue Ocean deployment.

- (5) Phenol, acetone: For the short term, due to the expansion in valid throughput of phenol in Mainland China for the first half of 2021, the supply of phenol and acetone on the market is generally at ease. For the second half of the year, with the devotion of the additional throughput for BPA and phenolic resin in the downstream, the supply and demand of phenol and acetone will be balance out, which is in favor of the operations in the industry. Phenol and acetone produced by the Company are mainly meant for internal corporate use and hence benefit from the vertical upstream-downstream integration. The sales remain steady. For the long term, to maximize the market share and to meet the demand for BPA expansion in the downstream in the future, the Company already expanded its plant in Ningbo in December 2020 with the production line for an annual throughput of 100 thousand tons of phenol and that of 61.5 thousand tons of acetone that will supply the market in Mainland and fulfill the growing demand on the market.
- (6) Purified Terephthalic Acid (PTA): For the short term, as the throughput of competition keeps expanding, operation is still faced with difficulty. As part of the Company's sales strategy, for the plant in Taiwan, the primary goal will still be to secure polyester customers in the downstream of the domestic market in addition to the signing of long-term supply and sales contracts with quality customers such as Tainan Fiber in Vietnam, Hualon Vietman, and Shinkong Synthetic Fibers in Thailand, and those in India as an option to ensure that full production may be maintained with the two production lines in Taiwan. In addition, full-loaded production continues at the PTA plant in Mainland China with an annual throughput of 1.2 million tons at present in order to supply the adjacent inland market and to reduce costs of tariffs and transportation. For the long term, besides the continued effort to promote process optimization, energy integration, and energy-saving improvements, AI big data analysis is applied at respective plants at the moment to help enhance the management efficiency. The construction of the new PTA production line with an annual throughput of 1.5 million tons in Ningbo is expedited, too. Completion and commissioning are expected for the second quarter of 2022.
- (7) Purified Isophthalic Acid (PIA): For the short term, despite the commissioning of the new production line with an annual throughput of 300 thousand tons of Yisheng in Ningbo for the second half of 2020, the quality of finished products was not accepted by all customers. Plus the impacts from reduced production of Korea LOTTE and INDORAMA, sources of goods on the market appeared to be tight. With supply less than demand, the selling price of PIA rose and the operation was gradually getting on track. With limited supply on the market, it will help with the Company's profits for the short term. For the long term, due to the fact that the overall throughput is still greater than demand, it is expected that the selling price will gradually return to a reasonable range. The new production

line with an annual throughput of 200 thousand tons of the Company in Ningbo is expected to be commissioned in the second quarter of 2021 and the sales will primarily target polyester, low melting point cotton, and coating users in Mainland. Given the autonomy over raw materials and with plants in both Taiwan and Mainland China, the sales strategy of the Company for 2021 is meant to primarily reduce the quantity sold from Taiwan to Mainland China and to proactively develop prospective customers in areas such as the Middle East and Russia where there are no tariff barriers so that the market share may be maximized and full production and full distribution may be maintained for the two production lines in Taiwan and Ningbo.

- (8) Plastic Raw Materials and Products: For the short term, in 2021, once the RCEP is signed, the agreement is reached on Brexit, and the presidential election in the US and other international events are finalized, the uncertainties will gradually disappear. Subsequent developments with the pandemic and the trade tug-of-war between China and the US, however, remain as the key international factors in 2021. The recent climbing figures of the COVID-19 pandemic in Mainland China need to be closely followed. Meanwhile, faced with the rapid expansion of the throughput for plastics in Mainland China, the production and distribution transforming plan will be furthered. Full production and full distribution and comprehensively expedited maximization of the sales of differential specifications and decentralization of markets under the premise that production is steady and free of abnormalities are the goal to enhance the competitive advantage. Besides taking advantage of the duty-free niche from the ECFA for SAN, PP COPO, and PC and holding onto the demand from automobiles and home appliances in Mainland China, stay-at-home economy, and purchase orders for exports to Europe and America, the efforts shall be maximized in areas with relatively speedy recovery from the pandemic to proactively explore and decentralize markets. In addition, efforts shall be made to maximize differentiation of products and devoted to the development of new specifications. Trial operation of the composite plant in Xingang with an annual throughput of 36 thousand tons of the Company took place in December 2020 and the plant will be introduced to produce fire-proof PC and other high value-added composite materials that are to be tailored for respective customers. The goal is to accomplish full production and full distribution by the end of the year. In addition, trial production is to be completed in the fourth quarter of 2021 for the Stage 1 wet-powder granulation project of the PABS plant in Xingang. It will enhance process safety and improve elapsed whiteness. For the PABS plant in Ningbo, addition of the wet-powder granulation system to the second line in 600 zones took place in 2019. extruding-desiccation replaced fluidized drying in order to improve process safety and elapsed whiteness. Completion and trial run are expected for the fourth quarter of 2021. For the long term, the Stage 2 wet-powder granulation project of the PABS plant in Xingang is expected to be completed and go through a trial run in February 2023. The PABS plant in

Ningbo has an annual throughput of 250 thousand tons for ABS and it is being rapidly expanded. The goal is to complete commissioning for the first quarter of 2022. General trial production is planned in the beginning. In the future, combined with the composite section in Ningbo, the emphasis will be placed on special and composite materials. Besides the domestic demand in Mainland China, with preferred zero tariffs, ASEAN and RCEP countries are prioritized, too.

- (9) Nylon Fiber Products: The Fiber Business Department took a turn from loss to profit in the fourth quarter of 2020 after organizational restructuring in 2020 where the production and distribution structure was adjusted in an effort to expand shares of high-value products such as nylon engineering plastic pellets, recycle environmentally-friendly silk and color silk. In order to ensure the Company's competitive advantages on the market and the strength of its products, continuous efforts are devoted to the exploration of new markets in order to develop the new Blue Ocean and to avoid competing with low-priced nylon products from Mainland China. In the future, to go with the prevailing green, environmental protection, recycling, and re-generation trends, the ratio of green products will be enhanced. Developments will prioritize the production of differential products such as environmentally-friendly silk and color silk with recycled waste fishing nets; brand distribution networks will be combined; the production demand of downstream customers and prevailing trends on the market will be taken into consideration; and the production and distribution plan and the production model will be adjusted to form a marketing system combining the upstream, mid-stream, and downstream.
- (10) Short-Fiber Yarns: Due to the China-US trade war, the significant depreciation of the TRY exchange rate, the plummeting prices of yarns in the international society, the impacts of COVID-19 on global demand, and the tariff issue, among other multiple unfavorable factors, the production of general yarns that have no profits was ended in the second quarter of 2020 and the yarns were sold to Turkey. The focus turned completely to the expansion of the domestic market. In order to increase profitability, high value-added and differentiated products such as environmentally-friendly yarns and anti-bacterial yarns have been targeted in the pursuit of the best sales income combination to enhance profits brought about by the production. Meanwhile, for the sake of creating higher income and enhancing the market share, the sales of Renze imported sales continued to be expanded in an effort to expedite the growth in revenue.
- (11) Rayon Cotton Products: It is expected that the demand on the market for Rayon will gradually come back in 2021 and to reduce deficits, counterparts in Mainland China will continue with the annual overhaul and reduced production strategy adopted last year to bring down the supply and it helps support prices of products. Despite the fact that fierce price competition on the market for Rayon cotton remains, the Company continues to promote energy conservation and

improvement in order to bring down the production cost and enhance competitive advantages on the market. Sources of the raw material wood pulp are proactively kept track of to ensure abundant supply of the raw material and support steady production. Meanwhile, new products are proactively developed reflective of the prevailing market trend. Prevailing market trends for finished Rayon cotton products and changes in market quotations are kept track of. High-quality Rayon cotton is provided. High-value products and exploration of new markets are operational priorities.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Sales (Service) Region

Products	Export region	Major Competitor	Local Market Share(%)
Ortho xylene	Mainland China	Reliance, ExxonMobil	55
Para xylene	Mainland China	JXTG,SKGC	28
Styrene Monomer	Mainland China, Asia	China Petrochemical Development Corporation, Zhejiang Petrochemical Corporation ,Hanwha Total Petrochemical, SHELL, SADAF	65.5
Acetone	Mainland China, Asia	China Petrochemical Development Corporation, Zhejiang Petrochemical Corporation, Kingboard Holdings Limited, Chang Chung Group, LG, PTT	44.8
Phenol	Mainland China, Asia	China Petrochemical Development Corporation, Zhejiang Petrochemical Corporation, Kingboard Holdings Limited, Chang Chung Group, LG, PTT	54.1
Pure Terephthalic Acid	Mainland China, Vietnam	CAPCO, Oriental Petrochemical (Taiwan) Co., Ltd.	33

Purified Isopropyl Alcohol	Mainland China, Asia, Middle East, South America, Europe,	LOTTE, MGC, Indorama, FHR, EASTMAN, SINOPEC Yanshan Company	62
Poly Styrene	Mainland China , South East China, Middle East,	Chi Mei Corp., Taita Chemical Co., Ltd., KAOFU Chemical Corp.	55
Acrylonitrile Butadiene Styrene Pellets	Mainland China , South East China, Europe,	Chi Mei Corp., Grand Pacific Petrochemical Corp. Taita Chemical Co., Ltd.	30
Poly Propylene	Mainland China, Middle East, South East Asia , Japan, North Africa, South Asia	LCY Chemical Corp. LOTTE, TOTAL, China Petrochemical Development Corp 、Exxon	33
Poly Carbonate	Mainland China, Asia, Europe, America,	Chi Mei Corp., Teijin, Covestro, SABIC, MEP, LG	42
Rayon fibers	Turkey, South East China, Pakistan, America, Europe, South Korea, Japan, Vietnam	SPV, LENZING, Birla	45
Synthetic Spun Yarns	South America, Japan, India, Vietnam	Tung Ho Textile Co., Ltd. Far Eastern New Century,	15
Nylon filaments	Mainland China, South East Asia, Middle East,	Lipeng Enterprise Co.,Ltd. Zig Sheng Industrial Co., Ltd.	34

B. Favorable and Unfavorable Factors in the Long Term

Please see Letter to Shareholders, Industry Overview and Long-term and Short-term Development sections in this annual report.

5.2.2 Production Procedures of Main Products

A. Major Products and Their Main Uses

1. Benzene (BZ): materials of Styrene Monomers, Phenols, and synthetic fibers and resins, etc.
2. Para xylene (PX): materials of Pure Terephthalic Acid, dye, and resins, etc.
3. Ortho xylene (OX): materials of detergent, resins, etc.
4. Pure Terephthalic Acid (PTA): materials of Polyester fibers, Polyester films, Pet bottle, PBT engineering plastic resins, etc.
5. Purified Isopropyl Alcohol (PIA): materials of Pet bottle, Polyester films, etc.
6. Polystyrene chips (PS): materials of toys, CD case, Lampshade, Electric cover, home appliance electric spares, etc.
7. Acrylonitrile Butadiene Styrene (ABS): materials of suitcase, office appliance cover, telephone shell, etc.
8. Polypropylene (PP): material of home appliances, food buckets, wrap bag, carpet cloth, plastic pallet, etc.
9. Polycarbonate (PC): material of cups, optic lenses, stationary, food buckets, transparent case, etc.
10. Rayon fiber: material synthetic fiber, filter cloth, inner liner cloth, shoe pad, cosmetic purpose cotton, cosmetic and health aid, etc.
11. Nylon filament: material of filament for sky clothes, swimsuit, briefs, umbrella, back bag, safety belts, conveyor, etc.

B. Major Products and Their Production Processes

1. Aromatic

Naphtha \longrightarrow extraction

Light oil → add hydrogen → recombination → alkanisation → **Benzene**

\downarrow \downarrow
 purification \longrightarrow isolation \longrightarrow isomerization
 \downarrow \downarrow
Ortho-xylene (OX) **Para-xylene (PX)**

2. Styrene Monomer (SM)

Benzene Monomer (SM)
Ethylene } alkanisation → distillation → benzole recovery → ethylbenzene recovery →
de-hydrogen → isolation → ethylbenzene recycle → purification → **SM**

3. Phenol

```

graph LR
    Benzene --> Alkanisation
    Propylene --> Alkanisation
    Alkanisation --> CumeneDistillation1[cumene distillation]
    CumeneDistillation1 --> Oxygenation
    Oxygenation --> Concentration
    Concentration --> Cumene
    Cumene --> Isolation
    Isolation --> CumeneDistillation2[cumene distillation]
    Isolation --> PhenolDistillation[phenol distillation]
    CumeneDistillation2 --> Cumene
    PhenolDistillation --> Phenol

```

4. Pure Terephthalic Acid (PTA)

plasma → hydrogenation → crystallization → split → dehydration → **PTA**

5. Purified Isopropyl Alcohol (PIA)

Meta xylene → oxygenation → crystallization → split → hydrogenation → harmonized
plasma → hydrogenation → crystallization → split → hydrogenation → **PIA**

6. Poly-styrene (PS)

Styrene Monomer → solution → combination → advanced polymerization →
de-hydrogen → extrusion → cut → dehydration → **PS**

7. Acrylonitrile- Butadiene-Styrene Pellets (ABS Pellets)

SM —————> combination —> polymerization —> de-alkylation —> extrusion
Acrylonitrile ————> cut —> dehydration —> **SAN Pellets**

Butadiene —> polymerization —> SM —————> polymerization —> condensation
Acrylonitrile ————> hydrogenation —> dehydration —> **ABS powder**

ABS powder —————> extrusion —> cut —> packing —> **ABS Pellets**
SAN pellets ————

8. Poly-propylene (PP)

Ethylene —————> purification —> polymerization —> inactivation —> pellets
Propylene —————> blending —> **PP**
Hydrogen —————>
Normal hexane ————

9. Poly-carbonate (PC)

CDC + BPNA + MC —> PC —> alkaline cleaning 、 acid pickling 、 watering —> PMC
—> dehydration —> PC powder —> **PC Pellets**

10. Rayon fiber

Wood pulp —> alkaline —> maturity —> solution —> maturity —> filter —> spin —> extension
—> cut fabric —> dehydration —> moisture —> **rayon fiber**

11. Synthetic spun yarns

Cotton —> blow —> comb —> combination —> slub yarn —> spun yarn —> bobbin combination —> **synthetic spun yarns**

12. Nylon filaments

Captrolactam —> polymerization —> spin —> extension —> **nylon filaments**

5.2.3 Supply Status of Main Materials

The Company built network platform making purchase to ensure that the purchasing processes are impartial and just. All suppliers who certified by digital signatures can quote or enquire prices on the same network platform to advance efficiency and create win-win situation. Currently, there are more than ten thousands suppliers have enrolled in the system. The main sources of raw material are listed as fallow.

Unit: NT\$ thousand

Items of raw material	Unit	Volume	Amount	Major suppliers
Light oil	tonne	3,005,238	36,216,148	Import and from local company
Mixed Aromatic hydrocarbons	tonne	1,119,729	13,237,497	Formosa Petrochemical Corporation
Mixed Xylene	tonne	529,747	7,933,428	Import form sopt markets
Benzene	tonne	1,469,073	21,690,324	Import and from local company
Para-xylene	tonne	705,301	11,927,409	Import and from local company
Propylene	tonne	558,579	11,902,661	Formosa Petrochemical Corporation
Ethylene	tonne	376,291	7,655,165	Formosa Petrochemical Corporation
Acrylonitrile	tonne	81,919	2,753,516	Formosa Plastics Corporation
Butadiene	tonne	53,642	1,199,477	Formosa Petrochemical Corporation
Bisphenol	tonne	165,067	6,632,070	Nan Ya Plastics Corporation
Rubber	tonne	11,334	491,813	Import and from local company
Caprolactam	tonne	62,997	2,136,048	Import and from local company
Pulp	tonne	13,546	188,947	Import
Coal	tonne	1,410,635	3,310,971	Import

5.2.4 Major Suppliers and Clients

A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2019				2020				2021 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Formosa Petrochemical Corporation	115,927,530	45.1	Invested Firm	Formosa Petrochemical Corporation	94,784,512	49.6	Invested Firm	Formosa Petrochemical Corporation	36,615,850	55.3	Invested Firm
2	Others	141,377,019	54.9		Others	96,370,352	50.4		Others	29,645,894	44.7	
	Net Purchases	257,304,549	100		Net Purchases	191,154,864	100		Net Purchases	66,261,744	100	

Note:

1. Major suppliers refer to those commanding 10%- plus share of annual order volume.
2. For the list company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.
3. The amount of raw materials which bought from Formosa Petrochemical Corp decreased mainly due to the world was impacted by COVID-19 throughout 2020. With countries imposing lock-downs, demand on the market shrunk drastically.

B. Major Clients in the Last Two Calendar Years

Major clients: There is no client with ratio of the sales accounted for over 10% of the total sales in one of the most recent two fiscal years.

5.2.5 Production in the Last Two Years

Unit: NT\$ thousands

Output Major Products (or by department)	Year	2020			2019		
		Capacity (tonne)	Quantity (tonne)	Amount	Capacity (tonne)	Quantity (tonne)	Amount
Ortho xylene		480,000	111,912	1,917,037	480,000	112,987	2,745,148
Para xylene		1,970,000	1,585,792	30,107,017	1,970,000	1,482,580	36,614,822
Meta Xylene		100,000	99,389	1,902,536	100,000	90,165	2,352,400
Benzene		1,330,000	1,169,315	17,876,315	1,330,000	1,122,554	23,434,770
Styrene Monomer		1,320,000	1,295,025	26,593,811	1,320,000	1,282,036	33,692,866
Acetone		517,000	469,017	5,737,399	456,000	460,374	6,718,539
Phenol		840,000	792,305	17,909,919	740,000	740,247	20,016,488
Pure Terephthalic Acid		2,900,000	2,234,381	32,381,222	2,900,000	2,347,357	49,864,838
Purified Isopropyl Alcohol		200,000	189,791	3,972,707	200,000	188,049	5,267,908
High Acetic Acid		350,000	357,737	3,125,925	350,000	334,091	3,786,426
Polystyrene		540,000	614,271	15,764,712	540,000	605,537	20,737,201
Acrylonitrile Butadiene Styrene		920,000	899,726	30,746,578	920,000	906,073	39,892,072
Polypropylene		640,000	571,851	15,098,874	600,000	543,654	17,312,118
Polycarbonate		220,000	189,811	10,330,141	200,000	203,438	11,125,372

Rayon	28,487	28,487	1,336,593	78,840	60,987	3,436,092
Synthetic Spun Yarn	459,000	377,390	4,108,344	473,000	473,749	5,924,519
Synthetic Spun Cloth	384,698	244,610	12,919,178	384,698	296,443	15,686,336
Nylon filaments	125,400	81,111	5,704,238	125,400	116,734	9,540,241
Nylon Pellets	134,400	94,883	4,114,039	134,000	117,322	5,101,745
Polyester Fiber	178,344	154,352	6,676,458	146,000	189,795	8,044,383
Polyester Pellets	147,600	146,581	3,504,821	120,000	180,984	5,403,412
Film	105,000	75,408	2,877,549	66,000	75,965	344,130
Tire Cord Filament	64,400	47,285	6,065,776	64,400	51,743	7,518,288
Gasoline	0	465,316	9,414,248	0	466,101	11,744,169
Electricity			12,608,324			13,748,576
Others			21,765,729			27,762,776
Total			304,559,489			387,815,635

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Major Products (or by departments)	Year	2020				2019			
		Local		Export		Local		Export	
		Quantity (tonne)	Amount	Quantity (tonne)	Amount	Quantity (tonne)	Amount	Quantity (tonne)	Amount
Ortho xylene		104,870	1,829,236	8,898	139,133	103,576	2,648,182	5,999	174,327
Para xylene		62	1,407	301,367	4,938,697	117	3,977	265,251	8,003,629
Benzene		0	0	0	0	0	0	0	0
Meta Xylene		443	10,199	0	0	264	8,888	0	0
Styrene Monomer		331,183	7,274,783	77,132	1,625,342	322,712	9,802,374	128,870	3,694,917
Acetone		381,921	9,401,528	95,285	1,798,971	383,314	5,365,075	75,395	874,677
Phenol		723,047	16,295,207	51,049	999,822	702,505	21,248,755	26,825	712,770
Pure Terephthalic Acid		1,925,638	26,641,426	280,793	3,684,163	2,042,621	45,986,620	302,485	6,597,027
Purified Isopropyl Alcohol		19,249	525,797	174,995	3,772,370	17,869	587,854	169,552	4,601,454
High Acetic Acid		155,843	1,641,144	172,682	1,541,958	201,850	2,693,087	84,380	1,099,932
Polystyrene		345,437	11,296,775	279,396	8,785,332	323,832	12,904,166	281,700	10,626,707
Acrylonitrile Butadiene Styrene		546,910	25,218,774	347,001	15,978,946	551,470	27,193,849	366,828	17,593,954

Polypropylene	195,984	6,668,450	370,510	11,831,771	188,342	7,153,611	353,018	12,882,630
Polycarbonate	43,469	2,660,062	118,254	6,800,875	45,473	2,840,624	137,589	8,722,972
Rayon	6,939	302,245	19,602	802,228	14,542	740,862	27,980	1,407,825
Synthetic Spun Yarn	134,864	1,759,665	239,383	2,490,180	142,243	2,027,297	328,169	4,118,927
Synthetic Spun Cloth	35,315	1,528,308	193,889	11,120,101	37,217	1,377,768	249,441	14,189,276
Nylon filaments	43,228	2,707,298	21,255	1,574,455	58,715	4,292,590	30,128	2,583,721
Nylon Pellets	7,333	277,426	17,945	747,126	7,427	342,867	8,981	495,111
Polyester Fiber	70,144	2,194,212	26,751	1,521,630	75,374	3,012,483	44,028	2,564,618
Polyester Pellets	91,982	2,066,258	23,148	574,960	93,328	3,020,520	39,825	1,326,340
Film	42,069	1,938,028	33,135	1,419,511	37,349	1,826,667	37,055	1,894,398
Tire Cord Filament	10,684	1,763,348	36,951	4,363,624	9,339	1,680,217	43,114	5,964,521
Gasoline	465,628	9,414,248	0	0	466,101	11,744,169	0	0
Electricity	5,418,544	10,551,172	0	0	5,690,642	11,709,784	0	0
Others		20,927,661		1,888,818		22,847,096		2,195,480
Total		164,894,654		88,400,014		203,059,382		112,325,213

5.3 Human Resources

Employees are the most important asset of a company. Every company should strive to ensure every employee can work safely and are willing to contribute his or her talent. To recruit talented employees, the Company offers stable and competitive salaries and benefits, comprehensive training, and promotion system so that every employee can fully utilize his or her talent under these basic conditions.

Note: The number of employees only includes the Company.

Year		2019	2020	As of March 31, 2021
Number of Employees	Male	4,464	4,175	4,150
	Female	491	458	455
	Total	4,955	4,633	4,605
Average Age		44.4	44.7	44.9
Average Years of Service		18.5	18.9	19.0
Education	Philosophy Degree	0.24	0.24	0.24
	Masters	10.93	11.36	11.26
	Bachelor's Degree	48.64	50.51	50.24
	Senior High School	35.77	34.12	34.21
	Below Senior High School	4.42	3.77	4.05

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report.

1. Sum of losses and punishments associated with environmental pollution:

NT\$ thousands		
Year	2020	As of March 2021
Industrial Safety Fine	180	-
Environmental Protection Fine	100	-

(I) Detailed List of Industrial Safety-related Fines:

- (1) On June 1, 2020, the PABS plant in Mailiao was fined \$60,000.00 through Lao-Zhi-Shou Zi No. 1090202218. due to the violation of Article 6, Paragraph 1, Sub-paragraph 8 of the Occupational Safety and Health Act and Article 196, Sub-paragraph 2 of the Occupational Safety and Health Facility Rules as a result of the failed level controller.
- (2) On June 10, 2020, the PTA plant in Longde was fined \$60,000.00 through Lao-Zhi-Shou Zi No. 1090202319 due to the violation of Article 43, Paragraph 2 the Occupational Safety and Health Act and Article 35 of the Occupational Safety and Health Facility Rules for the failure to set up the foot board.
- (3) On August 4, 2020, the ARO3 plant was fined \$60,000.00 through Lao-Zhi-Shou Zi No. 1090202722 due to the violation of Article 27, Paragraph 1, Sub-paragraphs 2 and 3 of the Occupational Safety and Health Act for failure to adopt necessary measures to facilitate correspondence at work and adjustments.

(II) Detailed List of Environmental Protection-related Fines:

- (1) On March 23, 2020, the ARO3 was fined \$100,000.00 through Fu-Huan-Kong-Er No. 1093608745 due to the violation of Article 22, Paragraph 3 of the Air Pollution Act and Article 62 of the same Act for failure of the percentage of quarterly effective monitoring hours in the first, second, and third quarters of 2018 for continuous automatic monitoring facility connection data and the oxygen monitoring data of the discharge pipe PG01 to meet regulatory values.

5.4.2 Countermeasures

1. Improvement plans and countermeasures to be adopted in the future
 - A. Continuously promote process optimization (include HAZOP activities) and analysis potential hazardous factors to improve safety measures.
 - B. According to the standards of safety precautions analysis by schemes checking pipe lines and mechanical equipment to keep from occurrences of accident.
 - C. Accidental exercises at every plant every half year or unexpected accidental exercise at plant once a year.
 - D. Studies of industrial safety and environmental protections by schedules, and promote the evaluation of industrial safety control system for keeping the operation continuous normal processes.
 - E. Set up inspection systems rounding plant sites, improve multi-pollution protection systems, and audit effectiveness of prevent and control pollution.
 - F. Continuously promote process optimization and reduce the generation of wastewater, waste gas, and waste through the improvement of process raw materials or manufacturing technology.
 - G. Continuously promote ISO-14001 and CNS 45001 systems and continuous promoting the key performance indicators of environments and fire control.
2. Continually invests and improves in water and energy saving projects.

The Company has promoted the greenhouse gas inventory and verification according to ISO 14064-1. The GHG emissions of each plant in 2019 of Scope 1 are 5,178,431 CO₂e tonnes, and Scope 2 are 3,179,246 CO₂e tonnes, respectively. The totals of emissions are 8,357,676 CO₂e tonnes. In addition, the Company had completed 5,297 projects in water and energy saving within 2000 to 2020. The Company had saved 98,170 tonnes /day of water, and had saved 3,960 thousand tonnes of emission of CO₂. Data on GHG emissions in 2019 are still under verification and will be reported to Taiwan's National Greenhouse Gas Registry by the end of August in accordance with the Regulations Governing Greenhouse Gas Inventory Registry promulgated by the Environmental Protection Administration.

3. Expenditures of environmental improvement projects

Each unit of the company sets annual energy consumption and greenhouse gas emission targets per unit of product. The company-wide goal for per product unit

is the reduction of water 2%, energy saving 3% and reduction of waste consumption by 1%. The Company had totally spent NT\$19.43 billion in environmental improvement by 2020 that were NT\$10.64 billion in air pollution control, NT\$7.83 billion in waste water pollution control, NT\$0.48 billion in waste materials disposal, and NT\$0.48 billion in anti-noise control, respectively. The Company will spend totally NT\$0.61 billion in environmental improvement together with 18 projects in 2021 that includes 10 air pollution control projects which will spend NT\$0.45 billion, 7 waste water pollution control projects which will spend NT\$0.15 billion, and will spend NT\$0.01 billion in 1 waste materials disposal.

5.4.3 Environmental Policy

FCFC has devoted its efforts to environmental protection and community safety. To fulfill our commitment to environmental sustainability, we also encourage our employees to sharpen their professional knowledge and always take safety, health and environmental into consideration before make any business decisions.

It is our core belief that industrial development and environmental protection are equally important. It is our social responsibility to provide our customers products that are safe to use, while protecting the safety, health, and well-being of our employees, contractors, operations, and neighboring communities. By accepting this obligation, we can make FPG more competitive.

We emphasize and require the compliance of plant activities, products, and services with environmental protection regulations. The dedicated department will review the latest environmental protection regulations promulgated by the government on the website every month and participate in the public hearings and publicity meetings held by the government to obtain the latest version of the environmental protection regulations and drafts related to the Company and to master the legislative spirit, priorities, and trends, and to make sure that each unit's environmental protection activities, products, and services comply with the regulations. We have also established the procedures for compliance verification in accordance with the ISO 14001 Environmental Management System. If the results of compliance verification show noncompliance that cannot be improved immediately, we will request improvement measures and follow up their enforcement.

All employees must have the proper professional knowledge to perform their duties. With each decision they make, they should consider the potential impact on the overall environment, health and safety. Every employee must have the fullest understanding of the policies/procedures that govern their duties and follow them. When resolving problems, they must inquiry into the root of the matter and making continuous improvements to keep up with the best industry practices.

Ensuring the safety of our colleagues, neighbors, and ourselves as well as safeguarding our environment and corporate assets is not only our individual responsibility but also a collective one in pursuit of perpetual business operations.

We adopt the most advanced manufacturing processes and pollution control equipment based on the concepts of best available technology (BAT) and best available control technology (BACT) beginning at the plant design stage.

We care about the quality of air, soil, groundwater, ocean and public health in nearby areas by strictly controlling the quality of water resources and consumption of energy and performing constant reviews of items that need improvement.

We aim at the sovereign good in promoting the improved operations of environmental protection and set the yearly goals, which enables us to measure the progress and quality of our operations. We reward the plants that achieve excellence in their performance and help those that fall behind in their goals to improve. Doing so strengthens our employees' sense of participation and achievement.

To monitor changes in groundwater quality, monitoring wells have been established within industrial complexes, while certified institutions are authorized to perform soil and groundwater testing during high flow and dry seasons each year. Prevention actions are as follows:

The floor of each plant may be paved with anti-corrosion coatings or acid and alkali-resistant bricks based on the manufacturing process and the characteristics of raw materials and products.

The appearance of the storage tanks (such as the surroundings and the tank walls) should be kept clean. If any traces of leakage are found, they should be repaired immediately to avoid soil and groundwater pollution caused by such leakage.

Underground storage tanks should be constructed of non-corrosive materials and a secondary containment.

When wastewater from the manufacturing process is transported to the on-site collection system, the process trench should be kept dry during normal use. In special cases where the process trench is used to collect wastewater, it should be provided with a stainless steel lining and, if necessary, an anti-corrosion, acid and alkali-resistant containment.

Climate change and greenhouse gases have become the most important issues around the world. FCFC has continuously promoted various energy conservation and carbon reduction programs and integrated energy resources across plants and FPG companies in line with the domestic and global trends, thus improving energy efficiency significantly. To strengthen the enforcement of improvements in water and energy conservation, we have created improvement cases through the established GHG inventory and reduction system, so as to control the progress and benefits of improvement cases and the reduction of CO₂ emissions.

To improve air quality and reduce the harm of PM_{2.5} to human bodies, the Company adopts the best available control technology (BACT), including the advanced process, clean fuel, and efficient pollution prevention equipment. Each process emission pipeline is equipped with a continuous automatic monitoring system in accordance with related regulations to monitor air pollutant emissions in real time; in addition, the Company continues to promote the waste reduction at source and recycling to reduce environment impacts and achieve the goal of zero pollution and perpetual business operation.

We are committed to the sustainable management and efficient use of natural resources to control waste chemical substance. For all operational activities, we strive to comply with the regulations with respect to environmental protection and lower the emissions of controlled chemical substances and waste in the air, water, and soil through prevention, reduction, recycling, and reuse, so as to reduce adverse effects on human health and the environment. We are constantly striving to reduce pollutant emissions and their impacts on the environment in the hope of achieving the goal of zero pollution and perpetual business operation.

FCFC has systematized SHE management, including the SHE regulations, a

management information system, and an office automation system, for employees and contractors to follow. Of our plants located in Mailiao, Xingang and Longde, 20 production plants have successfully passed ISO 14001 (EMS), OHSAS 18001 and TOSHMS certifications to meet the SHE practices and international standards.

Since its incorporation, FCFC has focused on both industrial development and environmental protection. We promote environmental protection based on the spirit of inquiring into the root of the matter. According to the best available control technology (BACT), we have built our plants based on the best manufacturing technology, the best pollution control equipment, and the best environmental protection system; furthermore, we have been committed to reducing pollutant emissions.

5.5 Labor-management Relations

Human resources are important assets of a company. How to help each employee work with assurance and make him/her willing to work all out is a goal that each company should strive for. In light of this, the Company offers steady and competitive salaries and perfect benefits while attracting outstanding talent. In addition to complete training and the promotion/development system, the fundamental policy to make the best of human resources is fulfilled.

We have a complete training system planned for new hires and creates an optimal working and learning environment in order to nurture proactive and innovative professionals. In the workplace are constant occupation and health education and training, training on how to use protective equipment and education on hazardous substances to reinforce the ability of employees to identify risk factors in the workplace and to act accordingly. In addition, to keep track of the actual work conditions of employees and to evaluate exposure to hazard factors, besides the detecting alarm equipment set up in appropriate locations, the operating environment is inspected periodically to be the criteria for improving the workplace. Meanwhile, through complete training programs for respective stages of the whole career and lectures given by external experts invited from time to time, a working environment for continuous learning and development is provided so that each employee can advance step by step and grow in the midst of self-transcendence while becoming an outstanding person with both professionalism and management practice.

The Company continues to promote multiple employee welfare and care programs and periodically holds in-service skill and safety education and training for its employees while providing a safe workplace. A safe workplace implementation plan and Safety Walk and Talk (SWAT) for people at all levels are prepared. Process safety management and training on safety measures to be adopted in case of emergency such as when an accident occurs are consolidated. In order for employees to balance among work, health, and life, respective occupational trainings and employee care programs are enforced as follows:

5.5.1 The Company Offers Safe and Healthy Work Environment and Provides Employees with Safety and Health Education Periodically

In the plant, there is the Safety and Health Committee that is formed by operational officials, safety and health administrators, healthcare professionals, and union representatives and meets periodically. Labor representatives account for at least one-third of all members. Employees can express opinions and provide suggestions on respective issues such as safety, health, and environmental protection in the workplace through the said platform. In addition, to accommodate operations at respective units and as needed for the sake of safety, reinforced efforts are made to arrange or help employees to obtain related professional certificates and licenses and workshops on a variety of topics are held from time to time. Other related internal safety and health management measures are described as follows:

(I) Process Safety Management (PSM)

Based on the requirements of the US Occupational Safety and Health Administration (OSHA), the Company integrates and promotes the PSM consisting of 14 items. PSM at respective departments is performed and controlled by a specialist to ensure operational quality. In addition, strict inspection contents are defined item by item. The integrity of the 14 PSM items of all plants are audited. Training courses on ideas of PSM are organized for the heads of the plants (divisions). The PSM Specialist Training and Certification Management Rules are promulgated. The hope is to enhance the professionalism and personal attainments of the staff accordingly.

(II) Process Hazard Analysis

In order to enhance the operational quality of process hazard analysis, the US SPHERA is authorized to help train and certify PHA facilitators of the Company so that they can be completely devoted to helping respective departments review the

PHA process, promoting the enhancement of PHA operational quality, providing assistance to respective plants (departments) accordingly, effectively enhancing the operational quality of PHA, identifying potential hazards, and keeping possible risks under control. In order for respective departments to perform (semi-)quantification analysis on relatively high-risk-and-hazard events after the PHA, the Layer of Protection Analysis (LOPA) management guidelines were promulgated in January 2013 to ensure process safety through further assessments accordingly.

(III) Process Change Management

In order to ensure that any change to the design, the equipment, raw materials and supplies, or operating conditions will not pose hazards to the process, process change management is proactively consolidated and enforced. In terms of improving the quality of change management, plenary corporate MOC training programs are proactively held. PSM specialists at respective departments safeguard the MOC process. In addition, certified and qualified PHA facilitators assist respective departments in the MOC process in three major domains, namely "Consolidation of Change Management", "Change Management Evaluation Quality Assurance", and "Quality Assurance Prior to Closure of Change" so that the departments can have a quick and in-depth understanding of how MOC works correctly. In addition, since the second quarter of 2013, a third impartial party has been authorized to perform PHA/MOC external audits to hopefully control risks effectively.

(IV) Management over Safety of Pipe Carriers (Pipelines)

FPG has been promoting the "No. 6 Naphtha Cracking Plant Off-Shore Industrial Zone New and Old Pipe Carriers and Pipelines Improvement Plan" since 2011. The pipe carriers and pipelines are renovated according to the short-term and long-term schedules. New workmanships are introduced to extend the use cycle and to ensure quality of the project to hopefully address the possible hazards and risks posed by the dense pipelines on public pipe carriers in the Mailiao Park effectively. To ensure operational safety during inspection of pipe carriers (pipelines), inspection walkways and vertical ladders and staircases are set up and the gaps between pipelines are widened to facilitate pipeline care and service in the future.

