

Formosa Chemicals & Fibre Corporation

2023 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.*

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

2023 Annual Report is available at: <http://www.fcfc.com.tw>

Printed on April 20, 2024

**Spokesperson**

Name: Fu-Yuan, Hong

Title: Chairman

Tel: 886-2-2712-2211

E-mail: management@fcfc.com.tw

**Deputy Spokesperson**

Name: Wen-Chin, Lu

Title: President

Tel: 886-2-2712-2211

E-mail: management@fcfc.com.tw

**Stock Transfer Agent**

Stock unit of Formosa Chemicals & Fibre Corporation

Address: 10F, No. 380, Sec. 6, Nanjing E. Rd., Neihu Dist., Taipei City, Taiwan

Tel: 886-2-2718-9898

Website: none

**Auditors**

PWC Accounting Firm

Auditors: Man-Yu, Juanlu, Han-Chi, Wu

Address: 27F, No.333, Sec. 1, Keelung Road., Xinyi Dist., Taipei 110, Taiwan, R.O.C.

Tel.: 886-2-2729-6666

Website: www.pwc.tw

**Overseas Securities Exchange**

None

**Corporate Website**

<http://www.fcfc.com.tw>

**Headquarters**

Headquarters Address: No.359, Sec. 3, Zhongshan Road, Changhua City, Changhua County 500, Taiwan, R.O.C.

Tel: 886-4- 723-6101

**Taipei Branch**

Address: No. 388, Sec. 6, Nanjing E. Rd., Neihu Dist., Taipei City, Taiwan

Tel: 886-2- 2712-2211

**Yilan Branch and Plant**

Address: No.155, Zhangfu Road, Jiaoxi Township, Yilan County 262, Taiwan, R.O.C.

Tel: 886-3- 928-2791

**Longde Branch and Plant**

Address: No.2, Longxiang 10th Road, Dongshan Township, Yilan County 269, Taiwan R.O.C.

Tel: 886-3- 990-1621

**Xingang Branch and Plant**

Address: No.1, Zhongyang Industrial Park, Xingang Township, Chiayi County 616, Taiwan R.O.C.

Tel: 886-5- 377-2111

**Mailiao Branch & Plant**

Address: No.1-1, Taisu Industrial Park, Mailiao Township, Yunlin County 638, Taiwan, R.O.C.

Tel: 886-5- 681-2345

## Contents

	Page
<b>I. Letter to Shareholders</b> .....	1
<b>II. Company Profile</b>	
2.1 Date of Incorporation.....	8
2.2 Company History .....	8
<b>III. Corporate Governance Report</b>	
3.1 Organization.....	11
3.2 Directors, Supervisors and Management Team.....	13
3.3 Implementation of Corporate Governance .....	35
3.4 Information Regarding the Company's Audit Fee and Independence.....	131
3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders.....	134
3.6 Relationship among the Top Ten Shareholders.....	136
<b>IV. Capital Overview</b>	
4.1 Capital and Shares.....	140
4.2 Bonds.....	146
4.3 Global Depository Receipts .....	150
4.4 Employee Stock Options.....	150
4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions....	150
4.6 Financing Plans and Implementation.....	150
<b>V. Operational Highlights</b>	
5.1 Business Activities.....	151
5.2 Market and Sales Overview.....	167
5.3 Human Resources.....	178
5.4 Environmental Protection Expenditure.....	179
5.5 Labor Relations.....	185
5.6 Information Security Risk Assessment.....	193
5.7 Important Contracts.....	197
<b>VI. Financial Information</b>	
6.1 Five-Year Financial Summary.....	198
6.2 Five-Year Financial Analysis.....	203
6.3 Audit Committee's Report in the Most Recent Year.....	206
6.4 Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report.....	206
6.5 Individual Financial Statements for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report.....	206

## **VII. Review of Financial Conditions, Operating Results, and Risk Management**

7.1 Analysis of Financial Status.....	207
7.2 Analysis of Financial Performance.....	208
7.3 Analysis of Cash Flow.....	208
7.4 Major Capital Expenditure Items.....	210
7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year.....	211
7.6 Analysis of Risk Management.....	212

## **VIII. Special Disclosure**

8.1 Summary of Affiliated Companies.....	219
8.2 Private Placement Securities in the Most Recent Years.....	225
8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years.....	227