(V) Promotion of Fire Prevention and Management Tasks

In order to improve professional fire prevention capability and quality of fire

prevention management and operation, the Fire Prevention Management Department is set up in the EHS. It is exclusively responsible for preparing and enforcing the fire prevention management system. In addition, for producing facilities, fire prevention management staff is added and their quality is ensured through auxiliary professional fire prevention training and testing. Fire prevention management staff supervises in the field to discover fire prevention management-related issues early on and correct them timely to prevent against unexpected fires.

In order to strengthen the ability to respond to emergencies and help in a fire, designated employees from the four companies, namely FPG, Nan Ya Plastics Processing Corporation, Formosa Chemicals & Fibre Corporation, Formosa Petrochemical Corporation, formed the Self-Guard Fire Protection Group (to help the professional fire brigade in case of a fire). When major fires occur, the regional joint-defense and fire prevention reporting system can notify in real time members of the group in the plant or department closer to the site of accident to provide support and they may use firefighting equipment that is available in the surroundings.

5.5.2 Employment Security Respective Employee Welfare Measures of the Company

(I) Diversified Employee Benefits

Besides those that should be in place according to law, employees and their dependents are entitled to medical care at Chang Gung Memorial Hospital at a preferred rate. Meanwhile, various recreational events, domestic travels, and club events are held.

(II) Steady Compensation

Reasonable and competitive salaries and compensations are set reflective of their values on the labor market and steady salary adjustments and prizes are available. Allocations of employee remunerations are specified in the Articles of Incorporation: The annual bonus is defined according to the criterion that the base salary multiplied by 4.5 months will be released when the annual corporate performance fulfills the pre-tax earnings per share of \$4.1.

(III) Exchange on Business Philosophy

Communication meetings are held periodically for supervisors at all levels. Employees can also express their opinions taking advantage of the employee opinion box or hotline.

(IV) Innovation at Work Encouraged

Employees are encouraged to explore the abnormality at work and devise a sound improvement plan. Once it is adopted by the Company, prizes will be released depending on the resultant improvements. In addition, the innovation platform and website is set up and those who provide good innovative ideas will be adequately rewarded.

5.5.3 Other Various Employee Benefits, Continuing Education, Training, Retirement System of the Company and How They are Implemented as Well as Labor-Management Negotiations and Various Measures for Protecting Rights of Employees

(I) Employee Welfare Measures: The Company Enforces Various Employee Welfare and Preferred Measures, Many of Which are Superior to Regulatory Requirements, Including:

- (1) Insurance and healthcare
- (2) Daily life and employee cafeteria
- (3) Employee relationship advancement and spontaneous learning
- (4) Personal safety and family care and assignment
- (5) Retiree networking

(II) Employee Continuing Education and Training

The Company has a complete training system for developing its own talent. The digital training management system features staged training that is completed step by step. The training system that is available at present consists of the training for new hires, fundamental in-service training, advanced in-service training, training for reserved cadres, training for department heads, and professional technical certifications, etc.

(1) Employee Educational Training

To accommodate operations at respective units and as needed for the sake of safety, reinforced efforts are made to arrange or help employees to obtain related professional certificates and licenses and workshops on a variety of topics are held from time to time. They are meant to enhance the professional and managerial skills of individual employees at work. In addition, to raise employee awareness of human rights and work safety, courses on labor safety and health, among others, are held from time to time.

(2) Introduction of E-Learning

In order to provide employees with diversified autonomous learning channels, FPG started in 2000 to develop the e-learning system and set up the "Employee Learning Website" where a variety of online courses, articles, new books, lectures, among other learning resources are available so that employees can go on line and learn flexibly.

(3) Knowledge Management System

The Company began in 2000 to promote the knowledge bank management system where documents containing inspirational knowledge and technical experiences that are worth referring to under respective systems and units are made available on the shared platform so that employees can share and retrieve them at any time and corporate knowledge management may be passed down effectively.

(4) Implementation of Employee Continuing Education and Educational Trainings in 2020:

The continuing education and trainings held by the Company throughout 2020 included in-service training on industrial safety, fundamental and professional in-service trainings, training for reserved supervisors, professional technical and occupational certifications, etc. On average, each person completed 26.6 hours and the overall amount of money spent came to \$7,840 thousand.

The Company also held professional trainings for reserved cadres at all levels in respective departments and prepared the operating regulations and equipment hands-on workshops for newly added equipment and field workers. For care staff, the equipment care and management regulations were prepared and care education and training were provided. For plant and department administrators, the equipment spontaneous inspection and control criteria were prepared and training on the enforcement rules for each task and the Work Safety Permit Management Guidelines.

The Annual Primary Supervisor Reserve Training was held through a total of 9 echelons from September to December 2020 at Ming Chi University of Technology and the Mailiao Premise. The contents targeted staff dealing with production, care, operation, engineering, finance, warehousing, industrial safety and environmental protection, and personnel and the training covered management cases to be explored separately and categorically. A total of 38 people were trained. In addition, the Annual Secondary Supervisor Reserve Training was held through a of 13 echelons from January to August at Ming Chi University of Technology and the

Mailiao Premise. The contents targeted staff dealing with production, care, operation, engineering, finance, and personnel in respective departments of the Company and the training covered management systems to be enforced separately and categorically. A total of 42 people were trained.

(III) Retirement System

(1) Requested Retirement

Practitioners that meet one of the following criteria may apply for retirement:

Having worked for 15 years or longer and are 55 years old or older.

Having worked for 25 years or longer.

Having worked for 10 years or longer and are 60 years old or older.

(2) Mandated Retirement

Practitioners that meet one of the following criteria may be mandated to retire:

Official staff aged 65 and above. For senior managers and higher-ranking officials, if it is necessary to keep working, it may be extended to 70 years old and the high-ranking manager, the general manager, may keep working up to 75 years old.

People with disabilities who are incompetent for the position.

How the Pension Fund is Calculated:

The pension fund for practitioners is issued as required below:

For those who apply the old pension fund payment system, the base number of years at work before July 31, 1984 is calculated according to the Retirement Rules for Plant Workers in the Province of Taiwan with the mean wage of the three months prior to retirement. That of August 1, 1984 onwards is calculated as required by Article 55 of the Labor Standards Act with the mean wage of the six months prior to retirement. The two combined may not exceed 45.

For those applicable under the payment system of the new Labor Pension Act, before the Act was applicable, the pension fund is calculated as required by the preceding paragraph with the mean wage at the time of retirement for the retained years in the Company and will be issued at the time of retirement. For the number of years applicable under the said Act, the pension fund may only be claimed from the Bureau of Labor Insurance at the age of 60 as required under Article 24 of the new Labor Pension Act.

If practitioners are mandated to retire for incompetence at work due to disabilities caused by tasks performed, 5% will be added to the pension fund calculated as required by the preceding paragraph. For the number of years at work applicable

under the new Labor Pension Act, besides the pension fund that applies as indicated in the second half of Paragraph II, upon completion of each year, the severance pay at 0.5 months of the mean wage will be added. If it is less than one year at work, upon completion of each month, it is calculated by one-twelfth. If it is less than one month at work, upon completion of each day, it is calculated by one-thirtieth. The severance pay will not exceed additional six months of the mean wage.

The pension fund under the Retirement Rules for Plant Workers in the Province of Taiwan, the Labor Standards Act, and the Labor Pension Act is to be approved as required.

(IV) Implementation of Employee Welfare Measures and Retirement System: It was optimal.

(V) Employee Code of Conduct and Ethical Norms

In order to clearly govern the rights and obligations between the employer and the employees and to protect the orderliness in the workplace, the Company has Work Rules in place as required by law and publish them after they were filed for reference with the competent authority so that they may be followed in the management of practitioners in the Company. The Work Rules clearly define applicable requirements for the hiring and transfer of colleagues, working hours, wage, disciplines to be followed and penalties and rewards, dismissal, severance, retirement, training and performance rating, compensation and pension in cases of occupational hazards and casualties, and welfare measures, among others. In addition, the behavioral and ethical norms for supervisors in the Company are specified. The contents are summarized as follows:

- (1) No improper competition (Anti-trust) policy: Employees need to completely follow the requirements of the Fair Trade Act. They are encouraged to make profits through legitimate and justified means. All the action taken shall be based on applicable requirements of laws.
- (2) Conflict of Interest-Governing Policy: Employees are asked to not undermine the rights and interests of the Company while engaging in business relevant to the Company and they may not ask for gifts, receptions, or interests in other forms directly or indirectly from any supplier/customer or competitor of the Company or accept any improper gift, reception, or interests in other forms offered by the said party.
- (3) Policies about Internal Data: Without written permissions from the Company,

employees may not disclose classified data or any other information yet to be released of the Company or provide such data or information for personal interest or other purposes irrelevant to the Company's business. Upon resignation, employees shall also turn in all the relevant technical data in their possession.

- (4) Policies about Political Campaigns: Employee of the Company may not donate to any candidate or political party directly or indirectly with the Company's money, labor, or other valuable items or engage in any behavior prohibited by applicable laws and regulations. Employees may not interfere with legislators or other political figures or government officials in the duties they perform with unjustified offers.

(VI) Labor-Management Negotiations

- (1) Take part in conventions of union representatives and meetings of directors and supervisors and periodically call for labor-management meetings in order to create a mechanism that facilitates labor-management negotiations.
- (2) Build employee complaint systems to improve labor-management relations and gender equity at work and periodically hold communication meetings for supervisors at all levels. The corporate magazine is issued once every two months. Employees can also express their opinions taking advantage of the employee opinion box or hotline.
- (3) Establish Work Rules and Personnel Management Rules that define rights and obligations of the employer and employees and management details so that employees fully know them and can protect their own rights.
- (4) As is required by the Labor Safety and Health Act, physical and health exams are held periodically and there are labor safety and health people available. Respective labor safety and health management rules are prepared to avoid accidents and disasters and protect the safety of employees.

(VII) Respective Measures to Protect the Rights of Employees

The Company strictly abides by applicable requirements about domestic and foreign labors and human rights, has a platform in place to facilitate regular communications with the employees and informs of operation changes that might have material impacts on them so that all employees are treated fairly, including:

- (1) Labor conditions are established in compliance with applicable government laws and regulations on labor.
- (2) Provide all job-seekers with open, fair, and just job opportunities as required by

the Employment Service Act.

- (3) Set up diversified channels to facilitate filing of complaints. If employees believe that their rights are infringed upon or that they are treated improperly, they can file complaints anywhere anytime.
- (4) There is the Human Resources Arbitration Committee in each company where multiple high-ranking supervisors discuss and make decisions regarding major rewards or punishments.
- (5) Reinforce communication on the prevention against sexual harassment, establish the Workplace Sexual Harassment Preventive Measures, Complaints, and Discipline Regulations, and provide employees with specific channels for them to file complaints so that the rights of employees are protected.
- (6) Establish the Personal Data Management Guidelines so that the personal data of employees may be properly retained and processed.
- (7) Establish the Employee Complaint-Filing Criteria and create a smooth complaint-filing channel. The Company has set up an employee complaint mechanism and channel and employees can join the Union (Labor-Management Board) or the Welfare Committee and provide the Company with suggestions and negotiate them through periodic meetings. The Union, on the other hand, calls for meetings with directors and supervisors and the labor-management meetings periodically and sufficiently communicates with labor representatives. On major labor-management issues, by the same token, opinions from the Union are prioritized. The highest-ranking supervisor and the Union negotiate with each other to reach a consensus. It ensures a harmonious labor-management relationship and sustainable business development. All employees of the Company are protected by the Labor-Management Agreement.

In addition, employees can express related opinions about welfare by introducing a proposal to the Welfare Committee and the actual opinion box is set up in locations frequented by employees. The online opinion box is available in the corporate information system. There is also the 799 hotline in each of the facilities. Employees can indicate issues they encounter at work or in life and designated specialists will have them registered for pending replies. Communication channels for employees to express opinions are smooth and cleared.

5.5.3 Any loss sustained as a result of labor disputes, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken: The Company had no major dispute on labor agreement in the latest year and up to the printing date of this Annual Report .

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Technological Collaboration Contract	LUMMUS/POLIMERI	Dec. 2010 to Dec. 2021	Provide phenol basic design, production technology knowhow	—
Technological Collaboration Contract	Badger	April 2020. to April 2034	Provide SM-I basic design, production technology knowhow	Obligations on the contract are not transferrable without approved by both contracting parties
Technological Collaboration Contract	Badger	April 2019. to April 2033	Provide SM-III basic design, production technology knowhow	Obligations on the contract are not transferrable without approved by both contracting parties
Technological Collaboration Contract	Idemitsu Petrochemical Co., Ltd.	To the effect of any clauses of the contract suspended	PC resins technology development	Obligations on the contract are not transferrable without approved by both contracting parties
Secured Debenture	Hua Nan syndicated banks	April 2018. to March 2021.	Guarantor for Formosa Taffeta Company Ltd.	—

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

A. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

<div>Year</div> <div>Item</div>		Financial Summary for The Last Five Years					As of the March 31, 2021 Note3
		2016	2017	2018	2019	2020	
Current assets		236,805,328	253,842,403	255,009,546	226,182,634	215,865,015	239,738,724
Property, Plant and Equipment		130,913,460	125,345,618	129,098,640	124,671,052	127,268,960	127,326,898
Intangible assets		1,583	1,042	586	1,288	3,436	3,293
Other assets		176,716,219	193,137,430	207,392,160	199,694,043	188,683,017	196,981,444
Total assets		544,436,590	572,326,493	591,500,932	550,549,017	531,820,428	564,050,359
Current liabilities	Before distribution	79,209,915	82,425,994	106,235,616	87,132,669	73,452,939	82,448,967
	After distribution	112,032,558	123,454,298	142,574,971	109,405,177	Note6	Note6
Non-current liabilities		85,586,263	71,399,423	51,942,817	54,125,385	62,914,960	61,844,229
Total liabilities	Before distribution	164,796,178	153,825,417	158,178,433	141,258,054	136,367,899	144,293,196
	After distribution	197,618,821	194,853,721	194,517,788	163,530,562	Note6	Note6
Equity attributable to shareholders of the parent		319,990,566	357,669,876	369,808,874	356,514,671	344,353,858	367,687,591
Capital stock		58,611,863	58,611,863	58,611,863	58,611,863	58,611,863	58,611,863
Capital surplus		8,622,642	8,682,798	9,084,142	9,138,869	9,167,637	9,167,503
Retained earnings	Before distribution	161,151,188	181,832,657	193,718,209	186,526,961	184,043,516	196,919,064
	After distribution	128,328,545	140,804,353	157,378,854	164,254,453	Note6	Note6
Other equity interest		91,965,445	109,169,026	108,933,674	102,560,930	92,854,794	10,313,113
Treasury stock		-360,572	-626,468	-539,014	-323,952	-323,952	-323,952
Non-controlling interest		59,649,846	60,831,200	63,513,625	52,776,292	51,098,671	52,069,572
Total equity	Before distribution	379,640,412	418,501,076	433,322,499	409,290,963	395,452,529	419,757,163
	After distribution	346,817,769	377,472,772	396,983,144	387,018,455	Note6	Note6

Note 1: It is required to specify the fiscal year that has not been audited by a CPA.

Note 2: If in the current year there is revaluation of assets, it is required to specify the revaluation date and the revaluation value.

Note 3: Until the date of publication of the Annual Report, a company whose stock is listed on the stock exchange or traded over the counter shall disclose the most recent financial statement audited or attested by CPA, if any.

Note 4: For the financial data of after distribution, please fill out in accordance with the resolutions approved by shareholders' Meeting.

Note 5: For those who have been notified by the competent authorities to revise or recomposed their financial data, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

Note 6: Distribution of earnings for 2020 has not yet been approved by the shareholders' meeting.

B. Individual Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

<div>Year</div> <div>Item</div>		Financial Summary for The Last Five Years					As of the March 31, 2021 Note3
		2016	2017	2018	2019	2020	
Current assets		178,234,183	185,649,551	179,025,937	168,412,878	157,073,768	—
Property, Plant and Equipment		50,831,005	49,534,755	53,141,664	53,342,392	54,560,182	—
Intangible assets		—	—	—	—	—	—
Other assets		193,610,178	218,689,691	242,979,820	237,763,630	233,662,288	—
Total assets		422,675,366	453,873,997	475,147,421	459,518,900	445,296,238	—
Current liabilities	Before distribution	42,732,653	46,048,617	66,310,698	63,393,137	55,810,777	—
	After distribution	75,555,296	87,076,921	102,650,053	85,665,645	Note5	—
Non-current liabilities		59,952,147	50,155,504	39,027,849	39,611,092	45,131,603	—
Total liabilities	Before distribution	102,684,800	96,204,121	105,338,547	103,004,229	100,942,380	—
	After distribution	135,507,443	137,232,425	141,677,902	125,276,737	Note5	
Equity attributable to shareholders of the parent		—	—	—	—	—	—
Capital stock		58,611,863	58,611,863	58,611,863	58,611,863	58,611,863	—
Capital surplus		8,875,002	8,622,642	9,084,142	9,138,869	9,167,637	—
Retained earnings	Before distribution	161,151,188	181,832,657	193,718,209	186,526,961	184,043,516	—
	After distribution	128,328,545	140,804,353	157,378,854	164,254,453	Note5	—
Other equity interest		91,965,445	109,169,026	108,933,674	102,560,930	92,854,794	—
Treasury stock		-360,572	-626,468	-539,014	-323,952	-323,952	—
Non-controlling interest		—	—	—	—	—	—
Total equity	Before distribution	319,990,566	357,669,876	369,808,874	356,514,671	344,353,858	—
	After distribution	287,167,923	316,641,572	333,469,519	334,242,163	Note5	—

Note 1: It is required to specify the fiscal year that has not been audited by a CPA.

Note 2: If in the current year there is revaluation of assets, it is required to specify the revaluation date and the revaluation value.

Note 3: Until the date of publication of the Annual Report, a company whose stock is listed on the stock exchange or traded over the counter shall disclose the most recent financial statement audited or attested by CPA, if any.

Note 4: For the financial data of after distribution, please fill out in accordance with the resolutions approved by shareholders' Meeting.

Note 5: Distribution of earnings for 2020 has not yet been approved by the shareholders' meeting.

Note 6: The Company reports only annual consolidated financial statements to public.

6.1.2 Condensed Statement of Condensed Statement of Income
A. Consolidated Condensed Statement of Income – Based on IFRS

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years					As of the March 31, 2021 Note 2
	2016	2017	2018	2019	2020	
Operating revenue	319,204,627	358,421,471	407,859,765	315,384,595	253,294,668	84,154,251
Gross profit	47,551,554	53,196,202	53,572,340	32,018,518	29,532,068	16,877,889
Income from operations	33,435,652	38,914,064	38,350,064	16,488,744	15,323,620	12,580,581
Non-operating income	21,240,014	27,792,819	25,366,181	20,616,940	9,444,067	4,174,486
Non-operating expenses	48,766,728	60,035,946	55,441,018	33,244,103	21,554,193	14,068,077
Income before tax	—	—	—	1,204,254	-484	—
Net income (Loss)	48,766,728	60,035,946	55,441,018	34,448,357	21,553,709	14,068,077
Other comprehensive income (income after tax)	21,347,166	16,312,037	-16,366,251	-11,094,653	-10,152,685	10,417,768
Total comprehensive income	70,113,894	76,347,983	39,074,767	23,353,704	11,401,024	24,485,845
Net income attributable to shareholders of the parent	43,833,045	54,410,802	48,769,317	29,702,242	19,544,141	12,872,934
Net income attributable to non-controlling interest	4,933,683	5,625,144	6,671,701	4,746,115	2,009,568	1,195,143
Comprehensive income attributable to Shareholders of the parent	57,934,824	70,707,693	33,258,356	22,873,505	10,128,238	23,333,867
Comprehensive income attributable to non-controlling interest	12,179,070	5,640,290	5,816,411	480,199	1,272,786	1,151,978
Earnings per share	7.50	9.33	8.36	4.89	3.34	2.20

Note 1: It is required to specify the fiscal year that has not been audited by a CPA.

Note 2: Until the date of publication of the Annual Report, a company whose stock is listed on the stock exchange or traded over the counter shall disclose the most recent financial statement audited or attested by CPA, if any.

Note 3: The loss of discontinued business units should be presented as the net amount after the deduction of income tax.

Note 4: For those who have been notified by the competent authorities to revise or recomposed their financial data, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

B. Individual Condensed Statement of Income – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years					As of the March 31, 2021 Note 2
	2016	2017	2018	2019	2020	
Operating revenue	217,329,630	235,759,413	273,592,139	198,210,058	159,681,997	—
Gross profit	29,630,332	33,345,371	32,512,110	16,695,712	11,970,330	—
Income from operations	21,459,428	25,609,401	23,723,337	8,208,079	4,181,251	—
Non-operating income	26,101,345	33,239,431	30,625,500	23,690,459	16,421,938	—
Non-operating expenses	43,833,045	54,410,802	48,769,317	29,702,242	19,544,141	—
Income before tax	—	—	—	—	—	—
Net income (Loss)	43,833,045	54,410,802	48,769,317	29,702,242	19,544,141	—
Other comprehensive income (income after tax)	14,101,779	16,296,891	-15,510,962	-6,828,737	-9,415,903	—
Total comprehensive income	57,934,824	70,707,693	33,258,355	22,873,505	10,128,238	—
Net income attributable to shareholders of the parent	—	—	—	—	—	—
Net income attributable to non-controlling interest	—	—	—	—	—	—
Comprehensive income attributable to Shareholders of the parent	—	—	—	—	—	—
Comprehensive income attributable to non-controlling interest	—	—	—	—	—	—
Earnings per share	7.50	9.33	8.36	5.09	3.34	—

Note 1: It is required to specify the fiscal year that has not been audited by a CPA.

Note 2: Until the date of publication of the Annual Report, a company whose stock is listed on the stock exchange or traded over the counter shall disclose the most recent financial statement audited or attested by CPA, if any.

Note 3: The loss of discontinued business units should be presented as the net amount after the deduction of income tax.

Note 4: For those who have been notified by the competent authorities to revise or recomposed their financial data, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

Note 5: The Company reports only annual consolidated financial statements to public.

6.1.3 Auditors' Opinions for the last five years

Year	Accounting Firm	CPA	Audit Opinion
2020	Price Waterhouse Coopers, Taiwan	Han Chi, Wu Chien Hung ,Chou	Without reservation opinions
2019	Price Waterhouse Coopers, Taiwan	Han Chi, Wu Chien Hung ,Chou	Without reservation opinions
2018	Price Waterhouse Coopers, Taiwan	Han Chi, Wu Chien Hung ,Chou	Without reservation opinions
2017	Price Waterhouse Coopers, Taiwan	Chien Hung, Chou Man Yu, Juanlu	Without reservation opinions
2016	Price Waterhouse Coopers, Taiwan	Chien Hung, Chou Man Yu, Juanlu	Without reservation opinions

6.2 Five-Year Financial Analysis

A. Consolidated Financial Analysis – Based on IFRS

<div> <div>Year</div> <div>Item</div> </div>		Financial Analysis for the Last Five Years					As of the March 31, 2021 Note 2
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	30.27	26.88	26.74	25.66	25.64	25.58
	Ratio of long-term capital to property, plant and equipment	349.85	384.81	370.20	365.37	354.95	373.13
Solvency (%)	Current ratio	298.96	307.96	240.04	259.58	293.88	290.77
	Quick ratio	240.96	256.72	195.82	206.64	236.77	231.98
	Interest earned ratio (times)	26.23	28.67	27.69	20.25	18.07	64.32
Operating performance	Accounts receivable turnover (times)	10.52	9.57	9.44	8.67	8.20	2.33
	Average collection period	34.70	38.12	38.65	42.10	44.52	38.67
	Inventory turnover (times)	6.61	7.10	8.72	6.77	6.02	1.86
	Accounts payable turnover (times)	13.21	12.96	14.99	14.33	12.47	3.48
	Average days in sales	55.22	51.41	41.86	53.91	60.63	48.39
	Property, plant and equipment turnover (times)	2.43	2.85	3.15	2.52	1.98	0.66
	Total assets turnover (times)	0.58	0.62	0.69	0.57	0.47	0.15
Profitability	Return on total assets (%)	9.54	11.00	9.84	6.29	4.17	2.60
	Return on stockholders' equity (%)	13.68	14.93	13.02	8.18	5.36	3.45
	Pre-tax income to paid-in capital (%)	93.28	113.81	108.71	63.31	42.26	28.59
	Profit ratio (%)	15.32	16.79	13.63	10.95	8.54	16.77
	Earnings per share (NT\$)	7.50	9.33	8.36	4.89	3.34	2.20
Cash flow	Cash flow ratio (%)	75.39	86.43	57.03	67.73	62.91	1.90
	Cash flow adequacy ratio (%)	137.45	145.51	136.26	136.66	131.70	124.49
	Cash reinvestment ratio (%)	4.05	4.35	3.70	5.69	4.78	0.23
Leverage	Operating leverage	0.41	0.54	1.22	2.63	1.87	1.55
	Financial leverage	1.06	1.06	1.06	1.13	1.09	1.02

6.2 Five-Year Financial Analysis

B. Individual Financial Analysis – Based on IFRS

<div> <div>Year</div> <div>Item</div> </div>		Financial Analysis for the Last Five Years					As of the March 31, 2021 Note 2
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	24.29	21.20	22.17	22.42	22.67	—
	Ratio of long-term capital to property, plant and equipment	735.54	810.43	757.39	731.05	704.55	—
Solvency (%)	Current ratio	417.09	403.16	269.98	265.66	281.44	—
	Quick ratio	361.77	362.37	239.49	230.84	249.55	—
	Interest earned ratio (times)	41.58	55.98	50.80	35.19	26.47	—
Operating performance	Accounts receivable turnover (times)	11.38	10.13	10.55	8.84	8.60	—
	Average collection period	32.08	36.02	34.60	41.29	42.45	—
	Inventory turnover (times)	9.10	10.36	13.60	9.74	9.15	—
	Accounts payable turnover (times)	12.95	11.98	13.89	12.95	11.79	—
	Average days in sales	40.11	35.23	26.84	37.47	39.89	—
	Property, plant and equipment turnover (times)	4.27	4.76	5.15	3.71	2.92	—
	Total assets turnover (times)	0.51	0.52	0.58	0.43	0.36	—
Profitability	Return on total assets (%)	10.99	12.61	10.68	6.52	4.46	—
	Return on stockholders' equity (%)	14.54	16.06	13.41	8.18	5.58	—
	Pre-tax income to paid-in capital (%)	81.15	100.40	92.73	54.42	35.15	—
	Profit ratio (%)	20.17	23.08	17.83	14.99	12.24	—
	Earnings per share (NT\$)	7.50	9.33	8.36	5.09	3.34	—
Cash flow	Cash flow ratio (%)	102.31	122.28	77.83	53.97	54.56	—
	Cash flow adequacy ratio (%)	129.87	145.80	134.53	126.53	119.47	—
	Cash reinvestment ratio (%)	2.06	2.72	2.78	2.19	2.93	—
Leverage	Operating leverage	2.16	1.85	1.98	3.59	4.61	—
	Financial leverage	1.05	1.04	1.05	1.13	1.24	—

Note 1: It is required to specify the fiscal year that has not been audited by a CPA.

Note 2: Until the date of publication of the Annual Report, a company whose stock is listed on the stock exchange or traded over the counter shall disclose the most recent financial statement audited or attested by CPA, if any.

Note 3: The loss of discontinued business units should be presented as the net amount after the deduction of income tax.

Note 4: For those who have been notified by the competent authorities to revise or recomposed their financial data, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

Note 5: The Company reports only annual consolidated financial statements to public.

Note 6: The formulas of various financial ratios as follow:

1. Capital structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Long-term fund to property, plant and equipment ratio = (Total equity + non-current liabilities) / Net property, plant and equipment

2. Liquidity

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – inventory – prepaid expenses) / Current liabilities
- (3) Times interest earned = Net Income before tax and interest expenses / Interest expenses

3. Operating performance

- (1) Account receivable turnover (including accounts receivable and notes receivable) = Net sales / Average account receivable (including account receivable and notes receivable) balance
- (2) Days sales outstanding = 365 / Receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory
- (4) Account payable turnover (including accounts payable and notes payable) = Cost of goods sold / Average account payable (including account payable and notes payable) balance
- (5) Inventory turnover days = 365 / Inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment
- (7) Total assets turnover = Net sales / Average total assets

4. Profitability

- (1) Return on total assets = [Net income after tax + interest expense x (1-interest rate)] / Average total assets
- (2) Return on total equity = Net income after tax / Average shareholders' equity
- (3) Pre-tax income to paid-in capital ratio = Income before tax / paid-in capital
- (4) Net margin = Net income / Net sales
- (5) Earnings per share = (Net income - preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flow

- (1) Cash flow ratio = Net cash flow provided by operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash flow reinvestment ratio = (Cash provided by operating activities - cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage

- (1) Operating leverage = (Operating revenues – variable cost and expense) / Operating Income
- (2) Financial leverage = Operating income / (Operating income – interest expenses)

6.3 Audit Committee's Report for the Most Recent Year

To: The General Meeting of Shareholders as of year 2021

The undersigned has duly audited the Operating Report, Financial Statements and Schedule of Earnings Distribution prepared by the Board of Directors for the year of 2020, and found the same to be true and correct. Therefore, the Audit Committee's Report is hereby issued in accordance with Securities and Exchange Act and Company Act.

Formosa Chemicals & Fibre Corporation

Convener of Audit Committee: Ruey Long, Chen

March 12, 2021

6.4 Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report

Please refer to page 205 of the annual report.

6.5 Individual Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report

Please refer to page 312 of the annual report.

6.6 If the company and affiliated companies had occurred financial deficit the company should report the effects to financial status of the company by the date of print annual report.

None

VII. Review of Financial Conditions, Financial Performance, and Risk

Management

7.1 Analysis of Financial Status

The reasons for, and impact of, any significant change over the two most recent fiscal years in its assets, liabilities, or equity. Where the impact is significant, describe further how the company plans to respond.

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Current Assets	215,865,015	226,182,634	-10,317,619	-4.56
Non-Current Assets	315,955,413	324,366,383	-8,410,970	-2.59
Total Assets	531,820,428	550,549,017	-18,728,589	-3.40
Current Liabilities	73,452,939	87,132,669	-13,679,730	-15.70
Non-Current Liabilities	62,914,960	54,125,385	8,789,575	16.24
Total Liabilities	136,367,899	141,258,054	-4,890,155	-3.46
Capital stock	58,611,863	58,611,863	0	0
Capital surplus	9,167,637	9,138,869	28,768	0.31
Retained Earnings	184,043,516	186,526,961	-2,483,445	-1.33
Other Equity	92,854,794	102,560,930	-9,706,136	-9.46
Treasury Stock	-323,952	-323,952	0	0
Equity attributable to shareholders of the parent	344,353,858	356,514,671	-12,160,813	-3.41
Non-controlling interest	51,098,671	52,776,292	-1,677,621	-3.18
Total Stockholders' Equity	395,452,529	409,290,963	-13,838,434	-3.38
Analysis of changes in financial ratios: all variation of items are not over 20%.				

- **Effect of changes on the company's financial condition:**

The Company's financial condition has not changed significantly.

- **Future response actions:**

Inapplicable

7.2 Analysis of Financial Performance

The annual report shall list the main reasons for any material change in operating revenues, operating income, or income before tax in the two most recent fiscal years, provide a sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response.

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Gross Sales	253,294,668	315,384,595	-62,089,927	-19.69
Cost of Sales	223,762,600	283,366,077	-59,603,477	-21.03
Gross Profit	29,532,068	32,018,518	-2,486,450	-7.77
Operating Expenses	14,208,448	15,529,774	-1,321,326	-8.51
Operating Income	15,323,620	16,488,744	-1,165,124	-7.07
Non-operating Income and Losses	9,444,067	20,616,940	-11,172,873	-54.19
Income Before Tax	24,767,687	37,105,684	-12,337,997	-33.25
Tax Benefit (Expense)	3,213,494	3,861,581	-648,087	-16.78
Income from Continuing Operations, Net of Tax	21,554,193	33,244,103	-11,689,910	-35.16
Income from Discontinued Operations, Net of Tax	-484	1,204,254	-1,204,738	-100.04
Net Income	21,553,709	34,448,357	-12,894,648	-37.43

Analysis of changes in financial ratios:

1. In 2020 the Company's gross sales, cost of sales, operating income, income before tax and net income were reduced the world was impacted by COVID-19 throughout 2020. With countries imposing lock-downs, demand on the market shrunk drastically. The price of crude oil collapsed, which drove a significant slide in prices of petrochemical products, too. In addition, the decrease in non-operating income and expenses was mainly due to the decrease in equity method investment income and cash dividends compared with the previous year.
2. On 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dispose its 16% equity interest in Formosa Advanced Technologies Co. Consequently, on December 16, 2019, since Formosa Taffeta Co., Ltd. Lost control but maintained significant influence on Formosa Advanced Technologies Co. Accordingly, the Group made restatement to the recognised profit or loss in relation to Formosa Advanced Technologies Co. rather than retrospective adjustment for the year ended December 31, 2019.

- **Effect of changes on the company's future business:**

The Company's business scope has not changed significantly.

- **Future response actions:**

Inapplicable

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
15,099,252	46,212,769	44,184,894	17,127,127	none	none
Analysis of change in cash flow in the current year:					
1. Cash flow from operating activities: Net cash flow from operating activities NT\$46 billion attributed to net income increased in NT\$24.8 billion, together with depreciation and depletion expenses were NT\$17billion.					
2. Cash flow from investing activities: Net cash outflow NT\$13.6 billion in 2020 due to acquire properties expenditure on NT\$15.7 billion.					
3. Cash flow from financing activities: Net cash outflow NT\$31 billion in 2020 due to pay cash dividends NT\$22.3 billion and pay back long term debt decreased in NT\$16.2 billion and Issued in corporate bonds payable increase in NT\$10 billion.					

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Inapplicable

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
3,705,265	20,709,447	18,612,065	5,802,647	none	none

Base on individual company

1. Cash flow from operating activities: The Company predicted that net cash inflow in 2021 will be NT\$20.7 billion.
2. Cash flow from investing activities: The Company predicted that the net investment expenditure will be NT\$5.9 billion for building new plant and acquiring equipment.

3. Cash flow from financing activities: The Company predicted that net cash outflow from financing NT\$12.7 billion will be paying cash dividends and payment of bonds payable

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Amount of Disbursement	Amount of Investment	Actual or Planned Date of Completion
Improve facilities' efficiency of AROMA-III plant in Mai Liao industrial complex	Loan from banks or use working capital	273,561	379,802	3 rd quarter of 2023
Improve facilities' efficiency of SM plant in Mai Liao industrial complex	Loan from banks or use working capital	8,478	367,565	4 th quarter of 2021
Improve facilities' efficiency of PTA plant in Mai Liao industrial complex	Loan from banks or use working capital	54,309	130,881	3 rd quarter of 2021
Improve facilities' efficiency of ABS pellets plant in Xingang industrial complex	Loan from banks or use working capital	881,038	1,203,032	4 rd quarter of 2021

The cash and cash equivalents at the beginning was NT\$0.7 billion, in addition, the total of cash inflow was NT\$29.4 billion attributed to pre-tax income NT\$20.6 billion and depreciation and depletion expenses NT\$8.8 billion. The total of cash outflow was NT\$27.4 billion together with investing activities NT\$2.3 billion and financing activities NT\$25.1 billion, therefore, the capital expenditure has not changed the financial status. The short term liquidity ratio was staying strong due to current assets was in NT\$157.1 billion and current liabilities was in NT\$55.8 billion.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

Unit: US\$/ NT\$

Item \ Remarks	Amount of Investment	Policies	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
FG INC	US\$ 12.9 million	Long term investment	The project is in progress	None	Increase capital according to capital requirements
Formosa Resources Corporation	US\$ 31.25 million	Long term investment	For capacity expansion	None	Increase capital according to capital requirements
Formosa Plastics Construction Corporation	NT\$500 million	Long term investment	The plan of entity and right transfer of urban renewal is waiting for approval.	None	The urban renewal of Formosa Plastics Building is in progress.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest rate

In terms of long-term liabilities under floating interest rate basis (corporate bond included), the Company will carefully assess financial market conditions and consider the implementation of interest rate swap when the interest rate is relatively low to avoid interest rate fluctuation risks. The company strives to make sure the undertaking interest rate is below the estimated cost of capital of investment plans.

(2) Exchange Rate Fluctuation:

Insufficient foreign exchange funds in daily operations are addressed by making spot or forward foreign exchange purchases when the exchange rate is favorable. Long-term foreign exchange liabilities are addressed by implementing long-term forward foreign exchange contracts or exchange-for-exchange contracts when the exchange rate is relatively low to minimize the impact of exchange rates on profitability .

(3) Inflation

According to Directorate of Budget, Accounting, and Statistics, Executive Yuan, the annual growth rate of consumer prices in 2020 was -0.23%, and the annual

growth rate of core consumer prices was 0.35%. The inflation risk was low and had no significant influence on the Company's profitability.

7.6.2 Policies on high risk, highly leveraged investments, loans to other parties, endorsements, and derivative trading policies, main reasons for profits or losses, and future response measures:

1. Investment under High Risks and Leverage:

The company mainly invests in the petrochemical industry. The petrochemical industry is a mature and stable industry with low risks. The company has always maintained stable operations and a sound financial structure. It does not engage in any high leverage investment.

2. The policy of lending funds to other parties:

In principle, the company only issues loans to affiliated companies. The amount is in accordance with Article 15 of the Company Law and granted with the approval of the Board of Directors. Since the issuance of loans are mostly for short-term funding purposes, and the borrowers are subsidiaries and affiliated companies with strong financial operations, no bad debt loss has occurred.

3. The policy of endorsement and guarantee:

The company only endorses and guarantees subsidiaries or affiliated companies. The endorsement is mostly for funding and import taxes. As affiliated companies have sound financial conditions and robust operations, there have never been losses due to endorsement.

4. Procedures for Financial Derivatives Transactions:

The Company's various derivative commodity transactions are for the purpose of avoiding market risks caused by fluctuations in exchange rates and interest rates instead of arbitrage and speculation. Any of the implementation of derivative product transactions is based on not only relevant regulations and International Financial Reporting Standards (IFRS) promulgated by the competent authority, but also "Procedures for Derivatives Transaction Processing" and the "Foreign Exchange Trading and Risk Management Measures" defined by the Company.

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company will spend NT\$522 million on research & development projects in 2021. One of the main projects is as follow.

NT\$ thousands	
Research Projects	Expected Research Expenditure
Development of Special grade materials for PC/ABS	23,376
Development of high rubber powder for ABS,	19,480
Development of high-strength Rayon cotton.	6,600

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company closely monitors all domestic and foreign governmental policies and regulations that might impact the Company's business and financial

operations and arranges personnel to receive professional training as needed. During the period of 2020 to February 28, 2021, the following changes or developments in governmental policies and regulations may influence the Company's business and financial operations:

1. Pursuant to the Announcement No. 10904606910 dated December 31, 2020 from the Ministry of Economic Affairs regarding the "Regulations Governing the Chartered Capacity on Electricity Consumption Agreements Which the Users Shall Install Renewable Energy Facilities for Exceeding a Certain Capacity," starting from January 1, 2021, electricity consumers with chartered capacity exceeding 5,000 kWh shall either install a renewable energy power generation device and an energy storage device with a certain capacity on their own, or purchase a certain amount of renewable energy power and renewable energy certificates. The aforementioned required capacity of renewable energy storage shall be calculated based on 10% of the average chartered capacity from the previous year, and such obligation shall be fulfilled within 5 years (by 2025). In addition, the obligation of the entitled reductions and the early completion of reductions for existing renewable power generation devices are also specified. The Company will set up renewable energy devices or power configurations in line with relevant regulations.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The Company attaches great importance to improvements in technology and carefully monitors market trends and assesses the impact they may have on the company's operations.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities, and will continue put into effect on social welfare.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company is benefited of belonging to an integrated petrochemical system of Formosa Group so that he has a stable material sources needed come from upstream related companies, and outputs go to downstream related companies. In the period of factory inspection The Company is scheduled to buy petrochemical materials on spot markets. Local market is too small for The Company to expand facilities capacities, thus most of outputs are exported to Asian markets including Mainland China. The market of Mainland China takes

the top export region so far so that The Company has worked to diversify its customer base in order to reduce the concentration of sales.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% : None.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

7.6.12 Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation, where such a dispute could materially affect shareholders' equity or the prices of the company's securities

1. Date of Occurrence: Taixi villagers filed a civil lawsuit in August 2015.

Counterparty: 74 people, including Zhang Shufen, a native of Taixi, claimed that the sixth nephra cracker's gas emission caused a total of 29 persons in their families to die or suffer from cancer. They requested damages.

Value:NT\$70.17 million 6,986 dollars.

The commencement date of the lawsuit: August 13th, 2015.

Current situation: Since the plaintiff's request was unfounded in the law, the Company has actively proposed a favorable defense. The case is currently being heard by the civil court of Yunlin District Court.

2. Date of Occurrence: FCFC filed a national compensation lawsuit in March 2019.

Counterparty: Changhua County Government

Value:NT\$578 million dollars.

The commencement date of the lawsuit: March 20th, 2019.

Current situation: The Changhua Plant of Company's application for an extension permit was rejected by the Changhua County Government many times for no reason. As a result, the Changhua Plant of was forced to suspend work and suffered great losses. After the agreement with the Changhua County Government failed, it was in 2019 year. The state compensation lawsuit was filed with the Changhua County Government on March 20, and it is currently being heard by the Changhua District Court.

7.6.13 Other Major Risks

Information Security Risk Assessment

1. In order to ensure the security and stability of the computer network, prevent the abnormality of the information system and the damage of computer files, strengthen the protection of personal data, effectively control the risk of enterprise information systems, and maintain the

continuous operation of the enterprise, we have established relevant administration regulations and processing guidelines for employees to follow, and constructs layer-by-layer control and protection mechanisms to protect application programs, operating systems and computer network. In order to ensure the safe use of information and the establishment of a reliable information environment, our company's information security policy is as follows:

- (1) Comply with government laws and regulations, and popularize awareness of information security.
 - (2) Pay attention to risk management and protect data security.
 - (3) All the employees must participate, and we pursue continuous improvement.
2. The globally interconnected Internet makes business activities more flexible and fast, but cyber-attacks are rising accordingly. These attacks include causing network services unavailable through creating a large number of network connections, snooping secrets over the network or affecting system service using computer viruses or malicious programs, stealing confidential information through the use of social engineering, or the leakage of confidential information due to insufficient security awareness of employees. In view of these risks, we have planned and arranged adequate security measures, as specified below.
 - (1) Adopt a defense-in-depth architecture to prevent network attacks. We build systems such as Intrusion Prevention System (IPS), malicious URL filtering, and Advanced Persistent Threat (APT) Prevention, and establish management and control mechanisms for Internet access, e-mail, and personal information leakage.
 - (2) Establish mechanisms for physical access control, system login authentication, password control, access authorization and regular vulnerability scan, installing anti-virus software and security patches, controlling document and USB access, and establishing backup mechanisms to enhance endpoint protection.
 - (3) Conduct information security education and testing for employees every year to strengthen employees' awareness of cyber security risks.
 - (4) Review the security measures and regulations annually, pay attention to the security issues and make the response plan to ensure its appropriateness and effectiveness.
3. Due to the rapid changes in the attack techniques of hackers, the tactics continue to evolve, thus, we cannot guarantee our information system will not be affected by cyber threats. To mitigate the effects of cyber threats, we have considerable security protection measures and trainings.

7.6.14 Risk control organization

Risk Evaluation Items	Risk Management Unit	Risk Review
1. Interest Rate, Fluctuation in Foreign Exchange Rate, and Inflation	General Manager's Office, Accounting Department, and Finance Department, General Management Office of FPC Group Administration	Computer audit and regular self-inspection, monthly fund meeting, joint meeting of financial executives, Auditing Office, and the Board of Directors
2. High-risk, high leverage investments, lending of capital, endorsement, and derivative product transactions	General Manager's Office, Finance Department, and General Management Office of FPC Group Administration	Computer audit and regular self-inspection, monthly fund meeting, joint meeting of financial executives, Auditing Office, and the Board of Directors
3. R&D Plan	General Manager's Office, Technical Office of various Departments, and General Management Office of FPC Group Administration	Production and sales meeting, business performance meeting, research and development project meeting, the Board of Directors, and Auditing Room
4. Important Policy and Legal Changes at Home and Abroad	General Manager's Office, Manager's Office and Technical Office of various departments, Legal Affairs Office, and General Management Office of FPC Group Administration	Production and sales meeting, business performance meeting, the Board of Directors, and Auditing Room
5. Technology Changes	General Manager's Office, Manager's Office of various departments, R&D Center, and General Management Office of FPC Group Administration	Production and sales meeting, business performance meeting, Auditing Room, and the Board of Directors
6. Changes in Corporate Image	General Manager's Office, Manager's Office of various departments, and General Management Office of FPC Group Administration	Production and sales meeting, business performance meeting, and the Board of Directors
7. M&A or Re-investment	General Manager's Office, Manager's Office of various departments, and General Management Office of FPC Group Administration	Production and sales meeting, business performance meeting, Auditing Room, and the Board of Directors
8. Expansion of Plants	General Manager's Office, Factory Office of various departments, Manager's Office, and General Management Office of FPC Group Administration	Production and sales meeting, business performance meeting, Auditing Room, and the Board of Directors
9. Purchase or Turnover Concentration	General Manager's Office, Manager's Office of various departments, Purchasing Department, General Management Office of FPC Group Administration	Market weekly meeting, production and sales meeting, business performance meeting, Auditing Room, Board of Directors
10. Directors and Supervisors and Substantial Shareholder Equity Transfer	General Manager's Office, Stock Office of the Finance Department	Business Management meeting, Board of Directors
11. Changes in Operation Right	General Manager's Office, General Management Office of FPC Group Administration	Business management meeting, Board of Directors
12. Litigation and Non-Litigation Cases	General Manager's Office, Manager's Office of each business unit, and Legal Affairs Office	Production and sales meeting, business performance meeting, Auditing Room, and the Board of Directors
13. Information Security Risk Assessment	President's office, Division's production office, President's office of FPG Group	Operating management conference, Office of Audit, Directors of board

7.6.15 Other's significant events: None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1

Affiliated Organization chart

Parent Company	Subsidiary Company	Grandson Company	Grand-grandson Company	Holdings %
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Formosa Chemicals & Fiber Corporation

		Formosa FCFC Carpet Inc.		100%
		FCFC Investment Corporation (Cayman) Limited		100%
			Formosa Power (Ningbo) Limited Company	100%
			Formosa Chemicals & Fibre (Hong Kong) Ltd.	100%
			Formosa Chemicals Industries (Ningbo) Limited Company	100%
		Formosa Industries Corporation		42.5%
		Chia Nan Industrial Co., Ltd.		50.1%
		Formosa Idemitsu Petrochemical Corporation		50%
		Formosa Biomedical Technology Corporation		88.59%
			Hong Jing Resource Co., Ltd.	71%
			Formosa Waters Technology Co., Ltd.	57%
			Formosa BIO and ENERGY Corp.(JAPAN)	51%
			Formosa Biomedical Technology (Somoa) Co., Ltd.	100%
			Formosa Biomedical Trading (Shanghai) Co., Ltd.	100%
		Formosa INEOS Chemicals Corporation		50%
		Formosa Taffeta Company Ltd.		37.4%
			Formosa Development Corporation Ltd.	100%
			Public More International Company Ltd.	100%
			Formosa Taffeta Vietnam Co., Ltd.	100%
			Formosa Taffeta Dong Nai Company Ltd.	100%
			Formosa Taffeta (Zhong Shan) Co., Ltd.	100%
			Formosa Taffeta (Hong Kong) Co., Ltd.	100%
			Formosa Taffeta (Chang Shu) Co., Ltd.	100%

8.1.2 Affiliated company's name

Basic information

Unit: NT\$ thousands ; US\$ thousands ; JPY\$ thousands

Enterprise's name	Established Date	Address	Amount of Capital	Major Business or Production
FCFC Investment Corporation (Cayman) Limited	Oct 9,1996	P. O. Box 31106 SMB Grand Cayman Cayman Islands, British West Indies	USD56	Investment
Formosa Chemicals & Fibre (Hong Kong) Ltd.	Dec 3,2007	7/F Citicorp Centre 18 Whitfield Road, Causeway Bay, Hong Kong	USD1,139,880	Investment
Formosa FCFC Carpet Inc.	Sept 9,2005	No.24, 2F, 201Tun Hwa N. Rd, Taipei, R.O.C.	NT220,372	Carpet sale and production businesses
Formosa Idemitsu Petrochemical Corporation	Aug 20,2001	No.24, 2F, 201Tun Hwa N. Rd, Taipei, R.O.C.	NT1,200,000	Polycarbonate marking business
Formosa INEOS Chemicals Corporation	Nov 25,2002	Formosa Industrial Zone Sansheng Village Mailiao Township Yunlin County, Taiwan, R.O.C.	NT2,403,000	Acetic acid sale and production businesses
Chia Nan Industrial Co., Ltd.	Mar 21,2001	No.68-59, Jianan, Guantian Dist., Tainan,Taiwan, R.O.C.	NT414,960	Electric power supply
Formosa Biomedical Technology Corporation	Nov 10,2003	No.36, 5F, 201Tun Hwa N. Rd, Taipei, R.O.C.	NT1,665,565	Chemical materialand medical devices sale and manufacture
Formosa Biomedical Technology (Somoa) Co., Ltd.	Aprl 13,2006	Offshore Chambers, P. O. Box 217, Apia, Samos	USD1,000	Investment
Formosa Biomedical Trading (Shanghai) Co., Ltd.	Mar 20,2013	Room 202, Building23, No. 1618, I-San Rd, Shanghai City, China	USD1,000	Medical and healthful products sale and production
Formosa BIO and ENERGY Corp. JAPAN	Jan 15,2020	4F., Main Building, Asano Building, 7-10, Kojicho 3-chome, Chiyoda-ku, Tokyo, Japan	JPY35,500	Manufacturing and sales of energy storage battery system related products.
Hong Jing Resource Co., Ltd.	Oct 17,2007	No.8, Bengong E. 2nd Rd., Gangshan Dist., Kaohsiung City 820, Taiwan (R.O.C.)	NT385,024	Environmental examination and disposal of waste substance
Formosa Waters Technology Co., Ltd.	Dec 13,2017	1F., No.8, Gongyequ 36th Rd., Xitun Dist., Taichung City 407, Taiwan R.O.C.	NT13,421	Auxiliary chemicals produce and wholesale
Formosa Power (Ningbo) Limited Company	June 24,2002	Ningbo Economic & Technical Development Zone(NETD) Xiapu ,Zhejiang,China	USD145,830	Utilities of sale and production

Unit: NT\$ thousands, US\$ thousands

Enterprise's name	Established Date	Address	Amount of capital	Major business or production
Formosa Chemicals Industries (Ningbo) Limited Company	January 2,2018	Ningbo Economic & Technical Development Zone(NETD) Xiapu ,Zhejiang,China	USD1,139,880	PTA, Phenol and ABS pellets sale and production
Formosa Industries Corporation	Dec 26,2001	Nhon Trach 3 .Z., Hiep Phuoc Township, Nhon Trach Dist., Dong Nai Prov. Vietnam	USD700,000	Spun yarn and plastic products sale and production
Formosa Taffeta Company Ltd.	April 19,1973	317 Shig Liu Rd., Liu Chung Li, Touliu City, Yunlin Hsien, Taiwan, R.O.C.	NT16,846,646	Nylon, polyester and functional filaments manufacture
Formosa Development Corporation Ltd.	Sept 20,990	No.29, Ln. 224, Shiliu Rd., Douliu City, Yunlin County 640, Taiwan, R.O.C.	NT161,000	Land consolidation, dwelling house, plant building development and leasing
Formosa Taffeta (Hong Kong) Co., Ltd.	Aprl 11,1989	Room 6, 16F, Buld. 6, No. 33, guangdong Rd, Tsimshatsui, Kowloon, H.K.	NT1,356,822	Filaments and Fiber sale
Formosa Taffeta (Zhong Shan) Co., Ltd.	Dec 3,1992	No. 167, Shenwen Ave. Shenwen County, Zhong Shen, Guangdong Province, China	NT1,402,085	Nylon and polyester manufacture, Umbrella shell manufacture and sale
Formosa Taffeta Vietnam Co., Ltd.	June 16,1999	Sec.1 Nhat Chanh, Com., Ben Luc Dist., Long An Prov.,Vietnam	NT2,340,866	Produce, processing for varieties of cloth
Formosa Taffeta Dong Nai Co., Ltd.	June 25, 2004	Nhon Trach 3 .Z., Hiep Phuoc Com., Nhon Trach Dist., Dong Nai Prov. Vietnam	NT2,590,434	Produce and sale for processing and dyeing cloth
Formosa Taffeta (Chang Shu) Co., Ltd.	Aprl 4,2005	No. 15, Penghu Rd.South-east St. changshu city, Jiangsu, Chian	NT1,302,019	Coloration and posterior processing for hgh grade of cloth
Public More Internation Company Ltd.	Feb 15,2017	No.27, Ln. 224, Shiliu Rd., Douliu City, Yunlin County 640, Taiwan R.O.C.	NT5,000	Employment service, manpower dispatch and manpower intermediary service

Note: exchange rates: USD/NTD 28. 508 , VND/NTD 0.001234 , RMB/NTD 4.3691 , JPY/NTD 0.2763

December 31, 2020

8.1.3 Presumption of relationship between controller and subordinate

None

8.1.4 Major businesses operated in affiliate companies

Plastics industry, chemical industry, fiber textile and investment business.

8.1.5 Name of directors and president of major affiliate companies and share holdings

Name of enterprises	Title	Name or representative	Shareholdings	
			Number of shares	%
FCFC Investment Corporation (Cayman) Limited	Director	Representative of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong	56,000	100%
Formosa Chemicals & Fibre (Hong Kong) Ltd.	Director	Representative of FCFC Investment Corporation (Cayman) Limited: Wen Yuan Wong	—	100%
Formosa FCFC Carpet Inc.	Director	Representatives of Formosa Chemicals & Fibre Corporation: Fu Yuan, Hong, Ching Fen, Lee, Chi Mou, Leu	22,037,185	100%
	Supervisor	Representative of FCFC: Chia Ju, Liu	22,037,185	100%
Formosa Biomedical Technology Corporation	Director	Representatives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Ruey Yu, Wang, Fu Yuan, Hong, De Lon, Wu, Chia Chu, Pao, Thu Hua, Liu, Kuen Lieh, Yang	147,556,136	88.59%
			387,008	0.23%
	Supervisor	Tsun Cheng, Li	20,000	0.01%
	President	Kuen Lieh, Yang	307,008	0.18%
Formosa Waters Technology Co., Ltd.	Director	Representative of Formosa Biomedical Technology Corporation: Ruey Yu, Wang, Kuen Lieh, Yang, Hui Chi, Liu	765,001	57%
		Representatives of HC Chemical CO., Ltd.: Tsan Tsung, Huang, Huan Chung, Tseng	577,105	43%
	Supervisor	Tsun Cheng, Li, Cheng Te, Chou	0	0%
	President	Huan Chung, Tseng	0	0%
Formosa Idemitsu Petrochemical Corporation	Director	Representatives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Fu Yuan, Hong, Wen Chin, Lu, Ching Fen, Lee, Chen Ching, Huang	60,000,000	50%
		Representatives of Formosa Idemitsu Petrochemical Corporation: Takashi Matsushita, Homma Kiyoshi, Fujikata, Y, Sasaki Kiyoo, Arashi Toshimi	60,000,000	50%
	Supervisor	Chia Ju, Liu,	0	0%
		Yamada Motoki	0	0%
	President	Sasaki Kiyoo	0	0%
Formosa INEOS Chemicals Corporation	Director	Representatives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Fu Yuan, Hong, Wen Chin, Lu,	120,150,000	50%
		Representative of INEOS Acetyls International Limited: David Nicholas Brooks, Martin John Robinson, Shu Sen, Lin	120,150,000	50%
	Supervisor	Kuo Hsien, Huang, Benjamin Yao Chung	0	0%
	President	Shu Sen, Lin	0	0%
Formosa Taffeta Company Ltd.	Director	Representatives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Fu Yuan, Hong, Wen Chin, Lu, Ming Chang, Lee, Tien Shuan, Tsai	630,022,431	37.4%
		Representative Of Keyford Development Co., Ltd.: Shih Ming, Hsie	113,000	0.007%
		Independent Director: Sheng Chung, Lin, Nein Hsiung, Kuo	0	0%
		Independent Director: Chia Chi, Kuo	3,000	0.0002%
		Ming Der, Hshih	15,548,068	0.92%
		Representatives of Lai Shu-Wang's Social Welfare Foundation, Chang Hwa County: Man Chun, Lee	4,151,942	0.25%
	President	Ming Chang, Lee	0	0%

Name of enterprises	Title	Name or representative	Shareholdings	
			Number of shares	%
Formosa Industries Corporation	Director	Chia Chau, Wu, Fu Yuan, Hong, Ming Jen, Tzou, Wen Chin, Lu, Ching Fen, Lee, Sin Yi, Huang, Fong Chin, Lin, Ming Chang, Lee, Chih Hsing, Hung	—	42.5%
	President	Fu Yuan, Hong	—	0%
Hong Jing Resource Co., Ltd.	Director	Representatives of Formosa Biomedical Technology Corporation: Ruey Yu, Wang, Kuen Lieh, Yang, Hui Chi, Liu, Fu Lung, Liu	27,336,218	71%
		Representatives of HONG JING Environment Company: Yu Lung, Sun	8,856,027	23%
	Supervisor	Tsun Cheng, Li, Cheng Chien, Ku	0	0%
	President	Yao Sheng, Wang	0	0%
Chia Nan Industrial Co., Ltd.	Director	Representatives of Formosa Chemicals & Fibre Corp.: Ming Feng, Yang, Fu Yuan, Hong, Wen Chin, Lu, Yung Lung, Chen, Chi Chou, Wang	21,163,000	51%
		Representatives of Irrigation Agency, Council of Agriculture Executive Yuan : Ching Yi, Chiu, Chin Wen, Huang, Ye Chu, Liu, Ming Chun, Ke	20,333,000	49%
	Supervisor	Chia Ju, Liu	0	0%
		Yi Ming, Huang, Chao Nien, Chen	0	0%
	President	Ming Feng, Yang	0	0%
Formosa Chemicals Industries (Ningbo) Limited Company	Director	Representatives of Formosa Chemicals & Fibre (Hong Kong) Ltd.: Wen Yuan Wong, Fu Yuan, Hong, Wen Chin, Lu, Ching Fen, Lee, Tsung Yuan, Chang, Wei Keng, Chien, Kuo Hsien, Huang	—	100%
	Supervisor	Representative of Formosa Chemicals & Fibre (Hong Kong) Ltd.:Chia Ju, Liu	—	100%
	President	Wen Chin, Lu	—	0%
Formosa Power (Ningbo) Limited Company	Director	Representatives of FCFC Investment Corporation (Cayman) Limited:Wen Yuan Wong, Fu Yuan, Hong, Wen Chin, Lu, Yung Lung, Chen, Chi Chou, Wang	—	100%
	Supervisor	Representative of FCFC Investment Corporation (Cayman) Limited: Chia Ju, Liu	—	100%
	President	Yung Lung, Chen	—	0%
Formosa Biomedical Technology (Somoa) Co., Ltd.	Director	Representative of Formosa Biomedical Technology Corporation: Ruey Yu, Wang	—	100%
Formosa Biomedical Trading(Shanghai) Co., Ltd.	Director	Representative of Formosa Biomedical Technology (Somoa) Co., Ltd.: Hui Chi, Liu	—	100%
	Director	Representative of Formosa Biomedical Technology (Somoa) Co., Ltd.: Yung Sheng, Sung	—	100%
	President	Hui Chi, Liu	—	0%
Formosa BIO and ENERGY Corp. JAPAN	Director	Representatives of Formosa Biomedical Technology Corporation: Ruey Yu, Wang, Kuen Lieh, Yang, Hui Chi, Liu	18,105	51%
		Chun Hsiung, Chang	12,070	34%
		Representatives of Green Smart Energy International Co., Ltd. : Pei Pin , Lien	5,325	15%
	Supervisor	Representatives of Formosa Biomedical Technology Corporation: Shin Chang Wu	0	0%
		Kamiyama Hiroki	0	0%

Unit: share, %

Name of enterprises	Title	Name or representative	Shareholdings	
			Number of shares	%
Formosa Development Corporation Ltd.	Director	Representatives of Formosa Taffeta Company Ltd.: Shih Ming, Hsie, Ching Pin, Tseng, Hsien Tang, Chang	16,100,000	100%
	Supervisor	Representatives of Formosa Taffeta Company Ltd.: Hung Ning, Cheng	16,100,000	100%
	President	Ching Pin, Tseng	—	0%
Formosa Taffeta (Hong Kong) Co., Ltd.	Director	Representatives of Formosa Taffeta Company Ltd.: Wen Yuan Wong, Ming Chan, Lee, Hung Ning, Cheng	—	100%
	President	Jui Mao, Chen	—	0%
Formosa Taffeta (Zhong Shan) Co., Ltd.	Director	Representatives of Formosa Taffeta Company Ltd.: Wen Yuan Wong, Ming Chan, Lee, Li Jen, Wu, Chien Kuan, Lee	—	100%
	Supervisor	Representatives of Formosa Taffeta Company Ltd.: Hung Ning, Cheng	—	100%
	President	Ming Chan, Lee	—	0%
Formosa Taffeta Vietnam Co., Ltd.	Director	Representatives of Formosa Taffeta Company Ltd.: Fu Yuan, Hong, Ming Chan, Lee, Li Jen, Wu, Chien Kuan, Lee	—	100%
	Supervisor	Representative of Formosa Taffeta Company Ltd.: Hung Ning, Cheng	—	100%
	President	Chien Kuan, Lee	—	0%
Formosa Taffeta Dong Nai Co., Ltd.	Director	Representatives of Formosa Taffeta Company Ltd.: Fu Yuan, Hong, Ming Chan, Lee, Li Jen, Wu, Chien Kuan, Lee	—	100%
	Supervisor	Representative of Formosa Taffeta Company Ltd.: Hung Ning, Cheng	—	100%
	President	Chien Kuan, Lee	—	0%
Formosa Taffeta (Chang Shu) Co., Ltd.	Director	Representatives of Formosa Taffeta (Hong Kong) Co., Ltd.: Wen Yuan Wong, Fu Yuan, Hong, Ming Chan, Lee, Li Jen, Wu, Chien Kuan, Lee	—	100%
	Supervisor	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Hung Ning, Cheng	—	100%
	President	Ming Chan, Lee	—	0%
Public More International Company Ltd.	Director	Representative of Formosa Development Corporation Ltd.: Ching Pin, Tseng	—	100%

Note1: If the subsidiary is a foreign company, the equivalent position shall be listed.

Note2: If the invested company is a corporation, number of shares and percentage of shareholding shall be listed; others shall disclosed the amount and portion of the contribution to the capital.

Note3: If directors or supervisors were representatives, they should disclosure relevant personal information.

1 、Wen Yuan Wong is the chairman of Formosa Chemicals & Fibre Corporation and Formosa Taffeta Co., LTD.

2 、Ruey Yu, Wang is the chairman of Formosa Biomedical Technology Corporation.

- 3 、 Fu Yuan, Hong is the vice chairman of Formosa Chemicals & Fibre Corporation.
- 4 、 Shih Ming, Hsie is the vice chairman of Formosa Taffeta Co., LTD.
- 5 、 Wen Chin, Lu is the president of Formosa Chemicals & Fibre Corporation.
- 6 、 Ming Chang, Lee is the president of Formosa Taffeta Co., LTD.
- 7 、 Chia Chu, Pao is the principal of Chang Gung University.
- 8 、 Thu Hua, Liu is the principal of Ming Chi University of Technology.
- 9 、 Kuen Lieh, Yang is the president of Formosa Biomedical Technology Corporation.
- 10 、 Hui Chi, Liu is the president of Formosa Biomedical Trading(Shanghai) Co., Ltd.
- 11 、 Ching Pin, Tseng is the president of Formosa Development Corporation Ltd.
- 12 、 De Lon, Wu is the chief consultant of Chang Gung Medical Consultant.
- 13 、 Chen Ching, Huang is the senior vice president of Group Administration.
- 14 、 Ching Fen, Lee is the senior vice president of Formosa Chemicals & Fibre Corporation.
- 15 、 Tsung Yuan, Chang is the senior vice president of Formosa Chemicals & Fibre Corporation.
- 16 、 Tien Shuan, Tsai is the senior vice president of 2nd business group of Formosa Taffeta Co., LTD.
- 17 、 Wei Keng, Chien is the vice president of 1st petrochemical division of Formosa Chemicals & Fibre Corporation.
- 18 、 Kuo Hsien, Hung, is the vice president of 3rd petrochemical division of Formosa Chemicals & Fibre Corporation.
- 19 、 Chih Hsing, Hung is the vice president of vietnam management office Formosa Industries Corporation
- 20 、 Yung Lung, Chen is the deputy vice president of engineering division of Formosa Chemicals & Fibre Corporation.
- 21 、 Chi Chou, Wang is the assistant vice president of engineering division of Formosa Chemicals & Fibre Corporation.
- 22 、 Hung Ning, Cheng is the manager of headquarter of Formosa Taffeta Co., LTD.
- 23 、 Li Jen, Wu is the assistant vice president of 1st business group of Formosa Taffeta Co., LTD
- 24 、 Chien Kuan, Lee is the assistant vice president of 1st business group of Formosa Taffeta Co., LTD.
- 25 、 Chi Mou, Leu is the department manager of Formosa FCFC Carpet Inc.
- 26 、 Fu Lung, Liu is the senior administrator of Administration operation unit of Group Administration.
- 27 、 Jui Mao, Chen is the senior administrator of Formosa Taffeta Co., LTD.
- 28 、 Hsien Tang, Chang is the vice senior administrator of Formosa Development Corporation Ltd.
- 29 、 Tsun Cheng, Li is the assistant vice president of headquarter of FPG Group.
- 30 、 Chia Ju, Liu is the assistant vice president of president's office of Formosa Chemicals & Fibre Corporation.
- 31 、 Yung Sheng, Sung is the manager of Formosa Biomedical Trading (Shanghai) Co., Ltd.
- 32 、 Shin Chang Wu is the department manager of business 1st division of Formosa Biomedical Technology Corporation.

8.2 Operation results in affiliated companies

Operation Results								Unit:NT\$ thousands
Enterprise's Name	Amount of Capital	Total Assets	Total Liability	Net Assets	Sales	Operating Income	Net Income	Earnings per share NT\$
FCFC Investment Corporation (Cayman) Limited	1,665	61,014,998	0	61,014,998	0	0	7,496,147	—
Formosa Chemicals & Fibre (Hong Kong) Ltd.	35,575,404	44,937,910	0	44,937,910	0	0	6,396,697	—
Formosa FCFC Carpet Inc.	220,372	226,618	22,282	204,336	163,004	-7,645	-7,579	-0.34
Formosa Idemitsu Petrochemical Corporation	1,200,000	4,526,236	1,858,876	2,667,360	10,934,883	281,566	188,925	1.57
Formosa INEOS Chemicals Corporation	2,403,000	3,806,805	660,500	3,146,305	4,499,879	271,252	194,713	0.81
Chia Nan Industrial Co., Ltd.	414,960	752,512	59,772	692,740	127,986	32,241	27,977	0.67
Formosa Biomedical Technology Corporation	1,665,565	3,123,088	1,266,768	1,856,320	2,701,346	235,984	386,066	2.32
Formosa Biomedical Technology (Somoa) Co., Ltd.	29,610	187	0	187	0	0	1,588	—
Formosa Biomedical Trading(Shanghai) Co., Ltd.	29,610	14,270	14,083	187	48,119	1,396	1,588	—
Hong Jing Resource Co., Ltd.	385,024	821,877	79,448	742,429	366,255	72,749	154,318	4.01
Formosa Waters Technology Co., Ltd.	13,421	41,477	14,639	26,838	110,898	12,261	10,383	7.74
Formosa BIO and ENERGY Corp. JAPAN	9,840	8,580	456	8,124	108	-1,642	-1,689	
Formosa Power (Ningbo) Limited Company	4,834,511	16,469,497	382,894	16,086,603	6,467,783	1,286,695	1,099,450	—
Formosa Chemicals Industries (Ningbo) Limited Company	35,575,404	65,953,573	21,015,663	44,937,910	61,163,062	7,742,432	6,396,697	—
Formosa Industries Corporation	22,890,683	28,378,249	9,522,638	18,855,611	19,922,613	631,719	630,369	—

Operation Results						Unit:NT\$ thousands		
Enterprise's Name	Amount of Capital	Total Assets	Total Liability	Net Assets	Sales	Operating Income	Net Income	Earnings per share NT\$
Formosa Taffeta Company Ltd.	16,846,646	74,801,762	13,318,174	61,483,588	21,524,891	243,559	2,095,548	1.25
Formosa Development Corporation Ltd.	161,000	336,397	43,236	293,161	19,252	9,987	22,962	1.43
Formosa Taffeta (Hong Kong) Co., Ltd.	1,356,822	1,802,147	616,726	1,185,421	1,240,386	20,837	24,374	—
Formosa Taffeta (Zhong Shan) Co., Ltd.	1,402,085	2,132,482	268,758	1,863,724	1,327,827	110,648	77,230	—
Formosa Taffeta Vietnam Co., Ltd.	2,340,866	2,857,260	769,282	2,087,978	2,224,795	81,701	56,041	—
Formosa Taffeta Dong Nai Co., Ltd.	2,590,434	5,549,608	3,323,815	2,225,793	3,593,247	82,478	8,755	—
Formosa Taffeta (Chang Shu) Co., Ltd.	1,302,019	1,686,533	612,965	1,073,568	1,233,559	23,157	24,328	—
Public More International Company Ltd.	5,000	18,880	5,044	13,836	38,988	8,642	6,900	—

December 31, 2020

Exchange rate : USD/NTD=28.508 , VND/NTD 0.001234 , RMB/NTD 4.3691 , JPY/NTD 0.2763 。

8.2.1 Consolidated financial statements of affiliated companies: See attached consolidated financial statement

8.2.2 Report of affiliated company's relationship: Inapplicable

8.3 Private Placement Securities in the Most Years:

None

8.4 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:

Unit: NT\$ Thousands; Shares; %

Name of Subsidiary	Stock Capital Collected	Fund Source	Shareholding Ratio of the Company%	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed of	Investment Gain or loss	Shares and Amount in Most Recent Year	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
Formosa Taffeta Co., Ltd.	\$16,846,646	Company's own funds	37.4	Year 2020	—	—	—	12,169,610	—	—	—
								\$1,030,765			
			37.4	As of the printing date of this annual report	—	—	—	12,169,610	—	—	—
								\$1,066,057			

Note: Formosa Taffeta Co., Ltd. hold outstanding stock ratios is 0.21% ,respectively that is not significant effects on operation results or finance status of the Company. The company had not increased shares of the Company by the end of March, 2021.

8.5 Other Essential Supplements

None

8.6 Significant Impact to Shareholders' Equity or Security Price by Print Date of Annual Report

None

**FORMOSA CHEMICALS & FIBRE
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

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

**FORMOSA CHEMICALS & FIBRE CORPORATION
AND SUBSIDIARIES**

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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000327

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

Introduction

We have audited the accompanying consolidated balance sheets of Formosa Chemicals & Fibre Corporation and subsidiaries (the "Group") as at December 31, 2020 and 2019, 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 auditors (please refer to the Other matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Assessment of loss allowance for accounts receivable

Description

Refer to Note 4(11) for accounting policy on accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, and Note 6(5) for details of loss allowance for accounts receivable. As of December 31, 2020, the Group's accounts receivable amounted to NT\$22,615,730 thousand, net of loss allowance in the amount of NT\$155,882 thousand.

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

How our audit addressed the matter

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

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

3. Performed subsequent collection test in order to verify the adequacy of loss allowance provided for accounts receivable.

Evaluation of inventories

Description

Refer to Note 4(13) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for detailed information on allowance for inventory valuation losses. As of December 31, 2020, the inventory and allowance for inventory valuation losses were NT\$34,571,310 thousand and NT\$1,523,503 thousand, respectively.