## **I. Letter to Shareholders**

### **Operating Performance in 2023**

In 2023, under the influence of inflation and high interest rates, consumer demand and investment confidence continued to weaken. In addition, mainland China's economic activities after the epidemic is lifted performed worse than expected due to the collapse of the housing market and sluggish domestic demand. In addition, mainland petrochemicals and plastics climbed significantly in the launching of new production capacity. Supply and demand on the market was seriously out of balance. There were also the geopolitical risks in the Middle East such as the Kazakhstan conflict that caused instability in the international supply chain and oil price fluctuations. All of which impacted the company's operations.

The company's consolidated revenue in 2023 was NT\$332.6 billion, a decrease of NT\$47.3 billion or 12.4% from NT\$379.9 billion in 2022. The decline in sales was mainly due to the decrease in the selling price, which dropped by NT\$37.9 billion mainly due to weak market conditions and demand. Additional production capacity devoted to the market from mainland counterparts, more supply than demand on the market, and price-cutting competition lowered the selling price of products and brought the overall sales income. Acetone was the only sector that saw climbing selling prices because of the tight supply from reduced production; Sales dropped by NT\$9.4 billion. Inflation and sluggish demand slowed flows of purchase orders. Except for the return of SM to full capacity in addition to reduced trans-shipment to Ningbo for personal use and increased external sales, increased sales of PX and OX as a result of reduced price difference, and completed expansion and commissioning of the Ningbo ABS plant and the normal production and sales of the phenol plant because of no regular inspections, most products were modulated, with only competitive ones remaining, reflective of the production and sales status and it led to reduced sales.

In terms of income, the consolidated pre-tax income in 2023 was NT\$7.4 billion, a decrease of NT\$2.2 billion from NT\$9.6 billion in 2022, a decrease of 23%. In addition to the launch of new refining and chemical production capacity in Mainland China, weakened economy, and inflation, sliding profits of reinvested companies and hence reduced cash dividends were to be blamed for. The Company proactively adjusted its production and marketing strategy in 2023, eliminated inventory, and continued to improve its operating system. The operating income attributable to the parent company

hence turned positive.

An overview of 2023 shows sluggish global economy as a result of high inflation, persistent U.S.-China trade war, and slow post-pandemic economic recovery in Europe and America. The economy saw far slower post-pandemic consumption recovery than expected due to undesirable performance on the housing market of Mainland China. The demand for crude oil turned conservative. In the first half of the year, the price of West Texas crude oil fluctuated between US\$70 and US\$80 per barrel. In the second half of the year, OPEC continued to reduce production and the conflict between Israel and Kazakhstan broke out. Oil prices once rose to nearly US\$95 per barrel. However, as interest rates continued to rise, the economy slowed down and the demand for crude oil dropped to suppress oil prices; they gradually fell back to US\$70 per barrel by the end of the year, with an average of US\$77.57 per barrel for the whole year, a decrease of 17.8% from 2022. The petrochemical and plastics markets continued to be difficult since the outbreak of COVID-19. Concerns about inflation and interest rate hikes remained. Consumer demand was conservative and supply saw surpluses, yet production capacity continued to climb in addition to geopolitical conflicts. The market turned conservative and prices fell; the average price of light oil dropped by 17.2% from the previous year. Falling prices were common among a majority of the Company's petrochemical and plastic products, too. Because of the crazy commissioning of new production capacities for a variety of plastics in Mainland China, in particular, price falls borne by PC, ABS, and phenol were consistently higher than that of light oil. SM saw undesirable volumes and prices, too, due to supply surplus and sluggish market demand in the downstream. Reduced production to secure survival was the only option. Fortunately, under the efforts of colleagues, operational policies were slowly reaping fruits. The selling rate on the market was coming back to make up for part of the deficits. In addition, the fall in mean prices of aromatic hydrocarbons, including benzene, PX, OX, and PTA, was far lower than that of light oil to maintain certain spread, which became a main contributor to the operational profits of the Company in 2023.