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

How our audit addressed the matter

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

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

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors. Total assets of these subsidiaries and the balances of these investments accounted for under the equity method amounted to NT\$142,480,542 thousand and NT\$151,374,296 thousand, both constituting 27% of the consolidated total assets as at December 31, 2020 and 2019, respectively, and operating revenue amounted to NT\$24,251,284 thousand and NT\$32,963,852 thousand, both constituting 10% of the consolidated total operating revenue for the years then ended, respectively. The comprehensive income recognized from these associates and joint ventures accounted for under the equity method amounted to NT\$2,077,294 thousand and NT\$8,097,645 thousand, constituting 18% and 35% of the consolidated total comprehensive income for the years ended December 31, 2020 and 2019, respectively.

Other matter – Parent company only financial reports

We have audited the parent company only financial statements of Formosa Chemicals & Fibre Corporation as of and for the years ended December 31, 2020 and 2019, 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.

Auditors' 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 auditors' 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 the generally accepted auditing standards in the Republic of China 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 the generally accepted auditing standards in the Republic of China, 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 auditors' 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 auditors' 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2021

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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

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

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 17,127,127	3	\$ 15,099,252	3
1110	Financial assets at fair value through profit or loss - current	6(2)	3,888,592	1	4,044,087	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	109,489,471	21	110,143,905	20
1136	Current financial assets at amortised cost	6(4)	1,116,878	-	-	-
1150	Notes receivable, net	6(5)	10,884,391	2	6,898,955	1
1160	Notes receivable - related parties	6(5) and 7	4,260	-	6,395	-
1170	Accounts receivable, net	6(5)	16,661,036	3	16,050,769	3
1180	Accounts receivable - related parties	6(5) and 7	5,954,694	1	5,137,355	1
1200	Other receivables	7	2,558,805	1	7,781,218	1
1210	Other receivables - related parties	7	4,195,598	1	12,798,836	2
130X	Inventory	6(6) and 8	33,047,807	6	41,269,264	8
1470	Other current assets	7	10,936,356	2	6,952,598	1
11XX	Total current assets		215,865,015	41	226,182,634	41
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	59,621,608	11	67,540,577	12
1535	Non-current financial assets at amortised cost	6(4) and 8	263,646	-	-	-
1550	Investments accounted for under equity method	6(7)	116,029,032	22	118,395,626	22
1600	Property, plant and equipment	6(8), 7 and 8	127,268,960	24	124,671,052	23
1755	Right-of-use assets	6(9)	1,541,844	-	1,645,199	-
1780	Intangible assets		3,436	-	1,288	-
1840	Deferred income tax assets	6(27)	2,111,162	-	2,447,969	-
1900	Other non-current assets		9,115,725	2	9,664,672	2
15XX	Total non-current assets		315,955,413	59	324,366,383	59
1XXX	Total assets		\$ 531,820,428	100	\$ 550,549,017	100

(Continued)

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

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 19,055,620	4	\$ 32,369,623	6
2110	Short-term notes and bills payable	6(11)	16,096,733	3	14,396,370	3
2120	Financial liabilities at fair value through profit or loss - current	6(12)	137	-	80	-
2150	Notes payable		225,924	-	225,514	-
2170	Accounts payable		5,930,437	1	6,363,844	1
2180	Accounts payable - related parties	7	12,208,567	2	11,377,993	2
2200	Other payables	7	8,656,243	2	9,603,144	2
2220	Other payables - related parties	7	531,808	-	-	-
2230	Current income tax liabilities		2,423,121	1	1,156,151	-
2280	Current lease liabilities		125,986	-	158,053	-
2320	Long-term liabilities, current portion	6(13)(14)	2,106,821	-	6,687,482	1
2399	Other current liabilities		6,091,542	1	4,794,415	1
21XX	Total current liabilities		73,452,939	14	87,132,669	16
Non-current liabilities						
2530	Corporate bonds payable	6(13)	40,050,000	8	32,100,000	6
2540	Long-term borrowings	6(14)	16,241,267	3	14,114,083	3
2570	Deferred income tax liabilities	6(27)	440,237	-	426,880	-
2580	Non-current lease liabilities		711,804	-	750,716	-
2600	Other non-current liabilities	6(15)	5,471,652	1	6,733,706	1
25XX	Total non-current liabilities		62,914,960	12	54,125,385	10
2XXX	Total liabilities		136,367,899	26	141,258,054	26
Equity attributable to owners of parent						
	Share capital	6(16)				
3110	Common stock		58,611,863	11	58,611,863	11
	Capital surplus	6(17)				
3200	Capital surplus		9,167,637	2	9,138,869	2
	Retained earnings	6(18)				
3310	Legal reserve		64,335,076	12	61,364,852	11
3320	Special reserve		66,328,339	13	60,171,925	11
3350	Unappropriated retained earnings		53,380,101	10	64,990,184	12
	Other equity interest	6(19)				
3400	Other equity interest		92,854,794	17	102,560,930	18
3500	Treasury stocks	6(16)	(323,952)	-	(323,952)	-
31XX	Equity attributable to owners of the parent		344,353,858	65	356,514,671	65
36XX	Non-controlling interest		51,098,671	9	52,776,292	9
3XXX	Total equity		395,452,529	74	409,290,963	74
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 531,820,428	100	\$ 550,549,017	100

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

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

				For the years ended December 31			
				2020		2019	
Items	Notes			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(20) and 7	\$	253,294,668	100	\$	315,384,595
5000	Operating costs	6(6)(15)(25)(26)					
		and 7	(	223,762,600)	(88)	(	283,366,077)
5900	Net operating margin			29,532,068	12		32,018,518
	Operating expenses	6(15)(25)(26) and					
		7					
6100	Selling expenses		(	8,870,730)	(4)	(	9,463,556)
6200	General and administrative expenses		(	5,337,718)	(2)	(	6,066,218)
6000	Total operating expenses		(	14,208,448)	(6)	(	15,529,774)
6900	Operating profit			15,323,620	6		16,488,744
	Non-operating income and expenses						
7100	Interest income	6(21)		356,766	-		415,445
7010	Other income	6(22) and 7		6,995,269	3		11,127,821
7020	Other gains and losses	6(23)	(	394,027)	-		1,694,104
7050	Finance costs	6(8)(24) and 7	(	1,293,887)	-	(	1,834,684)
7060	Share of profit of associates and	6(7)					
	joint ventures accounted for under						
	equity method			3,779,946	1		9,214,254
7000	Total non-operating income and			9,444,067	4		20,616,940
	expenses						
7900	Profit before income tax			24,767,687	10		37,105,684
7950	Income tax expense	6(27)	(	3,213,494)	(1)	(	3,861,581)
8000	Profit for the year from continuing						
	operations			21,554,193	9		33,244,103
8100	(Loss) profit from discontinued	6(10)					
	operations		(	484)	-		1,204,254
8200	Profit for the year		\$	21,553,709	9	\$	34,448,357

(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			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (net)	6(19)(27)				
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Actuarial gain (loss) on defined benefit plans		\$ 305,882	-	(\$ 354,337)	-
8316 Unrealised loss on financial assets measured at fair value through other comprehensive income		(8,423,056)	(4)	(6,758,056)	(2)
8320 Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(775,897)	-	(798,976)	(1)
8310 Other comprehensive loss that will not be reclassified to profit or loss		(8,893,071)	(4)	(7,911,369)	(3)
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(371,436)	-	(3,184,991)	(1)
8370 Share of other comprehensive loss of associates and joint ventures accounted for under equity method		(784,121)	-	(541,219)	-
8399 Income tax relating to the components of other comprehensive income		(104,057)	-	542,926	-
8360 Other comprehensive loss that will be reclassified to profit or loss		(1,259,614)	-	(3,183,284)	(1)
8300 Total other comprehensive loss for the year		(\$ 10,152,685)	(4)	(\$ 11,094,653)	(4)
8500 Total comprehensive income for the year		\$ 11,401,024	5	\$ 23,353,704	7
Net income attributable to:					
8610 Owners of the parent		\$ 19,544,141	8	\$ 29,702,242	9
8620 Non-controlling interest		2,009,568	1	4,746,115	2
		<u>\$ 21,553,709</u>	<u>9</u>	<u>\$ 34,448,357</u>	<u>11</u>
Total comprehensive income attributable to:					
8710 Owners of the parent		\$ 10,128,238	4	\$ 22,873,505	7
8720 Non-controlling interest		1,272,786	1	480,199	-
		<u>\$ 11,401,024</u>	<u>5</u>	<u>\$ 23,353,704</u>	<u>7</u>
		Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share	6(26)				
9710 Profit for the year from continuing operations		\$ 4.23	\$ 3.69	\$ 6.62	\$ 5.91
9720 Profit for the year from discontinued operations		0.00	0.00	0.26	0.20
Non-controlling interest		0.71	0.35	1.15	0.82
9750 Profit attributable to common shareholders of the parent		<u>\$ 3.52</u>	<u>\$ 3.34</u>	<u>\$ 5.21</u>	<u>\$ 4.89</u>
Assuming shares held by subsidiary are not deemed as treasury stock:					
9710 Profit for the year from continuing operations		\$ 4.23	\$ 3.68	\$ 6.59	\$ 5.88
9720 Profit for the year from discontinued operations		0.00	0.00	0.26	0.21
Non-controlling interest		0.71	0.35	1.15	0.81
9750 Profit attributable to common shareholders of the parent		<u>\$ 3.52</u>	<u>\$ 3.33</u>	<u>\$ 5.18</u>	<u>\$ 4.86</u>

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

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

		Equity attributable to owners of the parent												
		Retained Earnings					Other Equity Interest							
								Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Treasury stocks	Total	Non-controlling interest	Total equity	
		Notes	Common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations						
For the year ended December 31, 2019														
			\$ 58,611,863	\$ 9,084,142	\$ 56,487,920	\$ 53,131,385	\$ 84,098,904	(\$ 1,813,251)	\$ 110,762,790	(\$ 15,865)	(\$ 539,014)	\$ 369,808,874	\$ 63,513,625	\$ 433,322,499
							29,702,242	-	-	-	-	29,702,242	4,746,115	34,448,357
							(454,682)	(2,747,355)	(3,643,224)	16,524	-	(6,828,737)	(4,265,916)	(11,094,653)
							29,247,560	(2,747,355)	(3,643,224)	16,524	-	22,873,505	480,199	23,353,704

(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						
			Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Treasury stocks	Total	Non-controlling interest	Total equity
Notes	Common stock												
For the year ended December 31, 2020													
		\$ 58,611,863	\$ 9,138,869	\$ 61,364,852	\$ 60,171,925	\$ 64,990,184	(\$ 4,560,606)	\$ 107,120,877	\$ 659	(\$ 323,952)	\$ 356,514,671	\$ 52,776,292	\$ 409,290,963
		-	-	-	-	19,544,141	-	-	-	-	19,544,141	2,009,568	21,553,709
	6(19)	-	-	-	-	404,543	(712,000)	(9,139,910)	31,464	-	(9,415,903)	(736,782)	(10,152,685)
		-	-	-	-	19,948,684	(712,000)	(9,139,910)	31,464	-	10,128,238	1,272,786	11,401,024
Appropriations of 2019 earnings 6(18)													
		-	-	2,970,224	-	(2,970,224)	-	-	-	-	-	-	-
		-	-	-	6,156,414	(6,156,414)	-	-	-	-	-	-	-
		-	-	-	-	(22,272,508)	-	-	-	-	(22,272,508)	-	(22,272,508)
Changes in the net interest of associates recognised under the equity method 6(17)													
		-	4,568	-	-	(88,768)	-	84,386	-	-	186	-	186
	6(17)	-	4,420	-	-	-	-	-	-	-	4,420	-	4,420
	6(17)	-	(304)	-	-	-	-	-	-	-	(304)	-	(304)
	6(17)	-	17,295	-	-	-	-	-	-	-	17,295	-	17,295
	6(17)	-	2,789	-	-	(40,929)	-	-	-	-	(38,140)	4,657	(33,483)
Disposal of equity instruments measured at fair value through other comprehensive income													
		-	-	-	-	(29,924)	-	29,924	-	-	-	(50,555)	(50,555)
Cash dividends paid by consolidated subsidiaries													
		-	-	-	-	-	-	-	-	-	-	(3,243,752)	(3,243,752)
Decrease in non-controlling interest-disposal of ownership interests in subsidiaries													
		-	-	-	-	-	-	-	-	-	-	(4,410)	(4,410)
Increase in non-controlling interest-acquisition of ownership interests in subsidiaries													
		-	-	-	-	-	-	-	-	-	-	343,653	343,653
		\$ 58,611,863	\$ 9,167,637	\$ 64,335,076	\$ 66,328,339	\$ 53,380,101	(\$ 5,272,606)	\$ 98,095,277	\$ 32,123	(\$ 323,952)	\$ 344,353,858	\$ 51,098,671	\$ 395,452,529

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

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

		For the years ended December 31,	
	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from continuing operations before tax		\$ 24,767,687	\$ 37,105,684
(Loss) profit from discontinued operations before tax	6(10)	(484)	1,527,839
Profit before tax		24,767,203	38,633,523
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(25)	13,365,687	14,881,648
Amortisation	6(25)	3,669,159	3,601,074
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(23)	155,552 (	29,303)
Interest expense	6(24)	1,293,887	1,840,275
Interest income	6(21)	(356,838 ) (	426,899)
Dividend income	6(22)	(5,113,321 ) (	10,027,034)
Gain on disposal of investments	6(10)(30)	(165 ) (	2,016,760)
Share of profit or loss of associates accounted for under the equity method		(3,779,946 ) (	9,214,254)
Gain on disposal and scrap of property, plant and equipment	6(23)	(692,419 ) (	8,364)
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets-current		- (	550,812)
Notes receivable		(3,985,436)	8,186,536
Notes receivable-related parties		2,135 (	1,966)
Accounts receivable		(599,651)	4,314,446
Accounts receivable-related parties		(817,339)	2,031,485
Other receivables		5,213,635	381,956
Inventories		8,221,457	691,546
Other current assets		(3,962,200)	292,395
Changes in operating liabilities			
Notes payable		410 (	30,066)
Notes payable-related parties		-	41,545
Accounts payable		(437,189)	790,057
Accounts payable-related parties		830,574 (	4,459,043)
Other payables		(1,137,950 ) (	1,807,792)
Other current liabilities		1,274,893 (	1,087,240)
Accrued pension liabilities		(1,264,280 ) (	136,101)
Cash inflow generated from operations		36,647,858	45,890,852
Interest received		374,883	445,745
Dividends received		12,250,867	21,752,336
Interest paid		(1,351,231 ) (	1,926,634)
Income tax paid		(1,709,608 ) (	7,149,771)
Net cash flows from operating activities		46,212,769	59,012,528

(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,	
		2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other receivables-related parties		\$ 8,603,238	(\$ 1,422,034)
Acquisition of financial assets at fair value through profit or loss		-	(300,000)
Acquisition of financial assets at fair value through other comprehensive income		(55,400)	(320,901)
Proceeds from disposal of financial assets at fair value through profit or loss		-	780,875
Shares returned from reduction in financial assets at fair value through other comprehensive income		14,810	8,204
Proceeds from disposal of financial assets at fair value through other comprehensive income		518	445
Acquisition of financial assets at amortised cost		(1,380,524)	-
Acquisition of investments accounted for under the equity method		(2,664,942)	(2,379,580)
Net cash (outflow) inflow from disposal of subsidiaries	6(29)(30)	(23,556)	1,556,230
Net cash outflow from acquisition of ownership interests in subsidiaries	6(29)	(66,160)	-
Acquisition of property, plant and equipment	6(30)	(15,681,770)	(16,972,497)
Proceeds from disposal of property, plant and equipment		998,237	187,845
Acquisition of intangible assets		(2,623)	(1,031)
Increase in non-current assets		(3,298,078)	(6,554,233)
Net cash flows used in investing activities		(13,556,250)	(25,416,677)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(13,314,003)	421,582
Increase in short-term notes and bills payable		1,700,363	1,905,827
Increase in other payables-related parties		531,808	-
Increase in corporate bonds payable		10,000,000	7,000,000
Payment of corporate bonds payable		(2,750,000)	(6,200,000)
Increase in long-term borrowings		14,752,685	15,155,886
Payment of long-term borrowings		(16,228,492)	(23,993,392)
Payment of lease liabilities		(178,039)	(155,845)
Increase (decrease) in other non-current liabilities		2,058	(27,826)
Payment of cash dividends	6(30)	(22,267,479)	(36,329,900)
Payment of expired cash dividends reclassified to capital surplus		(304)	(156)
Payment of cash dividends - non-controlling interest		(3,243,752)	(5,185,510)
Net cash flows used in financing activities		(30,995,155)	(47,409,334)
Effect of foreign exchange translations		366,511	(2,297,074)
Net increase (decrease) in cash and cash equivalents		2,027,875	(16,110,557)
Cash and cash equivalents at beginning of year		15,099,252	31,209,809
Cash and cash equivalents at end of year		\$ 17,127,127	\$ 15,099,252

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

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. History and Organization

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

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 12, 2021.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendments to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
The Company	Formosa FCFC Carpet Corp.	Spinning, dyeing, printing, finishing and manufacturing synthetic fibre, rug and carpet	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC Investment Corp. (Cayman)	Investing	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC International Limited (Cayman)	Investing	-	100.00	The Company holds more than 50% of voting rights. (Note 1)
FCFC Investment Corp. (Cayman)	Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman).
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Investing	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman).

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Producing and marketing of PTA	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong).
The Company	Formosa Biomedical Technology Corp.	Manufacturing and sale of cleaner and cosmetics	88.59	88.59	The Company holds more than 50% of voting rights.
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Removal and disposal of waste	71.00	71.00	The Company holds more than 50% of voting rights through an 88.59% voting rights owned company - Formosa Biochemical Technology Corp.
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (SAMOA) Co., Ltd.	Investment	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights.
Formosa Biomedical Technology Corp.	Formosa Waters Technology Co., Ltd.	Manufacturing industrial catalyst and wholesale of other chemical products	57.00	57.00	Formosa Biochemical Technology holds more than 50% of voting rights.
Formosa Biomedical Technology Corp.	Formosa Bio & Energy Corp. (Japan)	Investing	51.00	-	Formosa Biochemical Technology holds more than 50% of voting rights.
Formosa Biomedical Technology (SAMOA) Co., Ltd.	Formosa Biomedical Trading (Shanghai) Co., Ltd.	Importing, exporting and wholesale of healthy food	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights through a 100% owned company - Formosa Biomedical Technology (SAMOA) Co., Ltd.
The Company	Tah Shin Spinning Corp.	Spinning	86.40	86.40	The Company holds more than 50% of voting rights. (Note 3)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
The Company	Formosa Idemitsu Petrochemical Corp.	Wholesale and retail of petrochemical and plastic raw materials	50.00	50.00	The Company has substantial control and thus regards Formosa Idemitsu Petrochemical Corp. as a subsidiary.
The Company	Formosa BP Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	50.00	The Company has substantial control and thus regards Formosa BP Chemicals Corp. as a subsidiary.
The Company	Chia-Nan Enterprise Corp.	Hydropower	51.00	30.00	The Company holds more than 50% of voting rights. (Note 2)
The Company	Formosa Industries Corp., Vietnam	Production and marketing of textile, polyester staple fibre, cotton, hydropower	42.50	42.50	The Company has substantial control and thus regards Formosa Industries Corp. as a subsidiary.
The Company	Formosa Taffeta Co., Ltd.	Production and marketing of Polyamine fabric, Polyester fabric, cotton fabric, blended fabric and tire cord fabric	37.40	37.40	The Company has substantial control and thus regards Formosa Taffeta Corp. as a subsidiary.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co., Ltd.	Production of cotton, Terylene greige cloth, coloured cloth and textured processing yarn products	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Production and marketing of textile, polyester staple fibre, cotton, hydropower	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of Nylon and Polyamine fabric	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric of 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	-	50.00	Formosa Taffeta Co., Ltd. has substantial control and thus regards Schoeller F.T.C. (Hong Kong) Co., Ltd. as a subsidiary. (Note 4)
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	-	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 5)
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Investment	-	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 6)
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing of processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Taffeta (Hong Kong) Co., Ltd.
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Employment services and temporary worker services	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Development Co., Ltd.

Note 1: On May 7, 2020, the Board of Directors of the Company resolved to dissolve and liquidate the Group's subsidiary, FCFC International Limited (Cayman). The Company holds 11.432% equity interest in Formosa Ha Tinh (Cayman) Limited which was formerly held by the subsidiary, FCFC International Limited (Cayman). The related liquidation procedure and equity transfer were completed in November 2020.

Note 2: On September 24, 2020, the Company acquired an additional 21% equity interest in Chia-Nan Enterprise Corp. for a total cash consideration of \$145,527. The Company's shareholding ratio reached 51% and obtained control over it. After the acquisition of additional equity interest, it was reclassified from 'investment accounted for using equity method' to a consolidated subsidiary.

Note 3: On August 25, 2020, Tah Shin Spinning Corporation has implemented the liquidation procedure.

Note 4: On March 16, 2020, Formosa Taffeta Co., Ltd. resolved to dispose its equity interest in Schoeller F.T.C. (Hong Kong) Co., Ltd.

Note 5: Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. has completed liquidation in July 2020.

Note 6: On May 7, 2020, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dissolve and liquidate the subsidiary, Formosa Taffeta (Cayman) Co., Ltd. Formosa Taffeta Co., Ltd. holds 3.847% equity interest in Formosa Ha Tinh (Cayman) Limited which was formerly held by Formosa Taffeta (Cayman) Co., Ltd. The related liquidation procedure and equity transfer have been completed in November 2020.

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

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

E. Significant restrictions: None

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

As of December 31, 2020 and 2019, the non-controlling interest amounted to \$51,098,671 and \$52,776,292, respectively. The information on non-controlling interest and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2020		December 31, 2019	
		Amount	Ownership (%)	Amount	Ownership (%)
Formosa Taffeta Co., Ltd.	Taiwan	<u>\$ 38,398,022</u>	62.60	<u>\$ 40,054,780</u>	62.60

Summarised financial information of the subsidiary:

Balance sheets

	Formosa Taffeta Co., Ltd.	
	December 31, 2020	December 31, 2019
Current assets	\$ 15,579,258	\$ 17,512,757
Non-current assets	63,882,800	63,249,116
Current liabilities	(7,666,097)	(8,482,750)
Non-current liabilities	(10,312,373)	(8,055,223)
Total net assets	<u>\$ 61,483,588</u>	<u>\$ 64,223,900</u>

Statements of comprehensive income

	Formosa Taffeta Co., Ltd.	
	Year ended December 31, 2020	Year ended December 31, 2020
Revenue	\$ 28,783,492	\$ 36,647,721
Profit before income tax	2,262,562	5,162,173
Income tax expense	(166,772)	(536,960)
Profit for the year from continuing operations	2,095,790	4,625,213
(Loss) profit from discontinued operations	(484)	1,204,254
Profit for the year	2,095,306	5,829,467
Other comprehensive loss, net of tax	(626,986)	(6,364,452)
Total comprehensive income (loss) for the year	<u>\$ 1,468,320</u>	<u>(\$ 534,985)</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 242)</u>	<u>\$ 640,738</u>

Statements of cash flows

	Formosa Taffeta Co., Ltd.	
	Year ended December 31, 2020	Year ended December 31, 2019
Net cash provided by operating activities	\$ 4,218,754	\$ 6,751,805
Net cash used in investing activities	(2,488,305)	(1,070,887)
Net cash used in financing activities	(1,910,683)	(5,831,702)
Effect of exchange rates on cash and cash equivalents	26,932	(4,488)
Decrease in cash and cash equivalents	(153,302)	(155,272)
Cash and cash equivalents, beginning of year	3,236,624	3,391,896
Cash and cash equivalents, end of year	<u>\$ 3,083,322</u>	<u>\$ 3,236,624</u>

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

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

(13) Inventories

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

(14) Investments accounted for using equity method /associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(15) Property, plant and equipment

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

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

(16) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable;
 - (b) Variable lease payments that depend on an index or a rate;
 - (c) Amounts expected to be payable by the lessee under residual value guarantees;
 - (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Intangible assets

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

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

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

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Non-hedging derivatives

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

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Employees', directors' and supervisors' remuneration

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

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(28) Treasury shares

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

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(30) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells a variety of petrochemical products, including the spinning, weaving, dyeing and finishing of rayon and nylon fiber. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.
- (b) The amount of sales revenue recognised is equal to the contract price net of volume discounts and sales discounts and allowances. Volume discounts and sales discounts and allowances are estimated based on historical information, and a refund liability is recognised for expected volume discounts and sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 to 120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

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

(31) Operating segments

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

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of accounts receivable

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

B. Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$33,047,807.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	\$ 62,263	\$ 51,308
Checking accounts and demand deposits	5,889,654	3,433,014
Cash equivalents		
Time deposits	5,769,053	8,544,398
Bonds repurchased and commercial paper	5,406,157	3,070,532
	<u>\$ 17,127,127</u>	<u>\$ 15,099,252</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. Loss allowance is measured using 12-month expected credit losses. For the years ended December 31, 2020 and 2019, the Group did not recognise any loss allowance.

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

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

Items	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Fund	\$ 4,085,299	\$ 4,085,299
Derivatives	82	119
	4,085,381	4,085,418
Valuation adjustments	(196,789)	(41,331)
	<u>\$ 3,888,592</u>	<u>\$ 4,044,087</u>

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Fund	(\$ 155,458)	\$ 28,490
Derivatives	(37)	119
	(155,495)	28,609
Less: Loss from discontinued operations	-	(1,385)
	<u>(\$ 155,495)</u>	<u>\$ 27,224</u>

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

	December 31, 2020		December 31, 2019	
Derivative Instruments	Contract Amount (Notional Principal)	Contract Period	Contract Amount (Notional Principal)	Contract Period
Forward exchange contracts:				
Taipei Fubon	USD 415	December 2020 - January 2021	JPY 86,800	December 2019 - February 2020
Taipei Fubon	-	-	JPY 86,800	December 2019 - February 2020

The forward exchange contracts are buy and sell to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

C. Information relating to credit risk is provided in Note 12(4).

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Equity instruments		
Listed stocks	\$ 24,450,527	\$ 24,450,527
Unlisted stocks	825,839	825,839
Valuation adjustment	84,213,105	84,867,539
	<u>\$ 109,489,471</u>	<u>\$ 110,143,905</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,163,125	\$ 8,163,125
Unlisted stocks	27,567,844	27,703,120
Valuation adjustment	23,890,639	31,674,332
	<u>\$ 59,621,608</u>	<u>\$ 67,540,577</u>

- A. The Group has elected to classify equity securities investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$169,111,079 and \$177,684,482 as at December 31, 2020 and 2019, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ 8,423,056)	(\$ 6,758,056)
Cumulative (losses) gains reclassified to retained earnings due to derecognition (including losses included in non-controlling interest)	(\$ 20,631)	\$ 1,778

- C. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$169,111,079 and \$177,684,482, respectively.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(4).

(4) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits with original maturity date of more than three months	\$ 1,116,878	\$ -
Non-current items:		
Time deposits with original maturity date of more than one year	\$ 263,646	\$ -

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest income	\$ 17,003	\$ -

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were \$1,380,524 and \$0, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(4).

(5) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 10,884,391	\$ 6,898,955
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 10,884,391</u>	<u>\$ 6,898,955</u>
Notes receivable - related parties	\$ 4,260	\$ 6,395
Accounts receivable	\$ 16,816,918	\$ 16,335,493
Less: Allowance for uncollectible accounts	(155,882)	(284,724)
	<u>\$ 16,661,036</u>	<u>\$ 16,050,769</u>
Accounts receivable - related parties	<u>\$ 5,954,694</u>	<u>\$ 5,137,355</u>

A. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$44,734,993.

B. As of December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$10,888,651 and \$6,905,350, and accounts receivable were \$22,615,730 and \$21,188,124, respectively.

C. Information relating to credit risk is provided in Note 12(4).

(6) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 10,913,335	(\$ 103,825)	\$ 10,809,510
Materials	7,648,298	(567,218)	7,081,080
Work in progress	4,734,040	(5,450)	4,728,590
Finished goods	11,162,332	(846,920)	10,315,412
Inventory in transit	113,305	(90)	113,215
	<u>\$ 34,571,310</u>	<u>(\$ 1,523,503)</u>	<u>\$ 33,047,807</u>

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 14,155,110	(\$ 133,127)	\$ 14,021,983
Materials	8,278,632	(560,981)	7,717,651
Work in progress	5,889,679	(8,280)	5,881,399
Finished goods	14,527,395	(1,076,814)	13,450,581
Inventory in transit	197,732	(82)	197,650
	<u>\$ 43,048,548</u>	<u>(\$ 1,779,284)</u>	<u>\$ 41,269,264</u>

A. Expense and loss incurred on inventories for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Cost of inventories sold	\$ 221,534,682	\$ 288,139,787
(Gain) loss on inventory valuation (Note)	(254,573)	283,017
Idle capacity (including annual survey and work stoppage)	1,789,759	1,841,074
Others	705,097	480,282
	<u>223,774,965</u>	<u>290,744,160</u>
Less: Operating cost from discontinued operations	(12,365)	(7,378,083)
	<u>\$ 223,762,600</u>	<u>\$ 283,366,077</u>

Note: For the year ended December 31, 2020, disposal of excess inventory resulted in gains from price recovery of inventory. As the market value of related products decreased for the year ended December 31, 2019, the Group recognised related allowance for inventory valuation loss after assessment.

B. As of December 31, 2020 and 2019, inventories pledged are described in Note 8.

(7) Investments accounted for using equity method

	December 31, 2020	December 31, 2019
Formosa Heavy Industries Corp.	\$ 7,102,774	\$ 7,168,024
Formosa Fairway Corp.	68,247	82,161
Formosa Plastics Transport Corp.	1,177,559	1,062,761
Formosa Petrochemical Corp.	74,133,567	79,497,235
Mai Liao Power Corp.	12,414,449	11,049,766
Hwa Ya Science Park Management Consulting Co., Ltd.	3,029	2,530
Formosa Environmental Technology Corp.	227,350	225,692
Formosa Synthetic Rubber Corp. (Hong Kong)	2,308,051	2,326,752
Formosa Resource Corp.	6,169,287	6,615,934
Formosa Group (Cayman) Corp.	649,229	653,576
Formosa Construction Corp.	568,354	75,523
FG INC.	3,458,577	2,873,408
Beyoung International Corp.	94,328	96,502
Formosa Advanced Technologies Co., Ltd.	5,003,040	4,884,465
Nan Ya Optical Corp.	196,554	-
Kuang Yueh Co., Ltd.	1,167,551	1,247,694
Changshu Yu Yuan Co., Ltd.	16,483	15,439
Schoeller Textil AG	1,270,603	-
Chia-Nan Enterprise Corp.	-	225,553
Formosa Synthetic Rubber Corp.	-	292,611
	<u>\$ 116,029,032</u>	<u>\$ 118,395,626</u>

A. On December 13, 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dispose its 16% equity interest in Formosa Advanced Technologies Co. On December 16, 2019, since Formosa Taffeta Co., Ltd. lost control but maintained significant influence over Formosa Advanced Technologies Co. after the disposal, it was reclassified from a consolidated subsidiary to 'investments accounted for using equity method'. Details are provided in Note 6(10).

B. Associates

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

Shareholding ratio					
Company name	Principal place of business	December 31, 2020	December 31, 2019	Nature of relationship	Method of measurement
Formosa Petrochemical Corp.	Taiwan	24.15%	24.15%	Investments accounted for using equity method	Equity method

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

Balance sheets

		Formosa Petrochemical Corp.	
		December 31, 2020	December 31, 2019
Current assets	\$	212,621,640	\$ 227,523,818
Non-current assets		157,332,180	159,513,535
Current liabilities	(	27,677,805)	(35,694,376)
Non-current liabilities	(	34,174,656)	(21,119,916)
Total net assets	\$	308,101,359	\$ 330,223,061
Share in associate's net assets	\$	74,406,478	\$ 79,748,869
Unrealised gain from sale of upstream transactions eliminations	(	162,192)	(140,915)
Net differences in share capital	(	110,719)	(110,719)
Carrying amount of the associate	\$	74,133,567	\$ 79,497,235

Statements of comprehensive income

		Formosa Petrochemical Corp.	
		For the year ended December 31, 2020	For the year ended December 31, 2019
Revenue	\$	413,042,534	\$ 643,824,935
Profit for the year from continuing operations	\$	7,429,610	\$ 36,798,213
Other comprehensive (loss) income, net of tax	(	1,926,787)	1,397,296
Total comprehensive income	\$	5,502,823	\$ 38,195,509
Dividends received from associates	\$	6,672,319	\$ 11,043,840

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

As of December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial associates amounted to \$41,895,465 and \$38,898,391, respectively.

		For the year ended December 31, 2020	For the year ended December 31, 2019
Profit for the year from continuing operations	\$	8,593,673	\$ 4,054,495
Other comprehensive loss, net of tax	(	3,730,255)	(5,586,192)
Total comprehensive income (loss)	\$	4,863,418	(\$ 1,531,697)

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

	December 31, 2020	December 31, 2019
Formosa Petrochemical Corp.	\$ 229,619,820	\$ 224,327,981
Kuang Yueh Co., Ltd.	2,009,378	2,826,494
Formosa Advanced Technologies Co., Ltd.	5,146,696	5,078,618
	<u>\$ 236,775,894</u>	<u>\$ 232,233,093</u>

- C. The investments accounted for using equity method were based on the investees' audited financial statements for the years ended December 31, 2020 and 2019.
- D. On November 6, 2020, the Board of Directors of the Group resolved to increase its investment in Formosa Construction Corporation in the amount of \$500,000, and the shareholding ratio was 33.33%.
- E. After the Group acquired an additional equity interest in Chia-Nan Enterprise Corp. on September 24, 2020, Chia-Nan Enterprise Corp. has become the Group's consolidated subsidiary. Details are provided in Note 4(3).
- F. On October 17, 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to increase its investment in Schoeller Textil AG, in the amount of CHF 39,580 thousand, for a 50% equity interest on March 18, 2020. Formosa Taffeta Co., Ltd. has significant influence but not control over Schoeller Textil AG, so the Group uses equity method for valuation.
- G. In August 2020, the Group's subsidiary, Formosa Taffeta Co., Ltd., increased its capital in Nan Ya Optical Corp. amounting to \$66,938 thousand. As of December 31, 2020, Formosa Taffeta Co., Ltd.'s shareholding ratio was increased to 15.22% and became a director of the investee. Based on the assessment, Formosa Taffeta Co., Ltd. has significant influence over the investee's management decisions, so the Group reclassified financial assets at fair value through other comprehensive income to investments accounted for using equity method.
- H. The Board of Directors resolved to invest USD 27,060 thousand and USD 24,750 thousand, equivalent to 33% ownership, in FG INC. on March 13, 2020 and March 15, 2019, respectively.
- I. On August 8, 2019, the Board of Directors of the Company resolved to increase its investment in the reinvested company, Formosa Environmental Technology Corp. The Company participated in the capital increase proportionately to its shareholding ratio, 25%, in the amount of USD 81,250 thousand. The actual investment was USD 50,000 thousand on August 19, 2019.
- J. On December 13, 2019, the Board of Directors resolved to increase its capital in Formosa Synthetic Rubber Corp. amounting to USD 46,000 thousand, equivalent to a 33.33% equity interest. On April 10, 2020, the shareholders of Formosa Synthetic Rubber Corp. during their meeting resolved to go into liquidation, and the liquidation was completed on December 28, 2020.
- K. As of December 31, 2020 and 2019, no equity investments by the Group were pledged to others.

(8) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2020</u>						
Cost	\$ 12,006,023	\$ 47,389,611	\$ 287,677,051	\$ 11,160,902	\$ 20,151,498	\$ 378,385,085
Accumulated depreciation and impairment	(169,272)	(26,239,546)	(218,163,656)	(9,141,559)	-	(253,714,033)
	<u>\$ 11,836,751</u>	<u>\$ 21,150,065</u>	<u>\$ 69,513,395</u>	<u>\$ 2,019,343</u>	<u>\$ 20,151,498</u>	<u>\$ 124,671,052</u>
<u>2020</u>						
Opening net book amount	\$ 11,836,751	\$ 21,150,065	\$ 69,513,395	\$ 2,019,343	\$ 20,151,498	\$ 124,671,052
Additions	-	-	258,782	97,413	15,543,097	15,899,292
Effect of changes in consolidated subsidiary	5,206	283,483	253,820	78,018	19,677	640,204
Disposals	(8,793)	(61,606)	(229,109)	(6,286)	(25)	(305,819)
Reclassifications	-	700,064	7,670,506	402,012	(8,559,877)	212,705
Depreciation charge	-	(1,578,272)	(11,204,078)	(377,894)	-	(13,160,244)
Disposals- discontinued operations	-	-	-	(14)	-	(14)
Net exchange differences	16	(318,409)	(469,516)	(13,849)	113,542	(688,216)
Closing net book amount	<u>\$ 11,833,180</u>	<u>\$ 20,175,325</u>	<u>\$ 65,793,800</u>	<u>\$ 2,198,743</u>	<u>\$ 27,267,912</u>	<u>\$ 127,268,960</u>
<u>At December 31, 2020</u>						
Cost	\$ 11,999,807	\$ 47,810,013	\$ 294,135,290	\$ 11,786,257	\$ 27,267,912	\$ 392,999,279
Accumulated depreciation and impairment	(166,627)	(27,634,688)	(228,341,490)	(9,587,514)	-	(265,730,319)
	<u>\$ 11,833,180</u>	<u>\$ 20,175,325</u>	<u>\$ 65,793,800</u>	<u>\$ 2,198,743</u>	<u>\$ 27,267,912</u>	<u>\$ 127,268,960</u>

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2019</u>						
Cost	\$ 12,007,208	\$ 48,572,743	\$ 305,388,135	\$ 14,832,983	\$ 14,084,103	\$ 394,885,172
Accumulated depreciation and impairment	(170,353)	(25,280,326)	(227,553,031)	(12,782,822)	-	(265,786,532)
	<u>\$ 11,836,855</u>	<u>\$ 23,292,417</u>	<u>\$ 77,835,104</u>	<u>\$ 2,050,161</u>	<u>\$ 14,084,103</u>	<u>\$ 129,098,640</u>
<u>2019</u>						
Opening net book amount	\$ 11,836,855	\$ 23,292,417	\$ 77,835,104	\$ 2,050,161	\$ 14,084,103	\$ 129,098,640
Additions	16,285	-	196,121	165,386	16,429,467	16,807,259
Disposals	(7,229)	(150)	(166,475)	(5,627)	-	(179,481)
Reclassifications	(7,892)	(289,895)	9,993,366	333,244	(9,286,494)	742,329
Depreciation charge	(2,886)	(1,486,989)	(11,362,798)	(345,858)	-	(13,198,531)
Depreciation charge- discontinued operations	-	-	(1,406,502)	(77,599)	-	(1,484,101)
Disposals- discontinued operations	-	-	(4,569,118)	(83,206)	(690,867)	(5,343,191)
Net exchange differences	1,618	(365,318)	(1,006,303)	(17,158)	(384,711)	(1,771,872)
Closing net book amount	<u>\$ 11,836,751</u>	<u>\$ 21,150,065</u>	<u>\$ 69,513,395</u>	<u>\$ 2,019,343</u>	<u>\$ 20,151,498</u>	<u>\$ 124,671,052</u>
<u>At December 31, 2019</u>						
Cost	\$ 12,006,023	\$ 47,389,611	\$ 287,677,051	\$ 11,160,902	\$ 20,151,498	\$ 378,385,085
Accumulated depreciation and impairment	(169,272)	(26,239,546)	(218,163,656)	(9,141,559)	-	(253,714,033)
	<u>\$ 11,836,751</u>	<u>\$ 21,150,065</u>	<u>\$ 69,513,395</u>	<u>\$ 2,019,343</u>	<u>\$ 20,151,498</u>	<u>\$ 124,671,052</u>

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

	For the years ended December 31,	
	2020	2019
Amount capitalised	\$ 148,263	\$ 88,772
Interest rate	0.80%~4.25%	0.98%~4.45%

B. Under the regulations, land may only be owned by individuals. Thus, the Group has already obtained ownership of the agricultural land for future plant expansion which was acquired by the Group under the name of a third party, who has pledged the full amount to the Company. As of December 31, 2020 and 2019, the pledged amount was \$822,993.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(9) Leasing arrangements — lessee

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 2 to 49 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	\$ 1,508,098	\$ 1,608,932
Buildings	33,746	36,267
	<u>\$ 1,541,844</u>	<u>\$ 1,645,199</u>
	For the year ended	For the year ended
	December 31, 2020	December 31, 2019
	Depreciation charge	Depreciation charge
Land	\$ 175,834	\$ 166,894
Buildings	29,609	32,122
	<u>\$ 205,443</u>	<u>\$ 199,016</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$129,595 and \$216,013, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the year ended	For the year ended
	December 31, 2020	December 31, 2019
Items affecting profit or loss		
Interest expense on lease liabilities	\$ 11,799	\$ 11,725
Expense on short-term lease contracts	20,524	7,371
Expense on leases of low-value assets	-	49
Expense on variable lease payments	3,291	6,895
Gain on sublease of right-of-use assets	3,323	5,427

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$201,854 and \$170,160, respectively.

(10) Non-current assets held for sale and discontinued operations

- A. On December 13, 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dispose its 16% equity interest in Formosa Advanced Technologies Co. to Nan Ya Technology Corp. and Nan Ya PCB Corp. Consequently, on December 16, 2019, since Formosa Taffeta Co., Ltd. lost control but maintained significant influence on Formosa Advanced Technologies Co. after the disposal, it was reclassified from a consolidated subsidiary to 'investments accounted for using equity method'. Please refer to Note 6(7) for more information. The disposal was presented as discontinued operation for meeting the definition of discontinued operation. Accordingly, the Group made restatement to the recognised profit or loss in relation to Formosa Advanced Technologies Co. rather than retrospective adjustment for the year ended December 31, 2019.
- B. On October 17, 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dispose all its equity interest in Schoeller F.T.C. (Hong Kong) Co., Ltd. to Schoeller Textil AG for a consideration of \$6,028, and the gain on disposal recognised in profit and loss was \$165. The transfer of shares was completed on March 16, 2020. The disposal was presented as discontinued operation as it met the definition of discontinued operation. Accordingly, the Group made restatement to the recognised profit or loss in relation to Schoeller F.T.C. (Hong Kong) Co., Ltd. rather than retrospective adjustment for the year ended December 31, 2019.
- C. The cash flow information of the discontinued operations is as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating cash flows	(\$ 2,519)	\$ 2,271,220
Investing cash flows	-	(1,495,386)
Financing cash flows	-	(1,142,420)
Total cash flows	(\$ 2,519)	(\$ 366,586)

- D. Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Revenue	\$ 17,555	\$ 8,982,340
Costs	(12,365)	(7,378,083)
Expenses	(5,589)	(200,714)
Non-operating income and expenses	(85)	124,296
(Loss) profit before tax of discontinued operations	(484)	1,527,839
Income tax	-	(323,585)
(Loss) profit after tax of discontinued operations	(\$ 484)	\$ 1,204,254

E. Analysis of the result of the Group's disposal of equity interest in Formosa Advanced Technologies Co. and the gain on disposal recognised in profit and loss in 2019, was as follows:

	For the year ended December 31, 2019
Gain on disposal of equity	\$ 684,314
Gain on remeasurement of remaining investments at fair value	1,332,446
Gain on disposal of discontinued operations	<u>\$ 2,016,760</u>

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

Type of loans	December 31, 2020	Interest rate range	Collateral
OA loans	\$ 4,783	0.84%	None
Secured loans	40,000	1.40%	Note 8
Unsecured loans	19,010,837	0.75%~4.05%	None
Total short-term loans	<u>\$ 19,055,620</u>		
Short-term notes and bills payable	\$ 16,100,000	0.20%~0.25%	None
Short-term notes and bills payable discount	(3,267)		
Net short-term notes and bills payable	<u>\$ 16,096,733</u>		

Type of loans	December 31, 2019	Interest rate range	Collateral
OA loans	\$ 12,324	0.37%	None
Secured loans	3,741,053	1.40%~4.35%	Note 8
Unsecured loans	28,616,246	0.85%~3.49%	None
Total short-term loans	<u>\$ 32,369,623</u>		
Short-term notes and bills payable	\$ 14,400,000	0.61%~0.88%	None
Short-term notes and bills payable discount	(3,630)		
Net short-term notes and bills payable	<u>\$ 14,396,370</u>		

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

Items	December 31, 2020	December 31, 2019
Current items:		
Derivatives	<u>\$ 137</u>	<u>\$ 80</u>

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

Items	For the year ended December 31, 2020	For the year ended December 31, 2019
Derivatives	(\$ 57)	\$ 694

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

Derivative Financial Liabilities	December 31, 2020		December 31, 2019	
	Contract Amount (Notional Principal) (in thousands)	Contract Period	Contract Amount (Notional Principal) (in thousands)	Contract Period
Current items:				
Forward foreign exchange contracts:				
Taipei Fubon	USD 415	December 2020 - January 2021	JPY 86,800	December 2019 - February 2020
Taipei Fubon	USD 583	December 2020 - February 2021	-	-

The forward exchange contracts are buy and sell to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

(13) Bonds payable

	December 31, 2020	December 31, 2019
Bonds payable		
Domestic unsecured nonconvertible corporate bonds	\$ 42,100,000	\$ 34,850,000
Less: Current portion	(2,050,000)	(2,750,000)
	<u>\$ 40,050,000</u>	<u>\$ 32,100,000</u>

The terms of nonconvertible corporate bonds were as follows:

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2020	December 31, 2019	Note
<u>2012</u>							
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7~2022.12.7	1.51	\$ 4,100,000	\$ 4,100,000	\$ 4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2019.1.22~2020.1.22	1.34	2,800,000	-	1,400,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22~2023.1.22	1.50	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%
<u>2013</u>							
First issued domestic unsecured nonconvertible corporate bonds - B	2013.7.8	2019.7.8~2020.7.8	1.38	2,700,000	-	1,350,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8~2023.7.8	1.52	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.1.17	2025.1.17~2026.1.17	2.03	10,000,000	10,000,000	10,000,000	Serial bonds, to be settled 50%, 50%
<u>2014</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	1,400,000	1,400,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2020	December 31, 2019	Note
First issued domestic unsecured nonconvertible corporate bonds - B	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	\$ 4,600,000	\$ 4,600,000	\$ 4,600,000	Serial bonds, to be settled 50%, 50%
<u>2019</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2019.5.13	2023.5.13~ 2024.5.13	0.75	3,300,000	3,300,000	3,300,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2019.5.13	2025.5.13~ 2026.5.13	0.83	3,000,000	3,000,000	3,000,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2019.5.13	2028.5.13~ 2029.5.13	0.93	700,000	700,000	700,000	Serial bonds, to be settled 50%, 50%
<u>2020</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2020.9.3	2024.9.3~ 2025.9.3	0.52	2,900,000	2,900,000		- Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2020.9.3	2026.9.3~ 2027.9.3	0.60	5,200,000	5,200,000		- Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2020.9.3	2029.9.3~ 2030.9.3	0.67	1,900,000	1,900,000	-	Serial bonds, to be settled 50%, 50%
					42,100,000	34,850,000	
Less: Current portion of bonds payable					(2,050,000)	(2,750,000)	
					<u>\$ 40,050,000</u>	<u>\$ 32,100,000</u>	

(14) Long-term bank loans and notes payable

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank loans				
Unsecured loans				
Taipei Fubon Bank	Jul. 17, 2019 ~ Jul. 17, 2024, each 50% of principal is payable starting from 4 years and 5 years after the first drawdown	LIBOR+0.78% (if TAIFX is higher than LIBOR+0.42%, the difference between TAIFX and LIBOR+0.42% is payable by the borrower)	None	\$ 7,161,828
First Commercial Bank	Jul. 15, 2020 ~ Jul. 15, 2025, principal payable semi-annually after 4 years	1 to 5 years (including 5 years) rate of LPR-0.8125%	"	179,439
Hua Nan Bank	Jan. 15, 2020 ~ Jan. 15, 2022, principal payable at maturity date	0.75%	"	1,500,000
Mizuho Corporate Bank	Aug. 13, 2020 ~ Aug. 13, 2022, payable in full at maturity	0.82%	"	1,300,000
E. Sun Bank	Dec. 15, 2020 ~ Dec. 14, 2023, payable in full at maturity	0.89%	"	200,000
China Trust Bank	Sep. 11, 2020 ~ Sep. 11, 2022, payable in full at maturity	0.89%	"	500,000
Taipei Fubon Bank	Aug. 13, 2020 ~ Mar. 20, 2022, payable in full at maturity	0.72%	"	1,500,000
MUFG Bank	Aug. 13, 2020 ~ Aug. 13, 2022, payable in full at maturity	0.85%	"	500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2020
MUFG Bank	Aug. 13, 2020 ~ Aug. 13, 2022, payable in full at maturity	0.83%	None	\$ 300,000
HSBC	Aug. 13, 2020 ~ Aug. 13, 2022, payable in full at maturity	0.83%	"	1,200,000
Bangkok Bank	Dec. 3, 2020 ~ Dec. 2, 2022, payable in full at maturity	0.90%	"	200,000
Far Eastern International Bank	Aug. 20, 2020 ~ Aug. 10, 2023, payable in full at maturity	0.90%	"	700,000
Mega International Commercial Bank	Sep. 21, 2020 ~ Sep. 21, 2022, payable in full at maturity	0.90%	"	1,000,000
Secured loans				
Hua Nan Bank China Trust Bank ANZ	Apr. 1, 2018 ~ Mar. 31, 2021, principal payable annually	2.27%	Endorsement and guarantees of Formosa Taffeta Co., Ltd.	56,821
				16,298,088
Less: Current portion of long-term loans				(56,821)
				<u>\$ 16,241,267</u>

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank loans				
Unsecured loans				
Taipei Fubon Bank	Jun. 10, 2019 ~ Jun. 10, 2024, each 50% of principal is payable starting from 4 years and 5 years after the first drawdown	LIBOR+0.78% (if TAIFX is higher than LIBOR+0.42%, the difference between TAIFX and LIBOR+0.42% is payable by the borrower)	None	\$ 4,526,367
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.55%	"	1,151,507
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, principal payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.45% and TAIFX+0.4% higher	"	55,523
Mega International Commercial Bank	Oct. 23, 2017 ~ Oct. 23, 2022, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	403,934
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	1,179,866

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2019
Chang Hwa Bank	Sep. 7, 2017 ~ Sep. 7, 2022, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	None	\$ 181,252
Hua Nan Bank	Apr. 15, 2019 ~ Jan. 15, 2021, principal payable at maturity date	1.03%	"	500,000
Sino Pac Bank	Jun. 19, 2019 ~ Jun. 19, 2021, payable in full at maturity	1.02%	"	300,000
First Commercial Bank	Sep. 10, 2019 ~ Sep. 10, 2022, payable in full at maturity	1.02%	"	1,500,000
Mizuho Corporate Bank	Aug. 16, 2019 ~ Aug. 16, 2021, payable in full at maturity	1.00%	"	500,000
E. Sun Bank	Nov. 20, 2018 ~ Nov. 19, 2021, payable in full at maturity	1.03%	"	200,000
China Trust Bank	Sep. 17, 2019~ Sep. 17, 2021, payable in full at maturity	1.03%	"	500,000
Taipei Fubon Bank	Oct. 22, 2019 ~ Apr. 17, 2022, payable in full at maturity	0.89%	"	1,000,000
Bangkok Bank	Dec. 3, 2018 ~ Dec. 2, 2020, payable in full at maturity	1.03%	"	200,000
Far Eastern International Bank	Sep. 20, 2019 ~ Sep. 6, 2022, payable in full at maturity	1.00%	"	700,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2019
Mega International Commercial Bank	Aug. 21, 2019 ~ Aug. 21, 2021, payable in full at maturity	0.98%	None	\$ 1,000,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi- annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	4,033,333
Hua Nan Bank China Trust Bank ANZ	Apr. 1, 2018 ~ Mar. 31, 2021, principal payable annually	4.25%	Endorsement and guarantees of Formosa Taffeta Co., Ltd.	119,783
				18,051,565
Less: Current portion of long-term loans				(3,937,482)
				<u>\$ 14,114,083</u>

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

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

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

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

(c) Period: 7 years

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

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

In the first half of 2020, the abovementioned loans were settled before maturity.

C. Formosa Industries Corp.'s long-term borrowing from banks is for the plant construction. The borrowing is guaranteed by Nan Ya Plastics Corp.'s drawn note of \$427,620.

(15) Pensions

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 9,713,595	\$ 10,966,252
Fair value of plan assets	(4,530,754)	(4,518,815)
Net defined benefit liability	<u>\$ 5,182,841</u>	<u>\$ 6,447,437</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 10,966,252	(\$ 4,518,815)	\$ 6,447,437
Current service cost	95,389	-	95,389
Interest expense (income)	<u>115,381</u>	<u>(50,474)</u>	<u>64,907</u>
	<u>11,177,022</u>	<u>(4,569,289)</u>	<u>6,607,733</u>
Remeasurements:			
Return on plan assets	-	(139,437)	(139,437)
Experience adjustments	<u>(274,572)</u>	<u>-</u>	<u>(274,572)</u>
	<u>(274,572)</u>	<u>(139,437)</u>	<u>(414,009)</u>
Pension fund contribution	-	(113,588)	(113,588)
Paid pension	<u>(1,188,855)</u>	<u>291,560</u>	<u>(897,295)</u>
Balance at December 31	<u>\$ 9,713,595</u>	<u>(\$ 4,530,754)</u>	<u>\$ 5,182,841</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 11,410,796	(\$ 4,736,712)	\$ 6,674,084
Current service cost	106,300	-	106,300
Interest expense (income)	140,466	(58,984)	81,482
	<u>11,657,562</u>	<u>(4,795,696)</u>	<u>6,861,866</u>
Remeasurements:			
Return on plan assets	-	(159,271)	(159,271)
Change in financial assumptions	153,401	-	153,401
Experience adjustments	445,637	-	445,637
Disposal-discontinued operations	(173,512)	88,887	(84,625)
	<u>425,526</u>	<u>(70,384)</u>	<u>355,142</u>
Pension fund contribution	-	(126,548)	(126,548)
Paid pension	(1,116,836)	473,813	(643,023)
Balance at December 31	<u>\$ 10,966,252</u>	<u>(\$ 4,518,815)</u>	<u>\$ 6,447,437</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from twoyear time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	1.00%	1.50%
Future salary increases	2.85%	1.00%~2.85%

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.35%	0.35%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 141,186)	\$ 146,369	\$ 210,288	(\$ 198,851)

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.35%	0.35%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 181,420)	\$ 188,556	\$ 271,185	(\$ 254,361)

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

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$115,180.
- B. (a) From July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage was 10~20% for the years ended December 31, 2020 and 2019. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$341,500 and \$426,974, respectively.

(16) Capital stock

A. As of December 31, 2020, the Company's authorised and paid-in capital was \$58,611,863, and total issued stocks was 5,861,186 thousand shares with a par value of \$10 per share. All proceeds from shares issued have been collected.

B. Changes in the treasury stocks for the years ended December 31, 2020 and 2019 are set forth below:

Reason for reacquisition	Subsidiary	For the year ended December 31, 2020			
		Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	12,169,610	-	-	12,169,610

Reason for reacquisition	Subsidiary	For the year ended December 31, 2019			
		Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	12,169,610	-	-	12,169,610
	Formosa Advanced Technologies Co.	15,249,000	1,563,000	(16,812,000)	-
		27,418,610	1,563,000	(16,812,000)	12,169,610

Note: Formosa Taffeta Co., Ltd. has lost control over Formosa Advanced Technologies Co., Ltd. since December 16, 2019 and Formosa Advanced Technologies Co., Ltd. is not included in the company's consolidated financial statements.

C. The market value of treasury stocks was \$84.7 and \$87.5 (in dollars) per share at December 31, 2020 and 2019, respectively.

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

(17) Capital surplus

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

	For the year ended December 31, 2020					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2020	\$2,710,554	\$5,514,032	\$ 316,688	\$ 372,847	\$ 163	\$224,585
Dividends allocated to subsidiaries	-	-	17,295	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	4,568	-	-
Changes in ownership interests in subsidiaries	-	-	2,051	738	-	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	- (	304)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	4,420
At December 31, 2020	<u>\$2,710,554</u>	<u>\$5,514,032</u>	<u>\$ 336,034</u>	<u>\$ 378,153</u>	<u>\$ 163</u>	<u>\$228,701</u>

For the year ended December 31, 2019

	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2019	\$2,710,554	\$5,514,032	\$ 269,792	\$ 371,892	\$ -	\$217,872
Dividends allocated to subsidiaries	-	-	44,726	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	(4,649)	-	-
Changes in ownership interests in subsidiaries	-	-	2,170	5,604	163	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(156)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	6,869
At December 31, 2019	<u>\$2,710,554</u>	<u>\$5,514,032</u>	<u>\$ 316,688</u>	<u>\$ 372,847</u>	<u>\$ 163</u>	<u>\$224,585</u>

(18) Retained earnings

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

The special reserve includes:

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

- B. The Group is in the mature stage and the profit is stable. The Board of Directors shall establish the cash dividend or stock dividend percentage. At least 50% of the distributable earnings after deducting the legal reserve, directors' and supervisors' remuneration, employee bonus and special reserves shall be distributed to stockholders. The Group would prefer cash dividend. If the Group requires funds for significant investments or needs to improve its financial structure, part of the dividend will be in the form of stocks which shall not exceed 50% of the total dividends.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.
- D. In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 5, 2020 and June 5, 2019, respectively. Details are as follows:

For the years ended December 31,				
2019		2018		
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 2,970,224		\$ 4,876,932	
Special reserve	6,156,414		7,040,540	
Cash dividends	22,272,508	\$ 3.80	36,339,355	\$ 6.20
	<u>\$ 31,399,146</u>		<u>\$ 48,256,827</u>	

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Group as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. The resolution of the appropriations of the 2020 net income was approved by the Board of Directors during its meeting on March 12, 2021 as follows:

	For the year ended December 31,	
	2020	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 1,978,906	
Special reserve	3,704,582	
Cash dividends	14,652,966	\$ 2.50
	<u>\$ 20,336,454</u>	

(19) Other equity items

	Hedging reserve	Unrealised gain (loss)	Currency translation	Total
At January 1, 2020	\$ 659	\$ 107,120,877	(\$ 4,560,606)	\$ 102,560,930
Revaluation:				
–Group	-	(8,265,352)	-	(8,265,352)
–Associates	-	(874,558)	-	(874,558)
Revaluation transferred to retained earnings:				
–Group	-	29,924	-	29,924
–Associates	-	84,386	-	84,386
Cash flow hedges:				
–Associates	31,464	-	-	31,464
Currency translation differences:				
–Group	-	-	207,642	207,642
–Tax of Group	-	-	(104,057)	(104,057)
–Associates	-	-	(815,585)	(815,585)
At December 31, 2020	<u>\$ 32,123</u>	<u>\$ 98,095,277</u>	<u>(\$ 5,272,606)</u>	<u>\$ 92,854,794</u>

	Hedging reserve	Unrealised gain (loss)	Currency translation	Total
At January 1, 2019	(\$ 15,865)	\$ 110,762,790	(\$ 1,813,251)	\$ 108,933,674
Revaluation:				
–Group	-	(2,944,594)	-	(2,944,594)
–Associates	-	(698,630)	-	(698,630)
Revaluation transferred to retained earnings:				
–Group	-	1,311	-	1,311
Cash flow hedges:				
–Associates	16,524	-	-	16,524
Currency translation differences:				
–Group	-	-	(2,732,538)	(2,732,538)
–Tax of Group	-	-	542,926	542,926
–Associates	-	-	(557,743)	(557,743)
At December 31, 2019	<u>\$ 659</u>	<u>\$ 107,120,877</u>	<u>(\$ 4,560,606)</u>	<u>\$ 102,560,930</u>

(20) Operating revenue

	For the years ended December 31,	
	2020	2019
Sales revenue	\$ 252,534,471	\$ 323,481,616
Service revenue	440,044	475,094
Other operating revenue	337,708	410,225
	253,312,223	324,366,935
Less: Income from discontinued operations	(17,555)	(8,982,340)
	<u>\$ 253,294,668</u>	<u>\$ 315,384,595</u>

The Group derives revenue from the transfer of goods and services over time and at a point in time.

(21) Interest income

	For the years ended December 31,	
	2020	2019
Interest income:		
Interest income from bank deposits	\$ 246,474	\$ 262,525
Interest from current account with others	104,467	151,813
Other interest income	5,897	12,561
	356,838	426,899
Less: Interest income from discontinued operations	(72)	(11,454)
	<u>\$ 356,766</u>	<u>\$ 415,445</u>

(22) Other income

	For the years ended December 31,	
	2020	2019
Rent income	\$ 137,278	\$ 142,056
Dividend income	5,113,321	10,027,034
Other income	1,744,670	1,140,951
	6,995,269	11,310,041
Less: Other income from discontinued operations	-	(182,220)
	<u>\$ 6,995,269</u>	<u>\$ 11,127,821</u>

(23) Other gains and losses

	For the years ended December 31,	
	2020	2019
Gain on disposal of property, plant and equipment	\$ 692,419	\$ 8,364
Gain on disposal of investments	165	2,016,760
Net currency exchange (loss) gain	(701,669)	7,490
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(155,552)	29,303
Other losses	(229,547)	(431,600)
	(394,184)	1,630,317
Less: Other losses from discontinued operations	157	63,787
	<u>(\$ 394,027)</u>	<u>\$ 1,694,104</u>

(24) Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense:		
Bank loans	\$ 756,541	\$ 1,111,568
Corporate bonds	546,415	579,479
Current account with others	16,587	12,223
Discount	81,295	181,058
Other interest expenses	41,312	44,719
	1,442,150	1,929,047
Less: Capitalisation of qualifying assets	(148,263)	(88,772)
	1,293,887	1,840,275
Less: Finance costs of discontinued operations	-	(5,591)
Finance costs	<u>\$ 1,293,887</u>	<u>\$ 1,834,684</u>

(25) Expenses by nature

	For the years ended December 31,	
	2020	2019
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 13,365,687	\$ 14,881,648
Employee benefit expense	13,253,706	15,481,500
Amortisation	3,669,159	3,601,074
	<u>30,288,552</u>	<u>33,964,222</u>
Less: Employee benefit expenses from discontinued operations	(535)	(1,417,256)
Less: Depreciation charges on property, plant and equipment and right-of-use assets from discontinued operations	(231)	(1,484,101)
Less: Amortisation from discontinued operations	-	(115,760)
	<u>\$ 30,287,786</u>	<u>\$ 30,947,105</u>

(26) Employee benefit expense

	For the years ended December 31,	
	2020	2019
Wages and salaries	\$ 11,290,212	\$ 13,107,938
Labor and health insurance fees	880,428	1,143,615
Pension costs	501,796	614,756
Other personnel expenses	581,270	615,191
	<u>13,253,706</u>	<u>15,481,500</u>
Less: Employee benefit expenses from discontinued operations	(535)	(1,417,256)
	<u>\$ 13,253,171</u>	<u>\$ 14,064,244</u>

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

B. For the years ended December 31, 2020 and 2019, employees' remuneration (bonuses) was accrued at \$20,624 and \$31,930, respectively. The aforementioned amount was recognised in salary expenses.

For the years ended December 31, 2020 and 2019, the employees' compensation was estimated and accrued based on approximately 0.1% of the retained earnings.

Employees' compensation for 2019 as resolved by the Board of Directors was in agreement with the amount of \$31,930 recognised in profit or loss for 2019. Employees' compensation for 2019 has not yet been distributed.

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

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended Decmeber 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 2,623,257	\$ 2,602,293
Land value increment tax is included in profit or loss	566	-
Alternative Minimum Tax	-	46,026
Tax on undistributed surplus earnings	204,379	828,903
Adjustments in respect of prior years	141,472	239,621
Total current tax	<u>2,969,674</u>	<u>3,716,843</u>
Deferred tax:		
Origination and reversal of temporary differences	246,173	467,100
Effect of exchange rate	(2,353)	1,223
Total deferred tax	<u>243,820</u>	<u>468,323</u>
Less: Income tax of discontinued operations	-	(323,585)
Income tax expense	<u>\$ 3,213,494</u>	<u>\$ 3,861,581</u>

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

	For the years ended December 31,	
	2020	2019
Currency translation differences	(\$ 104,057)	\$ 542,926

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 7,290,809	\$ 9,537,836
Expenses disallowed by tax regulation	(3,710,301)	(5,284,376)
Tax exempt and repealed income by tax regulation	-	(364,951)
Effect from net operating loss carryforward	(661,219)	(751,411)
Effect from changes in tax regulation of overseas subsidiaries	(52,212)	(66,482)
Additional tax on undistributed earnings	204,379	828,903
Under provision of prior year's income tax	141,472	239,621
Effect from Alternative Minimum Tax	-	46,026
Land value increment tax included in profit or loss	566	-
	3,213,494	4,185,166
Less: Income tax of discontinued operation	-	(323,585)
Income tax expense	\$ 3,213,494	\$ 3,861,581

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

	For the year ended December 31, 2020				
	January 1	Effect of changes in consolidated subsidiary	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:					
Temporary differences:					
Currency translation differences	\$ 957,598	\$ -	\$ -	(\$ 104,057)	\$ 853,541
Unrealised gain from downstream transactions	57,035	-	(47,586)	-	9,449
Loss on inventory	264,857	-	(51,125)	-	213,732
Accrued pension liabilities	888,035	-	(197,661)	-	690,374
Impairment loss	194,145	-	(26,353)	-	167,792
Others	86,299	66	89,909	-	176,274
	<u>2,447,969</u>	<u>66</u>	<u>(232,816)</u>	<u>(104,057)</u>	<u>2,111,162</u>
Deferred tax liabilities:					
Temporary differences:					
Investment income accounted for using equity method	(377,608)	-	(19,630)	-	(397,238)
Depreciation useful life difference	(49,272)	-	8,996	-	(40,276)
Others	-	-	(2,723)	-	(2,723)
	<u>(426,880)</u>	<u>-</u>	<u>(13,357)</u>	<u>-</u>	<u>(440,237)</u>
	<u>\$2,021,089</u>	<u>\$ 66</u>	<u>(\$ 246,173)</u>	<u>(\$ 104,057)</u>	<u>\$ 1,670,925</u>

For the year ended December 31, 2019					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Disposal of discontinued operations	December 31
Deferred tax assets:					
Temporary differences:					
Currency translation differences	\$ 414,672	\$ -	\$ 542,926	\$ -	\$ 957,598
Unrealised gain from downstream transactions	107,991	(50,956)	-	-	57,035
Loss on inventory	200,858	69,675	-	(5,676)	264,857
Accrued pension liabilities	1,000,467	(103,197)	-	(9,235)	888,035
Impairment loss	221,986	(27,841)	-	-	194,145
Others	366,885	(278,923)	-	(1,663)	86,299
	<u>2,312,859</u>	<u>(391,242)</u>	<u>542,926</u>	<u>(16,574)</u>	<u>2,447,969</u>
Deferred tax liabilities:					
Temporary differences:					
Investment income accounted for using equity method	(284,293)	(93,315)	-	-	(377,608)
Depreciation useful life difference	(58,857)	9,585	-	-	(49,272)
Others	(7,872)	7,872	-	-	-
	<u>(351,022)</u>	<u>(75,858)</u>	<u>-</u>	<u>-</u>	<u>(426,880)</u>
	<u>\$ 1,961,837</u>	<u>(\$ 467,100)</u>	<u>\$ 542,926</u>	<u>(\$ 16,574)</u>	<u>\$ 2,021,089</u>

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

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Tax assets	Expiry year
2011	Assessed	\$ 21,568	\$ 21,568	2021
2012	Assessed	29,604	29,604	2022
2013	Assessed	7,312	7,312	2023
2014	Assessed	11,448	11,448	2024
2015	Assessed	25,835	25,835	2025
2016	Assessed	30,819	30,819	2026
2017	Assessed	12,072	12,072	2027
2019	Amount filed	9,314	9,314	2029
2020	Amount filed	6,548	6,548	2030
		<u>\$ 154,520</u>	<u>\$ 154,520</u>	

Year incurred	Amount filed/ assessed	December 31, 2019		
		Unused amount	Tax assets	Expiry year
2010	Assessed	\$ 16,770	\$ 16,770	2020
2011	Assessed	21,568	21,568	2021
2012	Assessed	29,604	29,604	2022
2013	Assessed	7,312	7,312	2023
2014	Assessed	11,448	11,448	2024
2015	Assessed	855,247	855,247	2025
2016	Assessed	1,739,957	1,739,957	2026
2017	Assessed	120,868	120,868	2027
		<u>\$ 2,802,774</u>	<u>\$ 2,802,774</u>	

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

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 31,638</u>	<u>\$ 31,855</u>

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(28) Earnings per share

A. Basic earnings per share

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

	For the year ended December 31, 2020				
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 24,767,203	\$ 21,553,709		\$ 4.23	\$ 3.69
Net income of non- controlling interest	<u>4,164,014</u>	<u>2,009,568</u>		<u>0.71</u>	<u>0.35</u>
Profit attributable to ordinary shareholders of the parent	<u>20,603,189</u>	<u>19,544,141</u>		<u>3.52</u>	<u>3.34</u>
Profit attributable to discontinued operations of the parent	(<u>484</u>)	(<u>484</u>)		(<u>0.00</u>)	(<u>0.00</u>)
Profit attributable to continuing operations of the parent	<u>\$ 20,603,673</u>	<u>\$ 19,544,625</u>	<u>5,849,017</u>	<u>\$ 3.52</u>	<u>\$ 3.34</u>

For the year ended December 31, 2019					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 38,633,523	\$ 34,448,357		\$ 6.62	\$ 5.91
Net income of non- controlling interest	<u>6,734,985</u>	<u>4,746,115</u>		<u>1.15</u>	<u>0.82</u>
Profit attributable to ordinary shareholders of the parent	<u>31,898,538</u>	<u>29,702,242</u>		<u>5.47</u>	<u>5.09</u>
Profit attributable to discontinued operations of the parent	<u>1,527,839</u>	<u>1,204,254</u>		<u>0.26</u>	<u>0.20</u>
Profit attributable to continuing operations of the parent	<u>\$ 30,370,699</u>	<u>\$ 28,497,988</u>	<u>5,832,942</u>	<u>\$ 5.21</u>	<u>\$ 4.89</u>

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

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

For the year ended December 31, 2020					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 24,767,203	\$ 21,553,709		\$ 4.23	\$ 3.68
Net income of non- controlling interest	<u>4,164,014</u>	<u>2,009,568</u>		<u>0.71</u>	<u>0.35</u>
Profit attributable to ordinary shareholders of the parent	<u>20,603,189</u>	<u>19,544,141</u>		<u>3.52</u>	<u>3.33</u>
Profit attributable to discontinued operations of the parent	<u>(484)</u>	<u>(484)</u>		<u>(0.00)</u>	<u>(0.00)</u>
Profit attributable to continuing operations of the parent	<u>\$ 20,603,673</u>	<u>\$ 19,544,625</u>	<u>5,861,186</u>	<u>\$ 3.52</u>	<u>\$ 3.33</u>

	For the year ended December 31, 2019				
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 38,633,523	\$ 34,448,357		\$ 6.59	\$ 5.88
Net income of non- controlling interest	<u>6,734,985</u>	<u>4,746,115</u>		<u>1.15</u>	<u>0.81</u>
Profit attributable to ordinary shareholders of the parent	<u>31,898,538</u>	<u>29,702,242</u>		<u>5.44</u>	<u>5.07</u>
Profit attributable to discontinued operations of the parent	<u>1,527,839</u>	<u>1,204,254</u>		<u>0.26</u>	<u>0.21</u>
Profit attributable to continuing operations of the parent	<u>\$ 30,370,699</u>	<u>\$ 28,497,988</u>	<u>5,861,186</u>	<u>\$ 5.18</u>	<u>\$ 4.86</u>

(29) Business combinations

- A. On September 24, 2020, the Group acquired an additional 21% equity interest in Chia-Nan Enterprise Corp. for a total cash consideration of \$145,527. The Group's comprehensive shareholding ratio increased from 30% to 51%.
- B. The following table summarises the consideration paid for Chia-Nan Enterprise Corp. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	For the year ended December 31, 2020
Purchase consideration	
Cash paid	<u>\$ 145,527</u>
Fair value of equity interest in Chia-Nan Enterprise Corp. held before the business combination	207,448
Fair value of the non-controlling interest	<u>338,120</u>
	<u>691,095</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	79,367
Accounts receivable	10,616
Property, plant and equipment	640,204
Accounts payable	(3,782)
Other payables	(22,564)
Others	(12,746)
Total identifiable net assets	<u>691,095</u>
	<u>\$ -</u>