As part of the consolidated revenue in 2023, the parent company's net revenue was NT\$171.9 billion, accounting for 51.7% of the consolidated revenue. Net revenue of subsidiaries such as Formosa Industries Corporation in Ningbo, Formosa Industries Corporation in Vietnam, and Formosa Taffeta Co., Ltd., totaled NT\$160.7 billion, accounting for 48.3% 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\$159.3 billion, accounting for 92.7% of the parent company's revenue. Among them, petrochemical products totaled NT\$119.2 billion or 69.4% and plastic products NT\$40.1 billion or 23.3%.

**Each product is summarized as follows:**

Under the premise that safe production is ensured, for each major product, the operation focused on market expansion reflective of the production and sales status, increasing the ratios of high-value, differentiated, and certified products, continued promotion of water and energy conservation, and reduced consumption and emissions, among other circular economy improvements, as well as proactive promotion of AI smart production and digital transformation to fortify the operational composition and to make sustainable competitive advantages possible.

In terms of petrochemical products, optimization of light oil quality was completed; the operational efficacy of the recombination unit was enhanced; and cross-plant integration of light oil materials were completed for the No. 3 Aromatic Hydrocarbons Plant to significantly reduce the amount of light oil used and to increase the output of products PX and benzene. Efforts also continued in the promotion of process heat integration. With improved equipment performance and operational optimization, energy efficiency was enhanced and operational performance was strengthened. Multi-effect distillation (MED) at the styrene plant in Haifeng was improved to be more competitive. Although the product spread of PTA continued to slide due to the additional production capacity devoted and the increased supply in Mainland China, with low energy consumption, good quality, and steady lead time that had secured long-term trust among its customers, the Ningbo plant managed to maintain full-fledged production throughout the year. The production lines in Taiwan, on the other hand, had their production adjusted reflective of the shrunk domestic sales demand. PTA-3 in Longde only ran for a month while PTA-1 in Mailiao maintained full-fledged production. In terms of PIA, the two lines in Taiwan and Ningbo combined contributed to an annual production capacity of 400 thousand tons. Efforts continued in exploring potential customers domestically and internationally for bottle chips, low-melt fibers, and coatings. In November 2023, the total sales across the Taiwan Strait broke the threshold of 41 thousand tons and are heading towards 45 thousand tons in order to increase the presence of the Company's PIA on the global market and to gradually secure the leading position on the market.

In terms of plastic products, in 2023, the devotion of additional production capacities, the sluggish post-pandemic housing market, weak domestic demand and poor export orders in Mainland China contributed to undesirable performance of respective plastic products and significantly hindered sales. The company continued to control inventory, production, and sales; the overall production and sales declined from 2022. PCs managed to see profits throughout the year and losses in others, such as PS, ABS and PP slowed. Faced with the additional production capacity in Mainland China, for 2024, continued efforts will be made to put lean production and sales into practice, to reduce general red-sea production and sales, and to focus on improving the ratio of differentiated products in sales and decentralizing the market. The differentiation goals for respective products are 55.4% for PS, 44.4% for ABS, 50% for PP, and 38% for PC and the ratios of sales on the market of Mainland China will be reduced wherever possible. In addition, the Ningbo plant's new ABS production capacity of 250 thousand tons has been put into operation in July 2023. The cost-effective new process of the new plant will help continue to secure the market share in Mainland China on the one hand and proactively sell to RCEP duty-free countries on the other hand.

For textile and fiber products, affected by unfavorable factors such as high inflation, high prices, and price-cutting competition for exported textile fiber products from Mainland China, the downstream turned conservative; end-user demand shrunk; and sales of textile, nylon and rayon cotton dropped. In response, plants in Taiwan and Vietnam cut their production sizes. This hence resulted in extended deficits. The difficulties encountered by the plant in Vietnam, in particular, were unforeseen over the past nearly 40 years. The development of high-value and differentiated products will be the focus of subsequent long-term promotional efforts. In the future, as demand returns, the inventory size of each brand manufacturer will gradually lower and the market for nylon clothing silk will be better off. The operational outlook is expected to further improve.

Sustainable development is the focus of business administration while ESG (environmental protection, social responsibility, and corporate governance) is the unchanged priority in the business operation of the Company.

In order to boost industrial safety, the Company formed the Sustainable Safety Project Team in 2019 to enforce the “person-centered” safety strategy, explore blind spots in safety management, eliminate underlying risks, and reinforce communications on safety awareness among employees. It optimally contributed to workplace security.