C. The Group recognised a gain of \$447 as a result of measuring at fair value its 30% equity interest in Chia-Nan Enterprise Corp. held before the business combination.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2020	2019
Purchase of fixed assets	\$ 15,899,292	\$ 16,807,259
Add: Opening balance of payable on equipment	1,439,071	1,604,309
Less: Ending balance of payable on equipment	(1,656,593)	(1,439,071)
Cash paid during the year	<u>\$ 15,681,770</u>	<u>\$ 16,972,497</u>

B. Financing activities with partial cash payments

	For the years ended December 31,	
	2020	2019
Cash dividend distributed	\$ 22,272,508	\$ 36,339,355
Add: Opening balance of cash dividends payable	71,884	62,429
Less: Ending balance of cash dividends payable	(76,913)	(71,884)
Cash dividends paid	<u>\$ 22,267,479</u>	<u>\$ 36,329,900</u>

C. On March 16, 2020 and December 16, 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dispose all its equity interest in Schoeller F.T.C. (Hong Kong) Co., Ltd and 16% equity interest of Formosa Advanced Technologies Co. The trading consideration information is listed below:

	For the years ended December 31,	
	2020	2019
Disposal proceeds	\$ 6,028	\$ 2,514,064
Less: Book value of cash and cash equivalents	(29,584)	(957,834)
Cash (paid) received	<u>(\$ 23,556)</u>	<u>\$ 1,556,230</u>

(31) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowing (including current portion)	Liabilities from financial activities-gross
At January 1, 2020	\$32,369,623	\$ 14,396,370	\$ 34,850,000	\$ 18,051,565	\$ 99,667,558
Changes in cash flow from financing activities	(13,314,003)	1,700,363	7,250,000	(1,475,808)	(5,839,448)
Impact of changes in foreign exchange rate	-	-	-	(277,669)	(277,669)
At December 31, 2020	<u>\$19,055,620</u>	<u>\$ 16,096,733</u>	<u>\$ 42,100,000</u>	<u>\$ 16,298,088</u>	<u>\$ 93,550,441</u>
	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowing (including current portion)	Liabilities from financial activities-gross
At January 1, 2019	\$31,948,041	\$ 12,490,543	\$ 34,050,000	\$ 27,107,455	\$ 105,596,039
Changes in cash flow from financing activities	421,582	1,905,827	800,000	(8,837,506)	(5,710,097)
Impact of changes in foreign exchange rate	-	-	-	(218,384)	(218,384)
At December 31, 2019	<u>\$32,369,623</u>	<u>\$ 14,396,370</u>	<u>\$ 34,850,000</u>	<u>\$ 18,051,565</u>	<u>\$ 99,667,558</u>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Formosa Petrochemical Corp.	Associate
Formosa Heavy Industries Corp.	"
Formosa Heavy Industries (Ningbo) Corp.	"
Formosa Plastics Transport Corp.	"
Formosa Synthetic Rubber Corp. (Has completed liquidation on December 28, 2020)	"
Formosa Synthetic Rubber (Ningbo) Corp.	"
Mai Liao Power Corp.	"
Formosa Environmental Technology Corp.	"
Hwa Ya Science Park Management Consulting Corp.	"
Formosa Resources Corp.	"
Formosa Construction Corp.	"
Formosa Fairway Corporation	"
Kuang Yueh Co., Ltd.	"
Formosa Group (Cayman) Corp.	"
FG Inc.	"
Formosa Advanced Technologies Co., Ltd.	"
Schoeller Textil AG	"
Nan Ya Optical Corp.	"
Formosa Plastics Corp.	Other related party
Nan Ya Plastics Corp.	"
Nan Ya Plastics (Hui Zhou) Corp.	"
Nan Ya Plastics (Nan Tong) Corp.	"
Nan Ya Plastics Corp., U.S.A.	"
Nan Ya Plastics (Ningbo) Corp.	"
Nan Ya Technology Corp.	"
Nan Ya PCB Corp.	"
Nan Ya Electronic Materials Co., Ltd.	"
Formosa Automobile Sales Corporation	"
Formosa Petrochemical Transportation Corporation	"
Formosa Lithium Iron Oxide Corp.	"
Chang Gung University	"
Chang Gung Memorial Hospital	"
Chang Gung Biotechnology Co., Ltd.	"
Yue Chi Development Corp.	"
PFG Fiber Glass Corp.	"
Formosa Plastics Marine Corp.	"
Formosa Plastics Marine Co., Ltd.	"
Mai Liao Harbor Administration Corp.	"
Formosa Network Technology Corp.	"
Formosa Plastics Building Parking Lot	"
FPG Travel Service Co., Ltd.	"

Names of related parties	Relationship with the Group
Formosa Daikin Advanced Chemicals Co., Ltd.	Other related party
Formosa Sumco Technology Corporation	"
Formosa Asahi Spandex Co., Ltd.	"
Formosa Plastics Logistics Corp.	"
Formosa Plastics Transport (Ningbo) Co., Ltd.	"
Formosa Electronic (Ningbo) Co., Ltd.	"
Inteplast Taiwan Corporation	"
Formosa Oil (Asia Pacific) Corporation	"
Asia Pacific Development Corp.	"
Ya Tai Development Corp.	"
Bio Trust International Corp.	"
Formosa Ha Tinh (Cayman) Ltd.	"
Formosa Ha Tinh Steel Corp. - TW	"
Formosa Ha Tinh Steel Corp.	"
BP Chemicals (Malaysia) SDN Corp.	"
Idemitsu Kosan Co., Ltd.	"
Idemitsu Chemicals (Hong Kong) Co., Ltd.	"
Idemitsu Chemicals U.S.A. Corp.	"
Yugen Co., Ltd.	"
Yumaowu Enterprise Co., Ltd.	"
Yu Yuang Textile Co., Ltd.	"
Yu Maowu Complex Co., Ltd.	"
NKFG Corporation	"
Kuang Yueh (Vietnam) Co., Ltd.	"
Hua Ya Power Corp.	"
Asia Pacific Technology Corp.	"
Ya Tai Development Co., Ltd.	"
Kong You Industrial Co., Ltd.	"
Hong Jing Metal Corp.	"
Formosa Industrues (Ningbo) Co., Ltd.	"
Nanya Plastic Industry (Anshan) Co., Ltd.	"
South Asia Electronic Materials (Kunshan) Co., Ltd.	"
Nan Ya Plastics Film (Nantong) Co., Ltd.	"
Nan Ya Plastics (Hui Zhou) Co., Ltd	"
Nan Ya Chemical Fiber (Kunshan) Co., Ltd.	"
Nan Ya Draw-Textured Yarn (Kunshan) Co., Ltd.	"
Nanya (Xiamen) Plastic Co.,Ltd.	"
NanYa Rigid Film (Guangzhou) Co., Ltd.	"
Asia Pactfic Investnent Co.	"
Nan Ya Printed Circuit Board Corp.	"
Formosa Automobile Corp.	"
Taisuwang Commerce and Trade Co., Ltd.	"
Huaya Steel Co., Ltd.	"
Fuxin Special Steel Co., Ltd.	"

(2) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,	
	2020	2019
Sales of goods:		
— Associates	\$ 17,659,638	\$ 19,485,957
— Other related parties	35,277,988	45,946,643
	<u>\$ 52,937,626</u>	<u>\$ 65,432,600</u>

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

B. Purchases of goods:

	For the years ended December 31,	
	2020	2019
Purchases of goods:		
— Associates		
Formosa Petrochemical Corp.	\$ 94,784,512	\$ 115,927,530
Others	5,071	2,130
— Other related parties	15,791,596	20,892,945
	<u>\$ 110,581,179</u>	<u>\$ 136,822,605</u>

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

C. Receivables from related parties:

	December 31, 2020	December 31, 2019
Receivables from related parties:		
— Associates	\$ 2,010,960	\$ 1,444,696
— Other related parties	3,947,994	3,699,054
	<u>\$ 5,958,954</u>	<u>\$ 5,143,750</u>

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

D. Payables to related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables to related parties:		
— Associates		
Formosa Petrochemical Corp.	\$ 9,806,133	\$ 9,419,596
— Other related parties	<u>2,402,434</u>	<u>1,958,397</u>
	<u>\$ 12,208,567</u>	<u>\$ 11,377,993</u>

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

E. Expansion and repair project

(a) Expansion and repair project:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Expansion and repair works of factory sites		
— Associates	\$ 388,787	\$ 385,576
— Other related parties	<u>367,340</u>	<u>301,754</u>
	<u>\$ 756,127</u>	<u>\$ 687,330</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables to related parties:		
— Associates	\$ 95	\$ 250
— Other related parties	<u>41,945</u>	<u>13,070</u>
	<u>\$ 42,040</u>	<u>\$ 13,320</u>

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

F. Financing

(a) Loans to related parties:

i. Ending balance of accounts receivable - related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
— Associates		
Formosa Heavy Industries Corp.	\$ -	\$ 7,150,000
— Other related parties		
Formosa Plastics Marine Co., Ltd.	<u>4,195,598</u>	<u>5,648,836</u>
	<u>\$ 4,195,598</u>	<u>\$ 12,798,836</u>

ii. Interest income

		For the years ended December 31,	
		2020	2019
— Associates			
Formosa Heavy Industries Corp.	\$	41,986	\$ 63,193
Others		-	6,302
		<u>41,986</u>	<u>69,495</u>
— Other related parties			
Formosa Plastics Marine Co., Ltd.		62,461	81,476
Others		-	835
		<u>62,461</u>	<u>82,311</u>
	\$	<u>104,447</u>	\$ <u>151,806</u>

The loan terms to related parties are in accordance with the contract's repayment schedule after the loan is made; interest was collected at 1.23%~1.42% and 1.41%~3.48% per annum for the years ended December 31, 2020 and 2019, respectively.

(b) Loans from related parties:

i. Ending balance of accounts payable - related parties

	December 31, 2020	December 31, 2019
— Associates	<u>\$ 531,808</u>	<u>\$ -</u>

ii. Interest expense

		For the years ended December 31,	
		2020	2019
— Associates	\$	<u>5,045</u>	\$ <u>3</u>

The loan terms from associates are in accordance with the contract's repayment schedule after the loan is made; interest is paid at a rate of 1.23%~3.08% and 1.41%~1.42% per annum for the years ended December 31, 2020 and 2019, respectively.

G. Receivables for payment on behalf of others

	December 31, 2020	December 31, 2019
— Other related parties	<u>(\$ 27)</u>	<u>(\$ 27)</u>

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

H. Operating expenses

	For the years ended December 31,	
	2020	2019
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	\$ 1,532,921	\$ 1,435,511
Formosa Plastics Transport (Ningbo) Corp.	883,536	925,829
Others	142,093	192,074
	<u>\$ 2,558,550</u>	<u>\$ 2,553,414</u>

I. Rental revenue

	For the years ended December 31,	
	2020	2019
— Associates		
Formosa Petrochemical Corp.	\$ 21,215	\$ 21,215
Others	12,022	12,346
	<u>33,237</u>	<u>33,561</u>
— Other related parties		
Nan Ya Plastics Corp.	25,791	26,391
Formosa Plastics Building Parking Lot	16,064	15,130
Formosa Network Technology Corp.	15,400	15,400
Others	29,682	30,028
	<u>86,937</u>	<u>86,949</u>
	<u>\$ 120,174</u>	<u>\$ 120,510</u>

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

J. Property transactions:

(a) Acquisition of property, plant and equipment

	For the years ended December 31,	
	2020	2019
Purchase of property, plant and equipment		
— Associates	\$ 278,560	\$ 276,397
— Other related parties		
Nan Ya Draw-Textured Yarn (Kunshan) Co.,Ltd.	1,233,875	-
Others	734	70,849
	<u>\$ 1,513,169</u>	<u>\$ 347,246</u>

(b) Acquisition of financial assets

				For the year ended December 31, 2020
	Accounts	No. of shares	Objects	Consideration
NKFG Corporation	Non-current financial assets at fair value through other comprehensive income	5,540,000	NKFG Corporation	\$ 55,400
Formosa Construction Corp.	Investments accounted for using equity method	50,000,000	Formosa Construction Corp.	500,000
Schoeller Textil AG	Investments accounted for using equity method	21,874	Schoeller Textil AG	1,285,507
FG Inc.	Investments accounted for using equity method	-	FG Inc.	811,408
				<u>\$ 2,652,315</u>
				For the year ended December 31, 2019
	Accounts	No. of shares	Objects	Consideration
Formosa Synthetic Rubber Corp. (Taiwan)	Investments accounted for using equity method	4,600,000	Formosa Synthetic Rubber Corp. (Taiwan)	\$ 46,000
Formosa Resources Corp.	Investments accounted for using equity method	157,000,000	Formosa Resources Corp.	1,570,000
FG Inc.	Investments accounted for using equity method	-	FG Inc.	764,280
				<u>\$ 2,380,280</u>

(c) Disposal of financial assets

For the year ended December 31, 2020: None.

				For the year ended December 31, 2019	
	Accounts	No. of shares	Objects	Proceeds	Gain/(loss)
Nan Ya Technology Corp.	Investments accounted for using equity	57,489,000	Formosa Advanced Technologies Co., Ltd.	\$ 2,042,668	\$ 1,638,610
Nan Ya PCB Corp.	Investments accounted for using equity	13,267,000	Formosa Advanced Technologies Co., Ltd.	471,396	378,150
				<u>\$ 2,514,064</u>	<u>\$ 2,016,760</u>

Note: Includes gain on remeasurement of remaining investments at fair value amounting to \$1,332,446. Please refer to Note 6(10) for further information.

K. Donation:

For the years ended December 31,		
	2020	2019
— Other related parties	\$ 6,121	\$ 14,839

L. Details of affiliates endorsed/guaranteed for the Group's borrowings are provided in Note 6(14).

M. Details of affiliates endorsed/guaranteed and commitment letter for the Associate are provided in Notes 9(3) and (4).

(3) Key management compensation

For the years ended December 31,		
	2020	2019
Salaries	\$ 160,353	\$ 158,679
Post-employment benefits	1,505	1,605
	<u>\$ 161,858</u>	<u>\$ 160,284</u>

8. Pledged Assets

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

Pledged assets	Book value		Purpose
	December 31, 2020	December 31, 2019	
Property, plant and equipment	\$ 5,886,513	\$ 5,888,149	Collateral for bank loans
Inventory	17,610	21,264	Limited transfer for land tax reassessment and collateral
Non-current financial assets at amortised cost - Time deposits	1,500	-	Guarantee deposits for natural gas
	<u>\$ 5,905,623</u>	<u>\$ 5,909,413</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

The details of commitments and contingencies as of December 31, 2020 were as follows:

- (1) Capital expenditures of property, plant and equipment that were contracted but not yet paid amounted to \$6,635,610 thousand, RMB 736,015 thousand and VND 237,150,055 thousand.
- (2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 7,464 thousand, JPY 91,504 thousand and EUR 1,674 thousand.
- (3) The provision of endorsements and guarantees to others are as follows:

	December 31, 2020	December 31, 2019
Formosa Industries Corp.	\$ -	\$ 602,120
Formosa Resources Corp.	3,064,610	3,236,395
Formosa Group (Cayman) Corp.	7,127,000	7,526,500
Formosa Ha Tinh (Cayman) Corp.	25,344,122	27,708,143
Formosa Taffeta (Zhong Shan) Co., Ltd.	14,240	29,980
Formosa Taffeta (Vietnam) Co., Ltd.	323,530	603,494
Formosa Taffeta (Changshu) Co., Ltd.	321,972	293,174
Formosa Taffeta (Dong Nai) Co., Ltd.	2,604,882	2,876,937
Public More Internation Co., Ltd.	-	3,000
	<u>\$ 38,800,356</u>	<u>\$ 42,879,743</u>

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

- A. The Group's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided with a bank loan facility of USD 2.22 billion to meet the operation needs. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower has fulfilled its obligation for repayment.
- B. The Group's consolidated entity, Formosa Chemicals Industries (Ningbo) Limited Co., entered into a syndicated loan contract with the syndicated banking group lead by Mega International Commercial Bank, arranging the credit facilities of USD 155 million or equal value of RMB to meet the capital needs of building the plant. The Company is required to issue a promissory note and is obliged to facilitate the repayment of the borrower whenever necessary. Abovementioned syndicated loan has been repaid by Formosa Chemicals Industries (Ningbo) Limited Co. in October 2020.

- (5) Contingencies - litigation

- A. In August 2019, Taiwan Cooperative Bank Ltd. and DBS Bank (Taiwan) Ltd. filed a complaint against the Group's subsidiaries, Formosa Taffeta Co., Ltd. ("Formosa Taffeta") and Formosa Taffeta Dong Nai Co., Ltd. ("Formosa Taffeta Dong Nai"), alleging that several employees of Formosa Taffeta and Formosa Taffeta Dong Nai, instead of making truthful representations during the credit assessment procedures, cooperated with New Site Industries., Inc. ("New Site") and New Brite Industries., Inc. ("New Brite") to conduct false statements and provide misleading information with regard to the fact that New Site and New Brite owned the accounts receivable due from Formosa Taffeta and Formosa Taffeta Dong Nai, thereby causing losses to the plaintiffs.

As a result, the plaintiffs alleged that Formosa Taffeta and Formosa Taffeta Dong Nai shall be liable for the losses incurred due to the poor supervision. Formosa Taffeta and Formosa Taffeta Dong Nai Co., Ltd. have appointed an attorney to represent them. Based on the opinion of the Group's legal counsel, it is difficult to predict the judge's decision at this stage as the case is still in the course of preliminary proceedings at the court of first instance. Therefore, the outcome and impact of the case cannot yet be determined.

- B. In February 2020, O-Bank Co., Ltd. filed a complaint against the Group's subsidiary, Formosa Taffeta Co., Ltd. ("Formosa Taffeta"), alleging that several employees of Formosa Taffeta, instead of making truthful representations during the credit assessment procedures, cooperated with New Site Industries, Inc. ("New Site"), New Brite Industries, Inc. ("New Brite"), Highlite Industries, INC. and Loomtech Industries, Inc. (collectively referred herein as "New Brite Group") in making false statements and providing misleading information with regard to the fact that New Brite Group owned the accounts receivable due from Formosa Taffeta, thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that Formosa Taffeta shall be liable for the losses incurred due to the poor supervision. Formosa Taffeta has appointed an attorney to represent them. Based on the opinion of the Group's legal counsel, it is difficult to predict the judge's decision at this stage as the case is still in the course of preliminary proceedings at the court of first instance. Therefore, the outcome and impact of the case cannot yet be determined.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- (1) On January 6, 2021, the Group's subsidiary, Formosa Taffeta Co., Ltd., was fined for violating Article 18-1 and 20 of Water Pollution Control Act. Although the subsidiary was compelled to stop operating the related equipment used in sewage treatment and was imposed a fine, there was no significant impact on the Group's operations and financial position. As of March 12, 2021, the case is still under investigation by the Environment Protection Bureau, Yulin County.
- (2) The Board of Directors has resolved the appropriations of 2020 earnings on March 12, 2021. Details are provided in Note 6(18) F.

12. Others

- (1) Due to the impact of COVID-19, there was a significant loss of momentum in the consumption market as a result of restrictions on people's movement and social contact in many countries, and the spread of petrochemical products, being the difference between the product prices and cost of raw materials, gradually deviated from its historical norm because of fluctuation in international crude oil prices. Consequently, the Group's operating revenue of 2020 decreased by nearly 20% than 2019, resulting in a decrease in consolidated profit before tax of almost 33%. Although the Group has consolidated profit before tax and turned its losses into profits in the second and third quarter of 2020 compared to the first quarter, the overall impact of the pandemic on the financial position and

performance of the Group in 2021 relies on the subsequent control of the pandemic and recovery momentum in the consumption market.

(2) Litigation

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

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

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

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

On November 16, 2017, the Company received a violation decision from Changhua County Government of an enhanced fine amounting to NT\$1.244 billion pursuant to Article 7 of Environmental Impact Assessment Act. The fine was levied on the ground that the indigenous coal used in the combined heat and power system is contrary to that indicated in the Environmental Impact Statement. The lawyers have filed an appeal with the Environmental Protection Administration (EPA) on behalf of the Company on November 22, 2017. On December 19, 2017, Changhua Country Government consented to suspend the fine until the appeal was concluded as stated in Letter No. Fu-Sho-Huan-Zong-Zi-1060429733. On December 11, 2017, the Company stated its opinion in EPA to dispute the fine. On February 14, 2018, the Company was informed that the decision on the appeal was postponed for two months in EPA's Letter No. Huan-Shu-Zi-1070014111. On March 8, 2018, the EPA ruled to revoke the violation decision of Changhua County Government amounting to NT\$1.244 billion and dismiss the Company's suspension application. Subsequently, the Company submitted an application to the EPA for the withdrawal of the appeal on April 18, 2019, which has been approved by the EPA on April 19, 2019.

(3) Capital management

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

The Group's management strategy of its debt-to-capital ratio for the year ended December 31, 2020 is the same as that for the year ended December 31, 2019. As of December 31, 2020 and 2019, the Group's debt-to-capital ratio was 16% and 17%, respectively.

(4) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 3,888,592	\$ 4,044,087
Financial assets at fair value through other comprehensive income	169,111,079	177,684,482
Financial assets at amortised cost	58,971,466	63,980,006
	<u>\$ 231,971,137</u>	<u>\$ 245,708,575</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ 137	\$ 80
Financial liabilities at amortised cost	121,303,545	127,501,867
Lease liability	837,790	908,769
	<u>\$ 122,141,472</u>	<u>\$ 128,410,716</u>

Note: Financial assets measured at amortised cost include cash and cash equivalents, financial assets measured at amortised cost, accounts and notes receivable, other receivables, and refundable deposits. Financial liabilities measured at amortised cost include short-term borrowings, accounts and notes payable, other payables, long-term borrowings (including those maturing within one year or one business cycle), corporate bonds payable (including those maturing within one year or one business cycle), and guarantee deposits received.

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Notes 6(2) and (12).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.
- ii. Management has set up a policy to manage its foreign exchange risk against its functional currency. Each entity hedges its entire foreign exchange risk exposure.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and (12).

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, VND and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020				
		Foreign Currency Amount		
		(In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$	22,503	28.51	\$ 641,561
USD : RMB		497,623	28.51	14,187,232
USD : VND		23,305	28.51	664,426
<u>Non-monetary items</u>				
RMB : NTD	\$	13,967,268	4.37	\$ 61,036,961
USD : NTD		185,571	28.51	5,290,629
VND : NTD		8,022,038,646	0.0012	9,626,446
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$	43,405	28.51	\$ 1,237,477
USD : RMB		6,278	28.51	178,986
USD : VND		367,546	28.51	10,478,736

December 31, 2019				
		Foreign Currency Amount		
		(In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$	472,123	30.11	\$ 14,215,624
JPY : NTD		260,581	0.28	72,963
<u>Non-monetary items</u>				
RMB : NTD	\$	12,218,534	4.32	\$ 52,784,067
USD : NTD		534,034	30.11	16,079,764
VND : NTD		7,761,862,792	0.0013	10,090,422
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$	42,257	30.11	\$ 1,272,358
JPY : NTD		137,348	0.28	38,457
USD : RMB		5,930	30.11	178,552
USD : VND		327,003	30.11	9,846,060

- v. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to (\$701,669) and \$7,490, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2020				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 6,416	\$ -	
USD : RMB	1%	141,872	-	
USD : VND	1%	6,644	-	
<u>Non-monetary items</u>				
RMB : NTD	1%	\$ -	\$ 610,370	
USD : NTD	1%	-	52,906	
VND : NTD	1%	-	96,264	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 12,375	\$ -	
USD : RMB	1%	1,790	-	
USD : VND	1%	104,787	-	

For the year ended December 31, 2019				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 142,156	\$ -	
JYP : NTD	1%	730	-	
<u>Non-monetary items</u>				
RMB : NTD	1%	\$ -	\$ 527,841	
USD : NTD	1%	-	160,798	
VND : NTD	1%	-	100,904	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 12,724	\$ -	
JPY : NTD	1%	385	-	
USD : RMB	1%	1,786	-	
USD : VND	1%	98,461	-	

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic listed, beneficiary certificate and fund. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, components of equity for the years ended December 31, 2020 and 2019 would have increased/decreased by \$31,109 and \$32,352, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,691,110 and \$1,776,845, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in the NTD and USD.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. For the years ended December 31, 2020 and 2019, if interest rates on denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years then ended would have been \$130,385 and \$144,413 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, classified as the contract cash flows of instruments stated at amortised cost at fair value through other comprehensive income.

- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, that is, to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2020 and 2019, the Group's written-off financial assets that are still under recourse procedures amounted to \$128,664 and \$0, respectively.
- v. The Group used the forecastability of Directorate-General of Budget, Accounting and Statistics, Executive Yuan and Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2020 and 2019, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	Over 91 days past due
<u>At December 31, 2020</u>				
Expected loss rate	0.15%~0.82%	0.03%~87.58	0.03%~100.00%	53.36%~100.00
Total book value	\$33,361,753	\$ 191,459	\$ 16,900	\$ 90,151
Loss allowance	\$ 73,493	\$ 26,028	\$ 5,862	\$ 50,499
<u>At December 31, 2019</u>				
Expected loss rate	0.07%~0.87%	5.49%~7.50%	55.23%~100.00	97.34%~100.00
Total book value	\$27,956,124	\$ 184,961	\$ 59,370	\$ 177,743
Loss allowance	\$ 59,989	\$ 11,897	\$ 37,863	\$ 177,644

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

	December 31, 2020	December 31, 2019
Not past due	\$ 33,361,753	\$ 27,956,124
Up to 30 days	191,459	184,961
31 to 90 days	16,900	59,370
91 to 180 days	90,151	177,743
	<u>\$ 33,660,263</u>	<u>\$ 28,378,198</u>

The above ageing analysis was based on past due date.

- vi. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and accounts receivable and contract assets are as follows:

For the year ended December 31, 2020			
	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 284,724	\$ -	\$ -
Write-offs	(128,664)	-	-
Effect of exchange rate changes	(178)	-	-
At December 31	<u>\$ 155,882</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2019			
	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 252,085	\$ -	\$ -
Impairment loss	40,437	-	-
Effect of exchange rate changes	(7,798)	-	-
At December 31	<u>\$ 284,724</u>	<u>\$ -</u>	<u>\$ -</u>

(c) Liquidity risk

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

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

Non-derivative financial liabilities:

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Lease liability	\$ 147,577	\$ 140,970	\$ 261,143	\$ 267,769
Bonds payable	2,050,000	4,550,000	16,600,000	18,900,000
Long-term borrowings	56,821	8,000,000	8,241,267	-

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Lease liability	\$ 181,049	\$ 157,493	\$ 283,025	\$ 432,252
Bonds payable	2,750,000	-	13,800,000	18,300,000
Long-term borrowings	3,937,482	6,657,498	7,456,585	-

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

Derivative financial liabilities:

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ 137	\$ -	\$ -	\$ -

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ 80	\$ -	\$ -	\$ -

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

(5) Fair value estimation

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

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

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

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

B. Financial instruments not measured at fair value

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

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

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 82	\$ -	\$ 82
Fund	-	3,888,510	-	3,888,510
Financial assets at fair value through other comprehensive income				
Equity securities	<u>143,832,740</u>	<u>2,779,751</u>	<u>22,498,588</u>	<u>169,111,079</u>
	<u>\$ 143,832,740</u>	<u>\$ 6,668,343</u>	<u>\$ 22,498,588</u>	<u>\$ 172,999,671</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 137</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 119	\$ -	\$ 119
Fund	-	4,043,968	-	4,043,968
Financial assets at fair value through other comprehensive income				
Equity securities	<u>143,847,398</u>	<u>2,553,194</u>	<u>31,283,890</u>	<u>177,684,482</u>
	<u>\$ 143,847,398</u>	<u>\$ 6,597,281</u>	<u>\$ 31,283,890</u>	<u>\$ 181,728,569</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 80</u>

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

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

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

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

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

		For the year ended December 31, 2020
		Non-derivative equity instrument
At January 1	\$	31,283,890
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	8,603,525)
Effect of exchange rate changes	(	181,777)
At December 31	\$	22,498,588

		For the year ended December 31, 2019
		Non-derivative equity instrument
At January 1	\$	41,526,281
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	10,310,780)
Effect of exchange rate changes		68,389
At December 31	\$	31,283,890

G. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

H. The Group Treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. The Treasury sets up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS. The related valuation results are reported to Accounting Division monthly. Accounting Division is responsible for managing and reviewing valuation processes.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 10,773,066	\$ 14,897,653	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value
	998,799	1,199,050	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre- tax operating margin, discount for lack of marketability, discount for lack of control	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value
	10,726,723	15,187,187	Net asset value	Not applicable	Not applicable

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2020	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	± 1%	\$ <u>107,731</u>	\$ <u>107,731</u>
Equity instruments	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	± 1%	\$ <u>9,988</u>	\$ <u>9,988</u>
			December 31, 2019	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	± 1%	\$ <u>148,977</u>	\$ <u>148,977</u>
Equity instruments	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	± 1%	\$ <u>11,991</u>	\$ <u>11,991</u>

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 6.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 8.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), and (12); 12(4) and (5).
- J. Significant intragroup transactions during the reporting periods: Please refer to table 9.

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(4) Major shareholders information

Major shareholders information: Please refer to table 13.

14. Segment Information

(1) General information

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

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

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

3rd Petrochemical Div: responsible for production of purified terephthalic acid.

Plastics Division: responsible for production of ABS resin, polypropylene and PS.

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

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

(2) Measurement of segment information

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

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

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

For the year ended December 31, 2020

	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div	Plastics Division	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Other divisions	Reconciliation and offset	Discontinued operation	Total
External revenue	\$ 21,665,996	\$ 37,419,032	\$ 39,425,150	\$ 89,309,376	\$ 21,320,867	\$ -	\$ 44,171,802	\$ -	(\$ 17,555)	\$ 253,294,668
Internal revenue	43,489,894	21,291,854	2,175,632	13,657,528	204,024	-	8,980,068	(89,799,000)	-	-
Total revenue	<u>\$ 65,155,890</u>	<u>\$ 58,710,886</u>	<u>\$ 41,600,782</u>	<u>\$ 102,966,904</u>	<u>\$ 21,524,891</u>	<u>\$ -</u>	<u>\$ 53,151,870</u>	<u>(\$ 89,799,000)</u>	<u>(\$ 17,555)</u>	<u>\$ 253,294,668</u>
Segment profit (loss)	<u>(\$ 5,067,425)</u>	<u>\$ 5,070,593</u>	<u>(\$ 2,477,418)</u>	<u>\$ 15,001,017</u>	<u>\$ 2,190,223</u>	<u>\$ -</u>	<u>\$ 20,007,854</u>	<u>(\$ 9,957,641)</u>	<u>\$ 484</u>	<u>\$ 24,767,687</u>
Segment income (loss):										
Total depreciation and amortisation	<u>\$ 3,632,677</u>	<u>\$ 2,730,767</u>	<u>\$ 2,891,472</u>	<u>\$ 2,261,792</u>	<u>\$ 812,969</u>	<u>\$ -</u>	<u>\$ 4,705,169</u>	<u>\$ -</u>	<u>(\$ 231)</u>	<u>\$ 17,034,615</u>
Interest expense	<u>\$ 233,763</u>	<u>\$ 189,548</u>	<u>\$ 134,797</u>	<u>\$ 168,590</u>	<u>\$ 73,583</u>	<u>\$ -</u>	<u>\$ 493,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,293,887</u>
Investment income accounted for using equity method										<u>\$ 3,779,946</u>
Not included in segments' income measurement, but regularly provided to operating decision-maker:										
Income tax expense										<u>\$ 3,213,494</u>
Total assets of segments	<u>\$ 31,704,330</u>	<u>\$ 30,767,542</u>	<u>\$ 34,826,008</u>	<u>\$ 49,462,747</u>	<u>\$ 74,801,762</u>	<u>\$ -</u>	<u>\$ 428,278,162</u>	<u>(\$ 118,020,123)</u>	<u>\$ -</u>	<u>\$ 531,820,428</u>

For the year ended December 31, 2019

	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div	Plastics Division	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Other divisions	Reconciliation and offset	Discontinued operation	Total
External revenue	\$ 26,686,021	\$ 41,705,961	\$ 62,906,487	\$ 100,157,654	\$ 27,037,943	\$ 8,867,872	\$ 57,004,997	\$ -	(\$ 8,982,340)	\$ 315,384,595
Internal revenue	64,086,511	26,896,779	3,454,634	14,061,828	430,851	-	11,374,532	(120,305,135)	-	-
Total revenue	<u>\$ 90,772,532</u>	<u>\$ 68,602,740</u>	<u>\$ 66,361,121</u>	<u>\$ 114,219,482</u>	<u>\$ 27,468,794</u>	<u>\$ 8,867,872</u>	<u>\$ 68,379,529</u>	<u>(\$ 120,305,135)</u>	<u>(\$ 8,982,340)</u>	<u>\$ 315,384,595</u>
Segment profit (loss)	<u>\$ 3,151,252</u>	<u>\$ 4,307,235</u>	<u>\$ 479,519</u>	<u>\$ 5,117,590</u>	<u>\$ 5,593,387</u>	<u>\$ 1,526,054</u>	<u>\$ 25,528,414</u>	<u>(\$ 7,069,928)</u>	<u>(\$ 1,527,839)</u>	<u>\$ 37,105,684</u>
Segment income (loss):										
Total depreciation and amortisation	<u>\$ 3,518,215</u>	<u>\$ 2,596,700</u>	<u>\$ 2,410,656</u>	<u>\$ 2,269,816</u>	<u>\$ 784,268</u>	<u>\$ 1,599,861</u>	<u>\$ 5,320,517</u>	<u>(\$ 17,311)</u>	<u>(\$ 1,599,861)</u>	<u>\$ 16,882,861</u>
Interest expense	<u>\$ 210,167</u>	<u>\$ 215,411</u>	<u>\$ 100,740</u>	<u>\$ 315,676</u>	<u>\$ 78,786</u>	<u>\$ 5,591</u>	<u>\$ 1,100,801</u>	<u>(\$ 186,897)</u>	<u>(\$ 5,591)</u>	<u>\$ 1,834,684</u>
Investment income accounted for using equity method										<u>\$ 9,214,254</u>
Not included in segments' income measurement, but regularly provided to operating decision-maker:										
Income tax expense										<u>\$ 3,861,581</u>
Total assets of segments	<u>\$ 35,888,905</u>	<u>\$ 29,633,438</u>	<u>\$ 32,990,500</u>	<u>\$ 41,235,313</u>	<u>\$ 75,380,191</u>	<u>\$ -</u>	<u>\$ 455,650,853</u>	<u>(\$ 120,230,183)</u>	<u>\$ -</u>	<u>\$ 550,549,017</u>

(4) Reconciliation for segment income (loss)

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

(5) Information on products and services

	For the years ended December 31,	
	2020	2019
Sales revenue	\$ 252,530,471	\$ 323,481,616
Service revenue	444,044	475,094
Other operating income	337,708	410,225
	253,312,223	324,366,935
Less: Discontinued operations	(17,555)	(8,982,340)
	<u>\$ 253,294,668</u>	<u>\$ 315,384,595</u>

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 95,928,804	\$ 73,055,239	\$ 94,690,143	\$ 72,591,040
China	111,201,939	41,739,599	168,654,005	37,771,003
Others	46,181,480	23,135,128	61,022,787	25,620,168
	253,312,223	137,929,966	324,366,935	135,982,211
Less: Discontinued operations	(17,555)	-	(8,982,340)	-
	<u>\$ 253,294,668</u>	<u>\$ 137,929,966</u>	<u>\$ 315,384,595</u>	<u>\$ 135,982,211</u>

(7) Major customer information

The information on customers with over 10% of sales revenue in the statement of comprehensive income for the years ended December 31, 2020 and 2019: None.

**FORMOSA CHEMICALS & FIBRE
CORPORATION**
**PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS**
DECEMBER 31, 2020 AND 2019

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

FORMOSA CHEMICALS & FIBRE CORPORATION

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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000326

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, 2020 and 2019, 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 (refer to the *Other Matter – Audits of the Other Independent Auditors* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2020 and 2019, and its financial performance and its 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. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of FORMOSA CHEMICALS & FIBRE CORPORATION in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

Assessment of loss allowance for accounts receivable

Description

Refer to Note 4(9) of parent company only financial statements for accounting policy on accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, and Note 6(4) for details of loss allowance for accounts receivable. As of December 31, 2020, the Company's accounts receivable amounted to NT\$17,978,599 thousand, net of loss allowance in the amount of NT\$72,170 thousand.

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

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

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

3. Performed subsequent collection test in order to verify the adequacy of loss allowance provided for accounts receivable.

Valuation of inventories

Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for detailed information on allowance for inventory valuation losses. As of December 31, 2020, the inventory and allowance for inventory valuation losses were NT\$13,809,971 thousand and NT\$566,426 thousand, respectively. The Company is primarily engaged in the manufacture and sales of petrochemical plastic products, fibers weaving and cords. Because the price of petrochemical plastic products is subject to the fluctuations in international crude oil prices, and the textile market is competitive, there is a higher risk of inventory valuation loss. The Company recognises inventories at the lower of cost and net realisable value, and the net realisable value is calculated based on average price less selling expenses. Since the net realisable value used in inventory valuation involves subjective judgement and high uncertainty in estimation, and the allowance for inventory valuation loss is material to the financial statements, we considered the valuation of inventory as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

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

Other matter – audits of the other independent auditors

We did not audit the financial statements of certain investments accounted for under the equity method. Investments accounted for under the equity method amounted to NT\$113,412,424 thousand and NT\$116,967,421 thousand, both constituting 25% of total assets as of December 31, 2020 and 2019, respectively and comprehensive income was NT\$1,916,061 thousand and NT\$ 7,912,093 thousand, constituting 19% and 35% of total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent auditors.

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.

Auditors' 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 auditors' 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 the generally accepted auditing standards in the Republic of China 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 the generally accepted auditing standards in the Republic of China, 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 auditors' 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 auditors' 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 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wu, Han-Chi

Chou, Chien-Hung

for and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2021

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

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

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

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,705,265	1	\$ 685,005	-
1110	Financial assets at fair value through profit or loss - current	6(2)	3,888,510	1	4,043,968	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	108,390,105	24	109,009,928	24
1150	Notes receivable, net	6(4)	266,891	-	216,389	-
1160	Notes receivable - related parties	6(4) and 7	127,610	-	44,999	-
1170	Accounts receivable, net	6(4)	5,796,622	1	5,635,861	1
1180	Accounts receivable - related parties	6(4) and 7	12,181,977	3	12,839,476	3
1200	Other receivables	7	722,920	-	1,059,415	-
1210	Other receivables - related parties	7	4,195,598	1	12,798,836	3
130X	Inventory	6(5)	13,243,545	3	19,046,036	4
1470	Other current assets	7	4,554,725	1	3,032,965	1
11XX	Total current assets		157,073,768	35	168,412,878	37
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	19,017,691	4	15,802,133	3
1550	Investments accounted for under equity method	6(6)	205,595,844	46	212,083,684	46
1600	Property, plant and equipment	6(7) and 8	54,560,182	12	53,342,392	12
1755	Right-of-use assets	6(8)	27,188	-	25,272	-
1840	Deferred income tax assets	6(24)	1,956,173	1	2,245,198	-
1900	Other non-current assets		7,065,392	2	7,607,343	2
15XX	Total non-current assets		288,222,470	65	291,106,022	63
1XXX	Total assets		\$ 445,296,238	100	\$ 459,518,900	100

(Continued)

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

Liabilities and equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 13,763,200	3	\$ 21,057,000	5
2110	Short-term notes and bills payable	6(9)	15,596,755	4	14,396,370	3
2170	Accounts payable		1,838,945	-	2,111,358	1
2180	Accounts payable - related parties	7	11,083,977	3	10,027,809	2
2200	Other payables	7	5,227,252	1	5,982,156	1
2230	Current income tax liabilities		1,135,266	-	461,912	-
2280	Current lease liabilities		5,669	-	4,721	-
2320	Long-term liabilities, current portion	6(10)(11)	2,050,000	1	5,438,889	1
2399	Other current liabilities		5,109,713	1	3,912,922	1
21XX	Total current liabilities		55,810,777	13	63,393,137	14
Non-current liabilities						
2530	Corporate bonds payable	6(10)	40,050,000	9	32,100,000	7
2540	Long-term borrowings	6(11)	-	-	1,344,444	-
2570	Deferred income tax liabilities	6(24)	40,277	-	49,271	-
2580	Non-current lease liabilities		21,813	-	20,726	-
2600	Other non-current liabilities	6(12)	5,019,513	1	6,096,651	1
25XX	Total non-current liabilities		45,131,603	10	39,611,092	8
2XXX	Total liabilities		100,942,380	23	103,004,229	22
Equity						
	Share capital	6(13)				
3110	Common stock		58,611,863	13	58,611,863	13
	Capital surplus	6(14)				
3200	Capital surplus		9,167,637	2	9,138,869	2
	Retained earnings	6(15)				
3310	Legal reserve		64,335,076	14	61,364,852	14
3320	Special reserve		66,328,339	15	60,171,925	13
3350	Unappropriated retained earnings		53,380,101	12	64,990,184	14
	Other equity interest	6(16)				
3400	Other equity interest		92,854,794	21	102,560,930	22
3500	Treasury stocks	6(13)	(323,952)	-	(323,952)	-
3XXX	Total equity		344,353,858	77	356,514,671	78
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 445,296,238	100	\$ 459,518,900	100

FORMOSA CHEMICALS & FIBRE CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			For the years ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7		\$ 159,681,997	100	\$ 198,210,058	100
5000 Operating costs	6(5)(22)(23) and 7		(147,711,667)	(92)	(181,514,346)	(92)
5900 Net operating margin			11,970,330	8	16,695,712	8
5910 Unrealized profit from sales			(47,243)	-	(285,173)	-
5920 Realized profit from sales			285,173	-	539,952	-
5950 Net operating margin			12,208,260	8	16,950,491	8
Operating expenses	6(12)(22)(23) and 7					
6100 Selling expenses			(4,725,799)	(3)	(4,834,267)	(2)
6200 General and administrative expenses			(3,301,210)	(2)	(3,908,145)	(2)
6000 Total operating expenses			(8,027,009)	(5)	(8,742,412)	(4)
6900 Operating profit			4,181,251	3	8,208,079	4
Non-operating income and expenses						
7100 Interest income	6(18)		129,309	-	248,857	-
7010 Other income	6(19) and 7		5,174,466	3	8,539,109	4
7020 Other gains and losses	6(20)		(1,167,811)	(1)	15,227	-
7050 Finance costs	6(7)(21) and 7		(808,895)	-	(933,004)	-
7070 Share of profit of associates and joint ventures accounted for under equity method	6(6)		13,094,869	8	15,820,270	8
7000 Total non-operating income and expenses			16,421,938	10	23,690,459	12
7900 Profit before income tax			20,603,189	13	31,898,538	16
7950 Income tax expense	6(24)		(1,059,048)	(1)	(2,196,296)	(1)
8200 Profit for the year			\$ 19,544,141	12	\$ 29,702,242	15

(Continued)

FORMOSA CHEMICALS & FIBRE CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	For the years ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (net)					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Actuarial gains (losses) on defined benefit plans	6(12)	\$ 305,882	-	(\$ 354,337)	-
8316 Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)(16)	(15,129,232)	(10)	4,140,707	2
8330 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		6,087,983	4	(7,884,276)	(4)
8310 Other comprehensive loss that will not be reclassified to profit or loss		(8,735,367)	(6)	(4,097,906)	(2)
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation	6(16)	278,998	-	(2,616,345)	(1)
8380 Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(855,477)	-	(657,412)	-
8399 Income tax relating to the components of other comprehensive income	6(16)(24)	(104,057)	-	542,926	-
8360 Other comprehensive loss that will be reclassified to profit or loss		(680,536)	-	(2,730,831)	(1)
8300 Other comprehensive loss for the year		(\$ 9,415,903)	(6)	(\$ 6,828,737)	(3)
8500 Total comprehensive income for the year		<u>\$ 10,128,238</u>	<u>6</u>	<u>\$ 22,873,505</u>	<u>12</u>
Basic earnings per share (in dollars)	6(25)	Before Tax	After Tax	Before Tax	After Tax
9750 Net income		<u>\$ 3.52</u>	<u>\$ 3.34</u>	<u>\$ 5.47</u>	<u>\$ 5.09</u>
Assuming shares held by subsidiary are not deemed as treasury stock:					
Basic earnings per share (in dollars)					
Net income		<u>\$ 3.52</u>	<u>\$ 3.33</u>	<u>\$ 5.44</u>	<u>\$ 5.07</u>

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

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

		Retained Earnings					Other Equity Interest				
								Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		Gains (losses) on hedging instruments	Treasury stocks	Total
For the year ended December 31, 2019											
Balance at January 1, 2019		<u>\$ 58,611,863</u>	<u>\$ 9,138,869</u>	<u>\$ 61,364,852</u>	<u>\$ 60,171,925</u>	<u>\$ 64,990,184</u>	<u>\$ (4,560,606)</u>	<u>\$ 107,120,877</u>	<u>\$ 659</u>	<u>(\$ 323,952)</u>	<u>\$ 356,514,671</u>
Profit for the year		-	-	-	-	29,702,242	-	-	-	-	29,702,242
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	(454,682)	(2,747,355)	(3,643,224)	16,524	-	(6,828,737)
Total comprehensive income (loss)		-	-	-	-	29,247,560	(2,747,355)	(3,643,224)	16,524	-	22,873,505
Appropriations of 2018 earnings	6(15)										
Legal reserve		-	-	4,876,932	-	(4,876,932)	-	-	-	-	-
Special reserve		-	-	-	7,040,540	(7,040,540)	-	-	-	-	-
Cash dividends		-	-	-	-	(36,339,355)	-	-	-	-	(36,339,355)
Dividends paid to subsidiaries to adjust capital surplus	6(14)	-	44,726	-	-	-	-	-	-	-	44,726
Changes in the net interest of associates recognised under the equity method	6(14)	-	(4,649)	-	-	-	-	-	-	-	(4,649)
Expired cash dividends reclassified to capital surplus	6(14)	-	6,869	-	-	-	-	-	-	-	6,869
Expired dividends paid from capital surplus	6(14)	-	(156)	-	-	-	-	-	-	-	(156)
Adjustments in treasury stocks due to changes in proportion to its ownership interests in subsidiaries		-	-	-	-	-	-	-	-	215,062	215,062
Changes in ownership interests in subsidiaries	6(14)	-	7,937	-	-	(98,142)	-	-	-	-	(90,205)
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	(1,311)	-	1,311	-	-	-
Balance at December 31, 2019		<u>\$ 58,611,863</u>	<u>\$ 9,138,869</u>	<u>\$ 61,364,852</u>	<u>\$ 60,171,925</u>	<u>\$ 64,990,184</u>	<u>(\$ 4,560,606)</u>	<u>\$ 107,120,877</u>	<u>\$ 659</u>	<u>(\$ 323,952)</u>	<u>\$ 356,514,671</u>
For the year ended December 31, 2020											
Balance at January 1, 2020		<u>\$ 58,611,863</u>	<u>\$ 9,138,869</u>	<u>\$ 61,364,852</u>	<u>\$ 60,171,925</u>	<u>\$ 64,990,184</u>	<u>(\$ 4,560,606)</u>	<u>\$ 107,120,877</u>	<u>\$ 659</u>	<u>(\$ 323,952)</u>	<u>\$ 356,514,671</u>
Profit for the year		-	-	-	-	19,544,141	-	-	-	-	19,544,141
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	404,543	(712,000)	(9,139,910)	31,464	-	(9,415,903)
Total comprehensive income (loss)		-	-	-	-	19,948,684	(712,000)	(9,139,910)	31,464	-	10,128,238
Appropriations of 2019 earnings	6(15)										
Legal reserve		-	-	2,970,224	-	(2,970,224)	-	-	-	-	-
Special reserve		-	-	-	6,156,414	(6,156,414)	-	-	-	-	-
Cash dividends		-	-	-	-	(22,272,508)	-	-	-	-	(22,272,508)
Dividends paid to subsidiaries to adjust capital surplus	6(14)	-	17,295	-	-	-	-	-	-	-	17,295
Changes in the net interest of associates recognised under the equity method	6(14)	-	4,568	-	-	(88,768)	-	84,386	-	-	186
Expired cash dividends reclassified to capital surplus	6(14)	-	4,420	-	-	-	-	-	-	-	4,420
Expired dividends paid from capital surplus	6(14)	-	(304)	-	-	-	-	-	-	-	(304)
Changes in ownership interests in subsidiaries	6(14)	-	2,789	-	-	(40,929)	-	-	-	-	(38,140)
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	(29,924)	-	29,924	-	-	-
Balance at December 31, 2020		<u>\$ 58,611,863</u>	<u>\$ 9,167,637</u>	<u>\$ 64,335,076</u>	<u>\$ 66,328,339</u>	<u>\$ 53,380,101</u>	<u>(\$ 5,272,606)</u>	<u>\$ 98,095,277</u>	<u>\$ 32,123</u>	<u>(\$ 323,952)</u>	<u>\$ 344,353,858</u>

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	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 20,603,189	\$ 31,898,538
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(22)	5,648,825	5,497,457
Amortization	6(22)	3,166,572	3,038,884
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(20)	155,458 (	27,104)
Interest expense	6(21)	808,895	933,004
Interest income	6(18)	(129,309 ) (	248,856)
Dividend income	6(19)	(3,955,134 ) (	7,935,339)
Share of profit or loss of associates accounted for under the equity method		(13,094,869 ) (	15,820,271)
Loss (gain) on disposal and scrap of property, plant and equipment	6(20)	204,906 (	24,641)
Realised gain from sales		(237,930 ) (	254,779)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(50,502)	174,313
Notes receivable-related parties		(82,611)	286,827
Accounts receivable		(160,761)	1,942,962
Accounts receivable-related parties		657,499	4,932,646
Other receivables		329,481	1,700,334
Inventory		5,802,491 (	827,914)
Other current assets		(1,522,214 ) (	1,031,171)
Changes in operating liabilities			
Accounts payable		(272,413 ) (	439,168)
Accounts payable-related parties		1,056,168 (	3,312,296)
Other payables		(887,969 ) (	1,876,723)
Other current liabilities		1,196,791 (	794,469)
Accrued pension liabilities		(793,963 ) (	531,098)
Cash inflow generated from operations		18,442,600	17,281,136
Interest received		136,323	270,745
Dividends received		12,902,065	22,594,777
Interest paid		(820,936 ) (	936,581)
Income tax paid		(209,720 ) (	4,999,175)
Net cash flows from operating activities		30,450,332	34,210,902

(Continued)

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	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other receivables-related parties		\$ 8,603,238	(\$ 1,545,394)
Proceeds from disposal of financial assets at fair value through profit or loss		23,293	7,749
Acquisition of investments accounted for under the equity method		(1,383,254)	(6,054,554)
Acquisition of property, plant and equipment	6(26)	(6,989,725)	(5,824,832)
Proceeds from disposal of property, plant and equipment		65,876	46,830
Increase in non-current assets		(2,621,654)	(4,522,873)
Net cash flows used in investing activities		(2,302,226)	(17,893,074)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(7,293,800)	11,419,700
Decrease in short-term notes and bills payable		1,200,385	1,905,827
Increase in long-term borrowings		-	700,000
Payment of long-term borrowings		(4,033,333)	(7,188,889)
Increase in corporate bonds payable		10,000,000	7,000,000
Payment of corporate bonds payable		(2,750,000)	(6,200,000)
Payment of lease liabilities		(6,022)	(6,020)
Increase (decrease) in other non-current liabilities		22,707	(12,246)
Payment of cash dividends	6(26)	(22,267,479)	(36,329,900)
Expired dividends paid from capital surplus		(304)	(156)
Net cash flows used in financing activities		(25,127,846)	(28,711,684)
Net increase (decrease) in cash and cash equivalents		3,020,260	(12,393,856)
Cash and cash equivalents at beginning of year		685,005	13,078,861
Cash and cash equivalents at end of year		\$ 3,705,265	\$ 685,005

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

FORMOSA CHEMICALS & FIBRE CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. History and Organization

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

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 12, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

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

(11) Inventories

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

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

- A. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to comply with the Company's accounting policies.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

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

- L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- M. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

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

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

(14) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Impairment of non-financial assets

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

(16) Borrowings

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

(17) Notes and accounts payable

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

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Non-hedging derivatives

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

C. Employees', directors' and supervisors' remuneration

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

(22) Income tax

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

(23) Treasury shares

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

(24) Dividends

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

(25) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells a variety of petrochemical products, including the spinning, weaving, dyeing and finishing of rayon and nylon fiber. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) The amount of sales revenue recognised is equal to the contract price net of volume discounts and sales discounts and allowances. Volume discounts and sales discounts and allowances are estimated based on historical information, and a refund liability is recognised for expected volume discounts and sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 to 120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of accounts receivable

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

B. Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$13,243,545.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 336	\$ 380
Checking accounts and demand deposits	2,849,334	684,625
Cash equivalents		
Time deposits	855,595	-
	<u>\$ 3,705,265</u>	<u>\$ 685,005</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. Loss allowance is measured using 12-month expected credit losses. For the years ended December 31, 2019 and 2018, the Company did not recognise any loss allowance.

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current item:		
Financial assets mandatorily measured at fair value through profit or loss		
Fund	\$ 4,085,299	\$ 4,085,299
Valuation adjustment	(196,789)	(41,331)
	<u>\$ 3,888,510</u>	<u>\$ 4,043,968</u>

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

	For the years ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Fund	(\$ 155,458)	\$ 27,104

- B. The Company did not pledge financial assets at fair value through profit or loss to others as collateral.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

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

	December 31, 2020	December 31, 2019
Current items:		
Equity instruments		
Listed stocks	\$ 23,864,654	\$ 23,864,654
Unlisted stocks	725,839	725,839
Valuation adjustment	83,799,612	84,419,435
	<u>\$ 108,390,105</u>	<u>\$ 109,009,928</u>
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 20,188,503	\$ 2,463,536
Valuation adjustment	(1,770,812)	13,338,597
	<u>\$ 18,417,691</u>	<u>\$ 15,802,133</u>

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

	For the years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 15,129,232)	\$ 4,140,707

- B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company were \$127,407,796 and \$124,812,061, respectively.
- C. The Company did not pledge financial assets at fair value through other comprehensive income to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 266,891	\$ 216,389
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 266,891</u>	<u>\$ 216,389</u>
Notes receivable - related parties	<u>\$ 127,610</u>	<u>\$ 44,999</u>
Accounts receivable	\$ 5,868,792	\$ 5,836,695
Less: Allowance for uncollectible accounts	(72,170)	(200,834)
	<u>\$ 5,796,622</u>	<u>\$ 5,635,861</u>
Accounts receivable - related parties	<u>\$ 12,181,977</u>	<u>\$ 12,839,476</u>

A. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$26,233,870.

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$394,501 and \$261,388 and accounts receivable were \$17,978,599 and \$18,475,337, respectively.

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

(5) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,655,511	(\$ 1,373)	\$ 4,654,138
Materials	3,491,570	(559,517)	2,932,053
Work in progress	1,552,918	(1)	1,552,917
Finished goods	4,106,269	(5,535)	4,100,734
Other inventory	3,703	-	3,703
	<u>\$ 13,809,971</u>	<u>(\$ 566,426)</u>	<u>\$ 13,243,545</u>
December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 7,274,806	(\$ 37,676)	\$ 7,237,130
Materials	3,695,338	(553,878)	3,141,460
Work in progress	1,945,836	(1,974)	1,943,862
Finished goods	6,819,216	(98,106)	6,721,110
Other inventory	2,474	-	2,474
	<u>\$ 19,737,670</u>	<u>(\$ 691,634)</u>	<u>\$ 19,046,036</u>

Expense and loss incurred on inventories for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Cost of inventories sold	\$ 145,823,787	\$ 179,508,824
(Gain) loss on inventory valuation (Note)	(125,208)	37,326
Idle capacity (including annual survey and work stoppage)	1,789,759	1,841,074
Others	223,329	127,122
	<u>\$ 147,711,667</u>	<u>\$ 181,514,346</u>

Note: For the year ended December 31, 2020, disposal of excess inventory resulted in gain from price recovery of inventory. As the market value of petroleum related products decreased for the year ended December 31, 2019, the Company recognised related allowance for inventory valuation losses after assessment.

(6) Investments accounted for using equity method

	December 31, 2020	December 31, 2019
Subsidiaries		
FCFC Investment Corp. (Cayman)	\$ 61,014,998	\$ 52,477,831
Formosa Taffeta Co., Ltd.	22,556,331	23,552,658
FCFC International Corp. (Cayman)	-	11,407,819
Formosa Industries Corp., Vietnam	8,011,716	8,156,669
Formosa Idemitsu Petrochemical Corp.	1,330,780	1,553,085
Formosa BP Chemicals Corp.	1,567,014	1,666,159
Formosa Biomedical Technology Corp.	1,885,663	1,146,295
Formosa Carpet Corp.	198,152	206,770
Tah Shin Spinning Corp.	738,754	32,508
Chia-Nan Enterprise Corp.	353,298	-
Associates		
Formosa Petrochemical Corp.	74,133,567	79,497,235
Mai Liao Power Corp.	12,414,449	11,049,766
Formosa Heavy Industries Corp.	7,102,774	7,168,024
Formosa Resource Corp.	6,169,287	6,615,934
Formosa Synthetic Rubber Corp. (Hong Kong)	2,308,051	2,326,752
FG INC.	3,117,242	2,605,772
Formosa Plastics Transport Corp.	1,177,559	1,062,761
Formosa Group (CAYMAN) Corp.	549,229	653,576
Chia-Nan Enterprise Corp.	-	225,553
Formosa Synthetic Rubber Corp.	-	292,611
Formosa Environmental Technology Corp.	227,350	225,692
Formosa Fairway Corp.	68,247	82,161
Formosa Construction Corp.	568,354	75,523
Hwa Ya Science Park Management Consulting Co.	3,029	2,530
	<u>\$ 205,495,844</u>	<u>\$ 212,083,684</u>

- A. The related information on subsidiaries is provided in Note 4(3) of consolidated financial statements for 2020.
- B. After the Company acquired an additional equity interest in Chia-Nan Enterprise Corp. on September 24, 2020, Chia-Nan Enterprise Corp. became the Company's consolidated subsidiary. Details are provided in Note 4(3) of the Company's consolidated financial statements.
- C. On May 7, 2020, the Board of Directors of the Company resolved to dissolve and liquidate the subsidiary, FCFC International Limited (Cayman). The equity interest of Formosa Ha Tinh (Cayman) Limited which was formerly held by FCFC International Limited (Cayman) was transferred into non-current financial assets at fair value through other comprehensive income after the combination.
- D. The investments accounted for using equity method were based on the investees' audited financial statements for the years ended December 31, 2020 and 2019.
- E. The financial information of the associate that is material to the Company is as follows:

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2020</u>	<u>December 31, 2019</u>		
Formosa Petrochemical Corp.	Taiwan	24.15%	24.15%	Investments accounted for using equity method	Equity method

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

Balance Sheet

	<u>Formosa Petrochemical Corp.</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 212,621,640	\$ 227,523,818
Non-current assets	157,332,180	159,513,535
Current liabilities	(27,677,805)	(35,694,376)
Non-current liabilities	(34,174,656)	(21,119,916)
Total net assets	<u>\$ 308,101,359</u>	<u>\$ 330,223,061</u>
Share in associate's net assets	\$ 74,406,478	\$ 79,748,869
Unrealised loss (gain) from sales of upstream transactions eliminations	(162,192)	(140,915)
Net differences in share capital	(110,719)	(110,719)
Carrying amount of the associate	<u>\$ 74,133,567</u>	<u>\$ 79,497,235</u>

Statement of comprehensive income

Formosa Petrochemical Corp.		
	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	\$ 413,042,534	\$ 643,824,935
Profit for the year from continuing operations	\$ 7,429,610	\$ 36,798,213
Other comprehensive (loss) income, net of tax	(1,926,787)	1,397,296
Total comprehensive income	\$ 5,502,823	\$ 38,195,509
Dividends received from associates	\$ 6,672,319	\$ 11,043,840
G. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below: As of December 31, 2020 and 2019, the carrying amount of the Company's individually immaterial associates amounted to \$33,805,571 and \$32,386,655, respectively.		
	Year ended December 31, 2020	Year ended December 31, 2019
Profit for the year from continuing operations	\$ 6,722,122	\$ 1,682,296
Other comprehensive loss, net of tax	(3,835,199)	(5,507,152)
Total comprehensive loss	\$ 2,886,923	(\$ 3,824,856)
H. The fair value of the Company's associate which has quoted market price is as follows:		
	December 31, 2020	December 31, 2019
Formosa Petrochemical Corp.	\$ 229,619,820	\$ 224,327,981
I. The Board of Directors resolved to invest USD 24,600 thousand and USD 22,500 thousand, equivalent to 30% ownership, in FG INC. on March 13, 2020 and March 15, 2019, respectively.		
J. On November 6, 2020, the Board of Directors of the Company resolved to increase its investment in Formosa Plastics Construction Corporation in the amount of \$500,000, and the shareholding ratio was 33.33%.		
K. The Board of Directors resolved to invest USD 81,250 thousand, equivalent to 25% ownership, in Formosa Resource Corp. on August 8, 2019. Actual investment amount was USD 50 million on August 19, 2019.		
L. On December 13, 2019, the Board of Directors resolved to increase its capital in Formosa Synthetic Rubber Corp. amounting to \$46,000, equivalent to a 33.33% equity interest. On April 10, 2020, the shareholders of Formosa Synthetic Rubber Corp. during their meeting resolved to go into liquidation, and the liquidation was completed on December 28, 2020.		
M. On August 25, 2020, the shareholders of Tah Shin Spinning Corporation resolved to dissolve the company. As of March 12, 2021, the dissolution has not yet been completed.		
N. The Company received cash dividends of \$8,946,930 and \$14,659,438 for the years ended December 31, 2020 and 2019, respectively, from its investments accounted for using equity method. The cash dividends are recorded as a deduction from the Company's investments accounted for using equity method.		
O. As of December 31, 2020 and 2019, no equity investment held by the Company was pledged to others.		

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2020</u>						
Cost	\$ 9,525,020	\$19,526,792	\$ 175,961,175	\$ 4,198,462	\$ 8,354,559	\$217,566,008
Accumulated depreciation and impairment	-	(14,245,996)	(146,647,605)	(3,330,015)	-	(164,223,616)
	<u>\$ 9,525,020</u>	<u>\$ 5,280,796</u>	<u>\$ 29,313,570</u>	<u>\$ 868,447</u>	<u>\$ 8,354,559</u>	<u>\$ 53,342,392</u>
<u>2020</u>						
Opening net book amount	\$ 9,525,020	\$ 5,280,796	\$ 29,313,570	\$ 868,447	\$ 8,354,559	\$ 53,342,392
Additions	-	-	177,127	46,533	6,910,913	7,134,573
Disposals	(2,645)	(52,862)	(215,127)	(148)	-	(270,782)
Reclassifications	-	162,767	5,453,211	180,656	(5,799,601)	(2,967)
Depreciation charge	-	(613,516)	(4,858,152)	(171,366)	-	(5,643,034)
Closing net book amount	<u>\$ 9,522,375</u>	<u>\$ 4,777,185</u>	<u>\$ 29,870,629</u>	<u>\$ 924,122</u>	<u>\$ 9,465,871</u>	<u>\$ 54,560,182</u>
<u>At December 31, 2020</u>						
Cost	\$ 9,522,375	\$19,364,542	\$ 180,450,547	\$ 4,403,532	\$ 9,465,871	\$223,206,867
Accumulated depreciation and impairment	-	(14,587,357)	(150,579,918)	(3,479,410)	-	(168,646,685)
	<u>\$ 9,522,375</u>	<u>\$ 4,777,185</u>	<u>\$ 29,870,629</u>	<u>\$ 924,122</u>	<u>\$ 9,465,871</u>	<u>\$ 54,560,182</u>
	Land	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2019</u>						
Cost	\$ 9,518,978	\$19,405,014	\$ 172,506,642	\$ 4,113,365	\$ 7,002,181	\$212,546,180
Accumulated depreciation and impairment	-	(13,644,325)	(142,513,944)	(3,246,247)	-	(159,404,516)
	<u>\$ 9,518,978</u>	<u>\$ 5,760,689</u>	<u>\$ 29,992,698</u>	<u>\$ 867,118</u>	<u>\$ 7,002,181</u>	<u>\$ 53,141,664</u>
<u>2019</u>						
Opening net book amount	\$ 9,518,978	\$ 5,760,689	\$ 29,992,698	\$ 867,118	\$ 7,002,181	\$ 53,141,664
Additions	13,271	-	70,293	73,059	5,558,554	5,715,177
Disposals	(7,229)	-	(14,577)	(383)	-	(22,189)
Reclassifications	-	121,778	4,011,964	71,839	(4,206,176)	(595)
Depreciation charge	-	(601,671)	(4,746,808)	(143,186)	-	(5,491,665)
Closing net book amount	<u>\$ 9,525,020</u>	<u>\$ 5,280,796</u>	<u>\$ 29,313,570</u>	<u>\$ 868,447</u>	<u>\$ 8,354,559</u>	<u>\$ 53,342,392</u>
<u>At December 31, 2019</u>						
Cost	\$ 9,525,020	\$19,526,792	\$ 175,961,175	\$ 4,198,462	\$ 8,354,559	\$217,566,008
Accumulated depreciation and impairment	-	(14,245,996)	(146,647,605)	(3,330,015)	-	(164,223,616)
	<u>\$ 9,525,020</u>	<u>\$ 5,280,796</u>	<u>\$ 29,313,570</u>	<u>\$ 868,447</u>	<u>\$ 8,354,559</u>	<u>\$ 53,342,392</u>

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

	For the years ended December 31,	
	2020	2019
Amount capitalised	\$ 96,149	\$ 77,914
Interest rate	0.98~1.19	1.20~1.41

- B. Under the regulations, land may only be owned by individuals. Thus, the Company has already obtained ownership of the agricultural land for future plant expansion which was acquired by the Company under the name of a third party, who has pledged the full amount to the Company. As of December 31, 2020 and 2019, the pledged amount was both \$14,693.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements — lessee

- A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 2 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	\$ 20,442	\$ 22,376
Buildings	6,746	2,896
	<u>\$ 27,188</u>	<u>\$ 25,272</u>

	For the years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	\$ 1,931	\$ 1,930
Buildings	3,860	3,862
	<u>\$ 5,791</u>	<u>\$ 5,792</u>

- C. For the years ended December 31, 2020 and 2019, the additions to right-of use assets were \$7,710 and \$109, respectively.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 350	\$ 403
Expense on short-term lease contracts	4,872	5,176
Expense on variable lease payments	3,291	3,977

- E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$14,185 and \$15,173, respectively.

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

<u>Type of loans</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured loans	\$ 13,763,200	0.75% ~ 0.86%	None
Short-term notes and bills payable	\$ 15,600,000	0.24% ~ 0.25%	None
Short-term notes and bills payable discount	(3,245)		
Net short-term notes and bills payable	<u>\$ 15,596,755</u>		

<u>Type of loans</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured loans	\$ 21,057,000	0.85% ~ 0.91%	None
Short-term notes and bills payable	\$ 14,400,000	0.61% ~ 0.88%	None
Short-term notes and bills payable discount	(3,630)		
Net short-term notes and bills payable	<u>\$ 14,396,370</u>		

(10) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic unsecured nonconvertible corporate bonds	\$ 42,100,000	\$ 34,850,000
Less: Current portion	(2,050,000)	(2,750,000)
	<u>\$ 40,050,000</u>	<u>\$ 32,100,000</u>

The terms of domestic unsecured nonconvertible corporate bonds were as follows:

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2020	December 31, 2019	Note
<u>2012</u>							
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7 ~ 2022.12.7	1.51	\$ 4,100,000	\$ 4,100,000	\$ 4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2019.1.22 ~ 2020.1.22	1.34	2,800,000	-	1,400,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22 ~ 2023.1.22	1.5	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%
<u>2013</u>							
First issued domestic unsecured nonconvertible corporate bonds - B	2013.7.8	2019.7.8 ~ 2020.7.8	1.38	2,700,000	-	1,350,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8 ~ 2023.7.8	1.52	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.1.17	2025.1.17 ~ 2026.1.17	2.03	10,000,000	10,000,000	10,000,000	Serial bonds, to be settled 50%, 50%
<u>2014</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	1,400,000	1,400,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2020	December 31, 2019	Note
<u>2014</u>							
First issued domestic unsecured nonconvertible corporate bonds - B	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	\$ 4,600,000	\$ 4,600,000	\$ 4,600,000	Serial bonds, to be settled 50%, 50%
<u>2019</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2019.5.13	2023.5.13 ~ 2024.5.13	0.75	3,300,000	3,300,000	3,300,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2019.5.13	2025.5.13 ~ 2026.5.13	0.83	3,000,000	3,000,000	3,000,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2019.5.13	2028.5.13 ~ 2029.5.13	0.93	700,000	700,000	700,000	Serial bonds, to be settled 50%, 50%
<u>2020</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2020.9.3	2024.9.3 ~ 2025.9.3	0.52	2,900,000	2,900,000	-	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2020.9.3	2026.9.3 ~ 2027.9.3	0.6	5,200,000	5,200,000	-	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2020.9.3	2029.9.3 ~ 2030.9.3	0.67	1,900,000	1,900,000	-	Serial bonds, to be settled 50%, 50%
Less: Current portion of bonds payable					42,100,000 (2,050,000)	34,850,000 (2,750,000)	
					<u>\$ 40,050,000</u>	<u>\$ 32,100,000</u>	

(11) Long-term bank loans and notes payable

For the year ended December 31, 2020: None.

	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank loans				
Secured loans				
Mega International	Apr. 21, 2014 ~	1.63%	Land	\$ 4,033,333
Commercial Bank	Apr. 21, 2021, principal payable semianually after three years; interest payable monthly			
Less: Current portion of long-term bank loans and notes payable				(2,688,889)
				<u>\$ 1,344,444</u>

- A. The collaterals for long-term bank loans are described in Note 8.
- B. The Group has signed contracts for syndicated loans with Mega Bank and others on November 14, 2013 to finance plant construction for Formosa Ha Tinh Steel Corp. Information is as follows:
- (a) Total credit line: \$12,100,000
- (b) Interest rate: Based on the agreement with the banks
- (c) Period: 7 years
- (d) Collateral: Land in Six Naphtha Cracking Plant, Mailiao Township, Yunlin County
- The Company is required to meet certain financial covenants, namely liability ratio (liabilities/net equity) of less than 150% and current ratio (current assets/current liabilities) of above 100% at the end of each year. In the event the Company fails to meet the required covenants, a capital increase has to be completed by June of the following year.
- C. In the first half of 2020, the abovementioned long-term bank loans were settled before maturity.

(12) Pensions

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

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 7,566,690	\$ 8,559,491
Fair value of plan assets	(2,738,052)	(2,631,007)
Net defined benefit liability	<u>\$ 4,828,638</u>	<u>\$ 5,928,484</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 8,559,491	(\$ 2,631,007)	\$ 5,928,484
Current service cost	77,684	-	77,684
Interest expense (income)	85,595	(26,603)	58,992
	<u>8,722,770</u>	<u>(2,657,610)</u>	<u>6,065,160</u>
Remeasurements:			
Return on plan assets	-	(82,930)	(82,930)
Experience adjustments	(222,952)	-	(222,952)
	<u>(222,952)</u>	<u>(82,930)</u>	<u>(305,882)</u>
Pension fund contribution	-	(51,455)	(51,455)
Paid pension	(933,128)	53,943	(879,185)
	<u>(933,128)</u>	<u>2,488</u>	<u>(930,640)</u>
Balance at December 31	<u>\$ 7,566,690</u>	<u>(\$ 2,738,052)</u>	<u>\$ 4,828,638</u>
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 8,617,817	(\$ 2,512,572)	\$ 6,105,245
Current service cost	82,522	-	82,522
Interest expense (income)	107,723	(31,758)	75,965
	<u>8,808,062</u>	<u>(2,544,330)</u>	<u>6,263,732</u>
Remeasurements:			
Return on plan assets	-	(81,832)	(81,832)
Change in financial assumptions	145,975	-	145,975
Experience adjustments	290,194	-	290,194
	<u>436,169</u>	<u>(81,832)</u>	<u>354,337</u>
Pension fund contribution	-	(54,194)	(54,194)
Paid pension	(684,740)	49,349	(635,391)
	<u>(684,740)</u>	<u>(4,845)</u>	<u>(689,585)</u>
Balance at December 31	<u>\$ 8,559,491</u>	<u>(\$ 2,631,007)</u>	<u>\$ 5,928,484</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	1.00%	1.00%
Future salary increases	2.85%	2.85%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.35%	Decrease 0.35%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 117,947)	\$ 122,258	\$ 174,090	(\$ 166,875)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 145,975)	\$ 151,657	\$ 215,533	(\$ 205,940)

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

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

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 are \$52,999.

B. (a) From July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were \$161,458 and \$162,617, respectively.

(13) Capital stock

A. As of December 31, 2020, the authorised and paid-in capital was \$58,611,863, consisting of 5,861,186 thousand shares with a par value of \$10 per share. All proceeds from shares issued have been collected.

B. Changes in the treasury stocks for the years ended December 31, 2020 and 2019 are set forth below:

For the year ended December 31, 2020					
Reason for reacquisition	Subsidiary	Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co., Ltd.	12,169,610	-	-	12,169,610

For the year ended December 31, 2019					
Reason for reacquisition	Subsidiary	Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co., Ltd.	12,169,610	-	-	12,169,610
	Formosa Advanced Technologies Co., Ltd.	15,249,000	1,563,000	(16,812,000)	-
		27,418,610	1,563,000	(16,812,000)	12,169,610

Note: The Company’s subsidiary, Formosa Taffeta Co., Ltd., lost its control over Formosa Advanced Technologies Co., Ltd. starting from December 16, 2019, and Formosa Advanced Technologies Co., Ltd. was not consolidated in the Company’s financial statements.

C. The market value of treasury stocks was \$84.7 and \$87.5 (in dollars) per share at December 31, 2020 and 2019, respectively.

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

(14) Capital surplus

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

	For the year ended December 31, 2020					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2020	\$ 2,710,554	\$ 5,514,032	\$ 316,688	\$ 372,847	\$ 163	\$ 224,585
Dividends allocated to subsidiaries	-	-	17,295	-	-	-
Effect from disposal of net stockholding of associates recognised under the equity method	-	-	-	4,568	-	-
Changes in ownership interests in subsidiaries	-	-	2,051	738	-	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(304)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	4,420
At December 31, 2020	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 336,034</u>	<u>\$ 378,153</u>	<u>\$ 163</u>	<u>\$ 228,701</u>

For the year ended December 31, 2019						
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2019	\$ 2,710,554	\$ 5,514,032	\$ 269,792	\$ 371,892	\$ -	\$ 217,872
Dividends allocated to subsidiaries	-	-	44,726	-	-	-
Effect from disposal of net stockholding of associates recognised under the equity method	-	-	-	(4,649)	-	-
Changes in ownership interests in subsidiaries	-	-	2,170	5,604	163	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(156)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	6,869
At December 31, 2019	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 316,688</u>	<u>\$ 372,847</u>	<u>\$ 163</u>	<u>\$ 224,585</u>

(15) Retained earnings

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

The special reserve includes:

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

- B. The Company is in the mature stage and the profit is stable. The Board of Directors shall establish the cash dividend or stock dividend percentage. At least 50% of the distributable earnings after deducting the legal reserve, directors' and supervisors' remuneration, employee compensation and special reserves shall be distributed to stockholders. The Company would prefer cash dividend. If the Company requires funds for significant investments or needs to improve its financial structure, part of the dividend will be in the form of stocks which shall not exceed 50% of the total dividends.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 5, 2020 and June 5, 2019, respectively. Details are as follows:

	For the years ended December 31,			
	2020		2019	
	Amount	Dividends per share (in dollar)	Amount	Dividends per share (in dollar)
Legal reserve	\$ 2,970,224		\$ 4,876,932	
Special reserve	6,156,414		7,040,540	
Cash dividends	<u>22,272,508</u>	\$ 3.80	<u>36,339,355</u>	\$ 6.20
	<u>\$ 31,399,146</u>		<u>\$ 48,256,827</u>	

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

- F. The resolution of the appropriations of the 2020 net income was approved during the Board of Directors' meeting on March 12, 2021 as follows:

	For the year ended December 31, 2020	
	Amount	Dividends per share (in dollar)
Legal reserve	\$ 1,978,906	
Special reserve	3,704,582	
Cash dividends	<u>14,652,966</u>	\$ 2.50
	<u>\$ 20,336,454</u>	

(16) Other equity items

	<u>Hedging reserve</u>	<u>Unrealised gain (loss)</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2020	\$ 659	\$ 107,120,877	(\$ 4,560,606)	\$ 102,560,930
Revaluation:				
–Parent company	-	(15,129,232)	-	(15,129,232)
–Subsidiaries	-	6,863,880	-	6,863,880
–Associates	-	(874,558)	-	(874,558)
Revaluation transferred to retained earnings:				
–Subsidiaries	-	29,924	-	29,924
–Associates	-	84,386	-	84,386
Cash flow hedges:				
–Associates	31,464	-	-	31,464
Currency translation differences:				
–Parent company	-	-	278,998	278,998
–Tax of parent company	-	-	(104,057)	(104,057)
–Subsidiaries	-	-	(71,356)	(71,356)
–Associates	-	-	(815,585)	(815,585)
At December 31, 2020	<u>\$ 32,123</u>	<u>\$ 98,095,277</u>	<u>(\$ 5,272,606)</u>	<u>\$ 92,854,794</u>
	<u>Hedging reserve</u>	<u>Unrealised gain (loss)</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2019	(\$ 15,865)	\$ 110,762,790	(\$ 1,813,251)	\$ 108,933,674
Revaluation:				
–Parent company	-	4,140,707	-	4,140,707
–Subsidiaries	-	(7,085,301)	-	(7,085,301)
–Associates	-	(698,630)	-	(698,630)
Revaluation transferred to retained earnings:				
–Subsidiaries	-	1,311	-	1,311
–Associates	-	-	-	-
Cash flow hedges:				
–Associates	16,524	-	-	16,524
Currency translation differences:				
–Parent company	-	-	(2,616,345)	(2,616,345)
–Tax of parent company	-	-	542,926	542,926
–Subsidiaries	-	-	(116,193)	(116,193)
–Associates	-	-	(557,743)	(557,743)
At December 31, 2019	<u>\$ 659</u>	<u>\$ 107,120,877</u>	<u>(\$ 4,560,606)</u>	<u>\$ 102,560,930</u>

(17) Operating revenue

	For the years ended December 31,	
	2020	2019
Revenue from contracts with customers	\$ 159,546,461	\$ 198,078,006
Other operating revenue	135,536	132,052
	<u>\$ 159,681,997</u>	<u>\$ 198,210,058</u>

The Company derives revenue from the transfer of goods and services at a point in time.

(18) Interest income

	For the years ended December 31,	
	2020	2019
Interest income:		
Interest income from bank deposits	\$ 24,817	\$ 101,252
Interest from current account with others	104,492	147,540
Other interest income	-	65
	<u>\$ 129,309</u>	<u>\$ 248,857</u>

(19) Other income

	For the years ended December 31,	
	2020	2019
Rental revenue	\$ 154,271	\$ 155,559
Dividend income	3,955,134	7,935,339
Other revenue	1,065,061	448,211
	<u>\$ 5,174,466</u>	<u>\$ 8,539,109</u>

(20) Other gains and losses

	For the years ended December 31,	
	2020	2019
Net currency exchange (loss) gain	(\$ 717,765)	\$ 75,649
(Loss) gain on disposal of property, plant and equipment	(204,906)	24,641
Net (loss) gain on financial assets at fair value through profit or loss	(155,458)	27,104
Other losses	(89,682)	(112,167)
	<u>(\$ 1,167,811)</u>	<u>\$ 15,227</u>

(21) Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense:		
Bank loans	\$ 204,421	\$ 191,259
Corporate bond	546,415	579,479
Current account with others	48	523
Discount	44,920	136,260
Other interest expenses	109,240	103,397
	905,044	1,010,918
Less: Capitalisation of qualifying assets	(96,149)	(77,914)
Finance costs	\$ 808,895	\$ 933,004

(22) Expenses by nature

	For the years ended December 31,	
	2020	2019
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 5,648,825	\$ 5,497,457
Employee benefit expense	7,088,232	7,463,211
Amortisation	3,166,572	3,038,884
	\$ 15,903,629	\$ 15,999,552

(23) Employee benefit expense

	For the years ended December 31,	
	2020	2019
Wages and salaries	\$ 6,084,527	\$ 6,385,431
Labor and health insurance fees	416,442	437,149
Pension costs	298,134	321,104
Other personnel expenses	289,129	319,527
	\$ 7,088,232	\$ 7,463,211

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

B. For the years ended December 31, 2020 and 2019, employees' remuneration was accrued at \$20,624 and \$31,930, respectively. The aforementioned amount was recognised in salary expenses.

For the years ended December 31, 2020 and 2019, the employees' compensation was estimated and accrued based on approximately 0.1% of the retained earnings.

Employees' compensation for 2019 as resolved by the Board of Directors was in agreement with the amount of \$31,930 recognised in profit or loss for 2019. Employees' compensation for 2019 had been distributed.

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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 526,926	\$ 1,185,170
Tax on undistributed surplus earnings	200,241	590,173
Adjustments in respect of prior years	155,907	(40,272)
Total current tax	883,074	1,735,071
Deferred tax:		
Origination and reversal of temporary differences	175,974	461,225
Total deferred tax	175,974	461,225
Income tax expense	\$ 1,059,048	\$ 2,196,296

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

	For the years ended December 31,	
	2020	2019
Currency translation differences	(\$ 104,057)	\$ 542,926

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 4,120,638	\$ 6,379,708
Effect from items disallowed by tax regulation	(3,417,738)	(4,728,123)
Effect from five-year exemption	-	(5,190)
Tax on undistributed surplus earnings	200,241	590,173
Prior year income tax under (over) estimation	155,907	(40,272)
Income tax expense	\$ 1,059,048	\$ 2,196,296

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

For the year ended December 31, 2020				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	\$ 138,327	(\$ 25,042)	\$ -	\$ 113,285
Currency translation differences	957,598	-	(104,057)	853,541
Unrealised gain from downstream transactions	57,035	(47,586)	-	9,449
Unfunded pension expense	846,362	(158,793)	-	687,569
Impairment loss	194,146	(26,353)	-	167,793
Unrealised exchange loss	33,239	(9,995)	-	23,244
Others	18,491	82,801	-	101,292
	<u>2,245,198</u>	<u>(184,968)</u>	<u>(104,057)</u>	<u>1,956,173</u>
Deferred tax liabilities:				
Difference in useful life for depreciation	(49,271)	8,994	-	(40,277)
	<u>(49,271)</u>	<u>8,994</u>	<u>-</u>	<u>(40,277)</u>
	<u>\$ 2,195,927</u>	<u>(\$ 175,974)</u>	<u>(\$ 104,057)</u>	<u>\$ 1,915,896</u>

For the year ended December 31, 2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	\$ 130,862	\$ 7,465	\$ -	\$ 138,327
Currency translation differences	414,672	-	542,926	957,598
Unrealised gain from downstream transactions	107,991	(50,956)	-	57,035
Unfunded pension expense	948,784	(102,422)	-	846,362
Impairment loss	221,987	(27,841)	-	194,146
Unrealised exchange loss	3,244	29,995	-	33,239
Others	345,543	(327,052)	-	18,491
	<u>2,173,083</u>	<u>(470,811)</u>	<u>542,926</u>	<u>2,245,198</u>
Deferred tax liabilities:				
Difference in useful life for depreciation	(58,857)	9,586	-	(49,271)
	<u>(58,857)</u>	<u>9,586</u>	<u>-</u>	<u>(49,271)</u>
	<u>\$ 2,114,226</u>	<u>(\$ 461,225)</u>	<u>\$ 542,926</u>	<u>\$ 2,195,927</u>

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(25) Earnings per share

A. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period. For the years ended December 31, 2020 and 2019, the earnings per share are calculated as follows:

For the year ended December 31, 2020					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	<u>\$ 20,603,189</u>	<u>\$ 19,544,141</u>	<u>5,849,017</u>	<u>\$ 3.52</u>	<u>\$ 3.34</u>

For the year ended December 31, 2019					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 31,898,538	\$ 29,702,242	5,832,942	\$ 5.47	\$ 5.09

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

For the year ended December 31, 2020					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 20,603,189	\$ 19,544,141	5,861,186	\$ 3.52	\$ 3.33

For the year ended December 31, 2019					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 31,898,538	\$ 29,702,242	5,861,186	\$ 5.44	\$ 5.07

(26) Supplemental cash flow information

- A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2020	2019
Purchase of fixed assets	\$ 7,134,573	\$ 5,715,177
Add: Opening balance of payable on equipment	1,422,790	1,532,445
Less: Ending balance of payable on equipment	(1,567,638)	(1,422,790)
Cash paid during the year	\$ 6,989,725	\$ 5,824,832

- B. Financing activities with partial cash payments:

	For the years ended December 31,	
	2020	2019
Distribution of cash dividends	\$ 22,272,508	\$ 36,339,355
Add: Opening balance of dividends payable	71,884	62,429
Less: Ending balance of dividends payable	(76,913)	(71,884)
Cash dividends paid during the year	\$ 22,267,479	\$ 36,329,900

(27) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Bonds payable (including current portion)</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financial activities-gross</u>
At January 1, 2020	\$21,057,000	\$14,396,370	\$34,850,000	\$ 4,033,333	\$ 74,336,703
Changes in cash flow from financing activities	(7,293,800)	1,200,385	7,250,000	(4,033,333)	(2,876,748)
At December 31, 2020	<u>\$13,763,200</u>	<u>\$15,596,755</u>	<u>\$42,100,000</u>	<u>\$ -</u>	<u>\$ 71,459,955</u>
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Bonds payable (including current portion)</u>	<u>Long-term borrowings (including current portion)</u>	<u>Liabilities from financial activities-gross</u>
At January 1, 2019	\$ 9,637,300	\$12,490,543	\$34,050,000	\$10,522,222	\$ 66,700,065
Changes in cash flow from financing activities	11,419,700	1,905,827	800,000	(6,488,889)	7,636,638
At December 31, 2019	<u>\$21,057,000</u>	<u>\$14,396,370</u>	<u>\$34,850,000</u>	<u>\$ 4,033,333</u>	<u>\$ 74,336,703</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary
Formosa Power (Ningbo) Co., Ltd.	"
Formosa Industries Corp., Vietnam	"
Formosa Biomedical Technology Corp.	"
Hong Jing Resources Corp.	"
Formosa Idemitsu Petrochemical Corp.	"
Formosa BP Chemicals Corp.	"
Formosa Carpet Corp.	"
Chia-Nan Enterprise Corp. (Note 1)	"
Formosa Taffeta Co., Ltd.	"
Tah Shin Spinning Corp. (Liquidated on August 25, 2020)	"
Formosa Taffeta (Zhongshan) Co., Ltd.	"
Formosa Taffeta (Dong Nai) Co., Ltd.	"
Formosa Taffeta (Long An) Corp.	"
Formosa Petrochemical Corp.	Associate
Formosa Heavy Industries Corp.	"
Formosa Plastics Transport Corp.	"
Formosa Synthetic Rubber Corp. (Liquidation completed on December 28, 2020)	"
Formosa Synthetic Rubber (Hong Kong) Corp.	"
Mai-Liao Power Corp.	"
Formosa Group Corp. (Cayman)	"
Formosa Environmental Technology Co.	"
Hwa Ya Science Park Management Consulting Co, Ltd.	"
Formosa Construction Corp.	"
Formosa Resources Corporation	"
FG INC.	"
Formosa Plastics Corp.	Other related party
Nan Ya Plastics Corp.	"
Nan Ya Plastics (Hui Zhou) Corp.	"
Nan Ya Plastics (Ningbo) Corp.	"
Formosa Lithium Iron Oxide Corp.	"
Ming Chi University Of Technology	"
Chang Gung University	"
Yue Chi Development Corp	"
PFG Fiber Glass Corp.	"
Formosa Plastics Marine Corp.	"
Formosa Plastics Marine Co., Ltd.	"
Mai Liao Harbor Administration Corp.	"

Names of related parties	Relationship with the Company
Formosa Plastics Building Parking Lot	Other related party
Formosa Network Technology Corp.	"
FPG Travel Service Co., Ltd.	"
Formosa Sumco Technology Corporation	"
Formosa Asahi Spandex Co., Ltd.	"
Formosa Plastics Logistics Corp.	"
Formosa Daikin Advanced Chemicals Co., Ltd.	"
Inteplast Taiwan Corporation	"
Formosa Oil (Asia Pacific) Corporation	"
Asia Pacific Development Corp.	"
Ya Tai Development Corp.	"
Bio Trust International Corp.	"
Formosa Ha Tinh (Cayman) Limited	"
Formosa Ha Tinh Steel Corp.	"

Note 1: On September 24, 2020, the Company acquired an additional 21% equity interest in Chia-Nan Enterprise Corp. for a total cash consideration of \$145,527. The Company's shareholding ratio reached 51% and obtained control over it. Consequently, it became a subsidiary of the Company.

(2) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,	
	2020	2019
Sales of goods:		
— Subsidiaries		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	\$ 22,194,973	\$ 30,215,362
Others	13,995,765	16,484,535
— Associates		
Formosa Petrochemical Corp.	14,939,627	15,972,584
Others	568	1,593
— Other related parties		
Nan Ya Plastics Corp.	20,526,039	24,442,785
Others	3,270,230	2,534,117
	<u>\$ 74,927,202</u>	<u>\$ 89,650,976</u>

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

B. Purchases of goods:

	For the years ended December 31,	
	2020	2019
Purchases of goods:		
— Subsidiaries	\$ 2,614,522	\$ 2,932,675
— Associates		
Formosa Petrochemical Corp.	84,047,613	100,365,621
— Other related parties	11,220,051	13,559,639
	<u>\$ 97,882,186</u>	<u>\$ 116,857,935</u>

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

C. Receivables from related parties:

	December 31, 2020	December 31, 2019
Receivables from related parties:		
— Subsidiaries		
Formosa Chemicals Industries (Ningbo) Co.,	\$ 5,505,134	\$ 7,585,976
Others	2,574,647	1,949,011
— Associates		
Formosa Petrochemical Corp.	1,684,297	1,187,616
Others	39	39
— Other related parties		
Nan Ya Plastics Corp.	2,134,838	1,923,275
Others	410,632	238,558
	<u>\$ 12,309,587</u>	<u>\$ 12,884,475</u>

The receivables from related parties are mainly from sales of goods and receivables for payments on behalf of others for construction design services. Receivables for sales are due 30~120 days from the date of sales.

D. Payables to related parties:

	December 31, 2020	December 31, 2019
Payables to related parties:		
— Subsidiaries	\$ 493,360	\$ 316,600
— Associates		
Formosa Petrochemical Corp.	8,902,181	8,539,956
— Other related parties	1,688,436	1,171,253
	<u>\$ 11,083,977</u>	<u>\$ 10,027,809</u>

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

E. Expansion and repair project

(a) Expansion and repair project:

	For the years ended December 31,	
	2020	2019
Expansion and repair works of factory sites:		
— Associates	\$ 388,787	\$ 385,576
— Other related parties	367,340	301,754
	<u>\$ 756,127</u>	<u>\$ 687,330</u>

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

	December 31, 2020	December 31, 2019
Payables to related parties:		
— Associates	\$ 95	\$ 250
— Other related parties	41,945	13,070
	<u>\$ 42,040</u>	<u>\$ 13,320</u>

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

F. Financing

(a) Loans to related parties

	December 31, 2020	December 31, 2019
— Associates		
Formosa Petrochemical Corp.	\$ -	\$ 7,150,000
— Other related parties		
Formosa Plastics Marine Co., Ltd.	4,195,598	5,648,836
	<u>\$ 4,195,598</u>	<u>\$ 12,798,836</u>

(b) Interest income

	For the years ended December 31,	
	2020	2019
— Subsidiaries	\$ 45	\$ 482
— Associates		
Formosa Petrochemical Corp.	41,986	63,193
Others	-	1,554
	<u>41,986</u>	<u>64,747</u>
— Other related parties		
Formosa Plastics Marine Co., Ltd.	62,461	81,476
Others	-	835
	<u>62,461</u>	<u>82,311</u>
	<u>\$ 104,492</u>	<u>\$ 147,540</u>

The loan terms to related parties are in accordance with the contract's repayment schedule after the loan was made; interest were collected at 1.23%~ 1.42% and 1.41%~ 1.42% per annum for the years ended December 31, 2020 and 2019, respectively.

G. Receivables for payment on behalf of others

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	(\$ 27)	\$ 27

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

H. Operating expenses

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Transportation charges		
— Other related parties	\$ 1,505,927	\$ 1,357,610
Formosa Plastics Marine Corp.	39,095	64,820
Others	<u>\$ 1,545,022</u>	<u>\$ 1,422,430</u>

I. Rental revenue

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
— Subsidiaries		
Formosa BP Chemicals Corp.	\$ 16,164	\$ 15,618
Others	7,763	8,024
	<u>23,927</u>	<u>23,642</u>
— Associates		
Formosa Petrochemical Corp.	21,215	21,215
Others	12,022	12,346
	<u>33,237</u>	<u>33,561</u>
— Other related parties		
Nan Ya Plastics Corp.	25,791	26,391
Formosa Plastics Building Parking Lot	16,064	15,130
Formosa Network Technology Corp.	15,400	15,400
Others	29,682	30,028
	<u>86,937</u>	<u>86,949</u>
	<u>\$ 144,101</u>	<u>\$ 144,152</u>

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

J. Property transactions:

(a) Purchase of property, plant and equipment

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Associates	<u>\$ 278,560</u>	<u>\$ 276,397</u>

(b) Acquisition of financial assets

				2020
	Items	Number of shares	Name of the securities	Additional amount
Formosa Construction Corp.	Investments accounted for using equity method	50,000,000	Shares of Formosa Construction Corp.	\$ 500,000
FG INC.	Investments accounted for using equity method	-	Shares of FG INC.	
				<u>737,727</u>
				<u>\$ 1,237,727</u>
				2019
	Items	Number of shares	Name of the securities	Additional amount
Formosa Synthetic Rubber (Taiwan) Corp.	Investments accounted for using equity method	4,600,000	Shares of Formosa Synthetic Rubber (Taiwan) Corp.	\$ 46,000
Formosa Resources Corporation	Investments accounted for using equity method	157,000,000	Shares of Formosa Resources Corporation	1,570,000
FG INC.	Investments accounted for using equity method	-	Shares of FG INC.	
				694,710
FCFC Investment Corp.	Investments accounted for using equity method	-	Shares of FCFC - Investment Corp. (Cayman)	3,743,844
				<u>\$ 6,054,554</u>

K. Sales of materials:

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

		For the years ended December 31,	
		2020	2019
Sales of materials:			
— Subsidiaries		<u>\$ 497,591</u>	<u>\$ 429,103</u>
		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Receivable from sales of materials:			
— Subsidiaries		<u>\$ 51,113</u>	<u>\$ 66,631</u>

L. Donation

	For the years ended December 31,	
	2020	2019
Other related parties	\$ 6,121	\$ 14,839

M. Details of the Company providing endorsements / guarantees and issuing promissory note for related parties are provided in Notes 9(3) and (4).

(3) Key management compensation

	For the years ended December 31,	
	2020	2019
Salaries	\$ 111,845	\$ 124,975
Post-employment benefits	1,505	1,605
	<u>\$ 113,350</u>	<u>\$ 126,580</u>

8. Pledged Assets

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

Pledged assets	Book value		Purpose
	December 31, 2020	December 31, 2019	
Property, plant and equipment	\$ 5,749,952	\$ 5,750,695	Collaterals for bank loans

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

The details of commitments and contingencies as of December 31, 2020 were as follows:

- (1) Capital expenditures contracted for property, plant and equipment at the balance sheet date but not yet incurred amounted to \$6,437,331 thousand.
- (2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 6,720 thousand, JPY 46,000 and EUR 1,190 thousand.
- (3) The endorsements and guarantees to others are as follows:

	December 31, 2020	December 31, 2019
Formosa Industries Corp., Vietnam	\$ -	\$ 602,120
Formosa Resources Corporation	3,064,610	3,236,395
Formosa Group Corp. (Cayman)	7,127,000	7,526,500
Formosa Ha Tinh (Cayman) Limited	18,967,581	20,753,559
	<u>\$ 29,159,191</u>	<u>\$ 32,118,574</u>

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

- A. The Company's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided a bank loan facility of USD 2.22 billion to meet its operating needs. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower has fulfilled its obligation for repayment.
- B. The Company's consolidated entity, Formosa Chemicals Industries (Ningbo) Co., entered into a syndicated loan contract with several banks including Mega International Commercial Bank, as the lead bank, for a credit facility of USD 155 million to meet the capital needs of building the plant. The Company is required to issue a promissory note and is obliged to facilitate the repayment of the borrower whenever necessary. Abovementioned syndicated loan has been repaid by Formosa Chemicals Industries (Ningbo) Limited Co. in October 2020.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The Board of Directors has resolved the appropriations of 2020 earnings on March 12, 2021. Details are provided in Note 6(15) F.

12. Others

(1) Due to the impact of COVID-19, there was a significant loss of momentum in the consumption market as a result of restrictions on people's movement and social contact in many countries, and the spread of petrochemical products, being the difference between the product prices and cost of raw materials, gradually deviated from its historical norm because of fluctuations in international crude oil prices. Consequently, the Company's operating revenue of 2020 decreased by nearly 19% than 2019, resulting in a decrease in profit before tax of almost 35%. Although the Company has profit before tax and turned its losses into profits in the second and third quarter of 2020 compared to the first quarter, and the operating revenue in the fourth quarter also increased by 26% compared to the third quarter, the overall impact of the pandemic on the financial position and performance of the Company in 2021 relies on the subsequent control of the pandemic and recovery momentum in the consumption market.

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

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

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

Because of the Changhua plant shutdown, the Company assessed that part of idle production equipment may not be recoverable. Accordingly, the Company recognised impairment loss on property, plant and equipment amounting to \$466,785 for the year ended December 31, 2016. On November 16, 2017, the Company received a violation decision from Changhua County Government of an enhanced fine amounting to \$1.244 billion pursuant to Article 7 of Environmental Impact Assessment Act. The fine was levied on the ground that the indigenous coal used in the combined heat and power system is contrary to that indicated in the Environmental Impact Statement. The lawyers have appealed in Environmental Protection Administration (EPA) on behalf of the

Company on November 22, 2017. On December 19, 2017, Changhua Country Government consented to suspend the fine until the appeal was decided as stated in Letter No. Fu-Sho-HuanZong-Zi-1060429733. On December 11, 2017, the Company stated its opinion in EPA to dispute the fine. On February 14, 2018, the Company was informed that the decision on the appeal was postponed for two months in EPA's Letter No. Huan-Shu-Zi-1070014111. On March 8, 2018, EPA ruled to revoke the violation decision of Changhua County Government.

(3) Capital management

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

During the years ended December 31, 2020 and 2019, the Company's strategy, which was unchanged from 2019, was to maintain the gearing ratio at 16% and 17%, respectively.

(4) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 3,888,510	\$ 4,043,968
Financial assets at fair value through other comprehensive income	127,407,796	124,812,061
Financial assets at amortised cost	<u>27,116,928</u>	<u>33,382,610</u>
	<u>\$ 158,413,234</u>	<u>\$ 162,238,639</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 89,716,734	\$ 92,541,809
Lease liabilities	<u>27,482</u>	<u>25,447</u>
	<u>\$ 89,744,216</u>	<u>\$ 92,567,256</u>

Note: Financial assets measured at amortised cost include cash, contract assets, accounts and notes receivable, other receivables, and refundable deposits. Financial liabilities measured at amortised cost include short-term borrowings, short-term notes and bill payable, accounts and notes payable, other payables, long-term borrowings (including those maturing within one year or one business cycle), corporate bonds payable (including those maturing within one year or one business cycle), and guarantee deposits received.

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investment in foreign operations.
- ii. Management has set up a policy to manage its foreign exchange risk against its functional currency. Each entity hedges its entire foreign exchange risk exposure.
- iii. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, VND and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020				
Foreign Currency				
	Amount (In Thousands)	Exchange Rate	Book Value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 426,306	28.51	\$	12,153,984
JPY : NTD	4,360	0.27		1,177
EUR : NTD	33	34.56		1,140
<u>Non-monetary items</u>				
RMB : NTD	\$ 13,962,242	4.37	\$	61,014,998
USD : NTD	190,294	28.51		5,425,283
VND : NTD	6,676,430,000	0.0012		8,011,716
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 43,237	28.51	\$	1,232,687
JPY : NTD	98,204	0.27		26,515
EUR : NTD	83	34.56		2,868

December 31, 2019

Foreign Currency				
	<u>Amount (In Thousands)</u>	<u>Exchange Rate</u>	<u>Book Value (NTD)</u>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 395,597	30.11	\$	11,911,426
JPY : NTD	2,162	0.28		605
EUR : NTD	139	33.69		4,683
<u>Non-monetary items</u>				
RMB : NTD	\$ 12,147,646	4.32	\$	52,477,831
USD : NTD	536,477	30.11		16,153,322
VND : NTD	6,274,360,769	0.0013		8,156,669
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 42,257	30.11	\$	1,272,358
JPY : NTD	92,696	0.28		25,955
EUR : NTD	187	33.69		6,300

- iv. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to (\$717,765) and \$75,649, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2020				
Sensitivity analysis				
	Degree of variation		Effect on	Effect on other
			profit or loss	comprehensive
				income
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	121,540	\$ -
JPY : NTD	1%		12	-
EUR : NTD	1%		11	-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$	-	\$ 610,150
USD : NTD	1%		-	54,253
VND : NTD	1%		-	80,117
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	12,327	\$ -
JPY : NTD	1%		265	-
EUR : NTD	1%		29	-

For the year ended December 31, 2019

Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 119,114	\$ -	
JPY : NTD	1%	6	-	
EUR : NTD	1%	47	-	
<u>Non-monetary items</u>				
RMB : NTD	1%	\$ -	\$ 524,778	
USD : NTD	1%	-	161,533	
VND : NTD	1%	-	81,567	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 12,724	\$ -	
JPY : NTD	1%	260	-	
EUR : NTD	1%	63	-	

Price risk

- i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, components of equity for the years ended December 31, 2020 and 2019 would have increased/decreased by \$31,108 and \$32,352, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,274,078 and \$1,248,121, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2020 and 2019, the Company's borrowings at variable rate were denominated in the NTD and USD.

- ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
 - iii. For the years ended December 31, 2020 and 2019, if interest rates on denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years then ended would have been \$0 and \$32,267 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of instruments stated at fair value through other comprehensive income.
 - ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
 - iii. The Company adopts assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.
 - iv. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2020 and 2019, the Company's written-off financial assets that are still under recourse procedures amounted to \$128,664 and \$0, respectively.

- v. The Company used the forecastability of Taiwan Directorate General of Budget, Accounting and Statistics and Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix is as follows:

		Up to 30 days past due	31~60 days past due	61~90 days past due	Over 91 days past due
	Not past due				
<u>At December 31, 2020</u>					
Expected loss rate	0.15%	0.03%	0.03%	-	53.36%
Total book value	\$ 18,187,475	\$ 161,744	\$ 11,038	\$ -	\$ 85,013
Loss allowance	\$ 26,806	\$ 3	\$ -	\$ -	\$ 45,361

At December 31, 2019

Expected loss rate	0.03%	5.49%	100.00%	-	100.00%
Total book value	\$ 18,654,013	\$ 98,189	\$ 11,331	\$ -	\$ 174,026
Loss allowance	\$ 12,754	\$ 5,393	\$ 11,331	\$ -	\$ 174,026

- vi. Movements in relation to the Company applying the simplified approach to provide loss allowance for notes and accounts receivable and contract assets are as follows:

For the year ended December 31, 2020

	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 200,834	\$ -	\$ -
Write-offs	(128,664)	-	-
Effect of foreign exchange	-	-	-
At December 31	<u>\$ 72,170</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2019

	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 160,397	\$ -	\$ -
Impairment loss	40,437	-	-
Effect of foreign exchange	-	-	-
At December 31	<u>\$ 200,834</u>	<u>\$ -</u>	<u>\$ -</u>

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

	December 31, 2020	December 31, 2019
Not past due	\$ 18,187,475	\$ 18,654,013
Up to 30 days	161,744	98,189
31 to 60 days	11,038	11,331
61 to 90 days	-	-
Over 91 days	85,013	174,026
	<u>\$ 18,445,270</u>	<u>\$ 18,937,559</u>

The above ageing analysis was based on past due date.

(c) Liquidity risk

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

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
December 31, 2020				
Lease liability	\$ 6,033	\$ 5,022	\$ 6,251	\$ 12,063
Bonds payable	2,050,000	4,550,000	16,600,000	18,900,000
	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
December 31, 2019				
Lease liability	\$ 5,045	\$ 2,111	\$ 6,224	\$ 14,109
Bonds payable	2,750,000	-	13,800,000	18,300,000
Long-term borrowings	2,688,889	1,344,444	-	-

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

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

(5) Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset for the asset or liability, either directly or indirectly. The fair value of the Company's investment in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments is included in Level 2.

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

- B. Financial instruments not measured at fair value

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

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

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value				
through profit or loss				
Fund	\$ -	\$ 3,888,510	\$ -	\$ 3,888,510
Financial assets at fair value				
through other comprehensive				
Equity securities	<u>105,954,674</u>	<u>2,435,431</u>	<u>19,017,691</u>	<u>127,407,796</u>
	<u>\$105,954,674</u>	<u>\$ 6,323,941</u>	<u>\$ 19,017,691</u>	<u>\$131,296,306</u>

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Fund	\$ -	\$ 4,043,968	\$ -	\$ 4,043,968
Financial assets at fair value through other comprehensive				
Equity securities	<u>106,803,535</u>	<u>2,206,394</u>	<u>15,802,132</u>	<u>124,812,061</u>
	<u>\$106,803,535</u>	<u>\$ 6,250,362</u>	<u>\$ 15,802,132</u>	<u>\$128,856,029</u>

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

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

	<u>Listed shares</u>
Market quoted price	Closing price
ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.	
iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants, the inputs used in the valuation method to measure these financial instruments are normally observable in the market.	
iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.	
v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment or valuation is necessary in order to reasonably represent the fair value if financial and non-financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.	
vi. The Company takes into account adjustments for credit risks of the counterparty and the Company's credit quality.	

- E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	<u>For the year ended December 31, 2020</u>	
	<u>Non-derivative equity instrument</u>	
At January 1	\$	15,802,132
Gain or loss recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	14,509,408)
Acquired by consolidation in the period		17,739,777
Others	(	14,810)
At December 31	\$	<u>19,017,691</u>
	<u>For the year ended December 31, 2019</u>	
	<u>Non-derivative equity instrument</u>	
At January 1	\$	19,076,660
Gain or loss recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	3,274,528)
At December 31	\$	<u>15,802,132</u>

- G. For the years ended December 31, 2020 and 2019, there was no transfer from Level 3.
- H. The Company Treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. The Treasury sets up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS. The related valuation results are reported to Accounting Division monthly. Accounting Division is responsible for managing and reviewing valuation processes.

- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 9,556,575	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	The higher the multiple, the higher the fair value
	998,799	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value
	8,462,317	Net asset value	Not applicable	Not applicable

	<u>December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 14,290,717	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	The higher the multiple, the higher the fair value
	1,199,049	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

- J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2020	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	±1%	\$ 95,566	\$ 95,566
Equity instrument	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	±1%	\$ 9,988	\$ 9,988
			December 31, 2019	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	±1%	\$ 142,907	\$ 142,907
Equity instrument	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	±1%	\$ 11,990	\$ 11,990

13. Supplementary Disclosures

(1) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the year ended December 31, 2020 are stated as follows.

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 6.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 8.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant intragroup transactions during the reporting periods: Please refer to table 9.

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(4) Major shareholders information

Major shareholders information: Please refer to table 13.

14. Segment Information

None.

Formosa Chemicals & Fibre Corporation

Chairman: Wen Yuan Wong