The Company won awards as the “Annual Out-standing Healthy Workplace” and the “Occupational Safety and Security Out-performer” in 2023. For 2024, the goal is “advance in autonomous management and enhance awareness of personal safety”. Sharing of experiences, consolidation of contractor and staff trainings, promotion of equipment MI, change of ideas about safety and culture among employees, and zero-disasters are to be fulfilled through internal and external exchanges.

Over the past few years, the petrochemical industry has confronted with impacts from industrial environment, digital technology and carbon neutrality issues. Only by strengthening and improving digital transformation, energy transformation, circular economy and industrial transformation and innovation can sustainable development be ensured. To this end, the Company established a "Transformation Development Task Force" in October 2023 that consists of four divisions to deal with, respectively, “digital transformation”, “energy transformation”, “circular economy”, and “new business development” and to accordingly reinforce the promotion of related tasks. Digital transformation, in particular, covers digital optimization and AI application of a smart plant and dynamic operational management. Energy transformation covers continued efforts in the promotion of water and energy conservation, establishment of coal reduction and energy transformation strategies, development of solar power and minimal water power generation projects, etc. in order to answer to the international carbon reduction trend. Throughout 2023, energy conservation and carbon reduction accomplishments totaled NT\$2.5 billion, with 308 engineering improvement projects completed, saving a total of 2,789 tons of water per day, 62.7 tons of steam per hour, and 9.07 kWh of electricity per hour. The promotion of circular economy includes waste reduction, raw material reduction, process emission reduction and green product development, etc.

The Company continues to carry out various sustainable development tasks and has rendered quite some accomplishments that are recognized by outsiders. For example, Formosa Chemicals & Fibre Corporation in Xingang won the "2023 National Sustainable Development Award for Enterprises" from the National Sustainable Development Committee of the Executive Yuan in 2023 and the “2023 Resource Circulation Out-performer Gold Award for the Resource Circulation Group” from the Resource Circulation Administration under the Ministry of Environment.

The Company also continues with investments and transformations. It set foot in plastic recycling in early 2022. The annual production capacity of composite materials of the

three plants across the Taiwan Strait under the Plastics Department has reached 132 thousand tons. In addition, the new production capacity of the ABS plant in Ningbo totaling 250 thousand tons was completed in 2023 and the additional annual production of 1.5 million tons will be commissioned in 2024 for the PTA plant in Ningbo. Both plants feature the most advanced production technology that is unparalleled in the industry.

#### **Business Plan for 2024**

Looking forward to 2024, the unknown schedule of U.S. interest rate cuts, rising geopolitical risks, substantial increases in ocean freight rates, global economic slowdown and Mainland China's market performance are all negative factors affecting raw material prices. Mainland China's overcapacity, however, continues to spill over throughout the world in addition to sluggish domestic demand and pending housing crises. Whether end consumption and confidence in the housing market recover or not will be the key to stepping out of the new post-pandemic economy. Cross-Strait relations also affect trade and people's livelihood and economy, especially the suspension of tariff concessions for some ECFA products and the investigation of trade barriers, both of which show that there are no effective communication channels across the strait. With the hopeful easing of inflation in Europe and the United States, however, it is expected that there will be room for interest rate cuts in the second half of the year and hence corporate investments and private consumption will likely climb gradually. If geo-regional conflicts can be controlled, crude oil and energy prices will hopefully stabilize while prices of petrochemical intermediates and plastics have reached the bottom. These will help improve the Company's profits.

Finding a way out of a daunting operating environment remains a priority for the Company. The "escape from China" in the past few years and the promotion of "stand high and go far" in 2023 are all meant to get rid of the mainland market with severe overcapacity, reinforce the ratios of high value, differentiation, and product certification, and sell to the world. Last year, the Company traded with more than 80 countries; among them were about 50 ones with frequent transactions each month. Thanks to the efforts of our colleagues, Red Sea sales dropped and Blue Ocean products increased. Despite the reduced revenue, income was improved. Operations are bottoming out. The operational policy for 2024 is to "be more refined and more extensive", which means to make products more refined, have wider sales, provide timely services and delivery, make specifications more adaptable to diverse needs, continue with the belief in

“Customer is King” for hopefully greater success in operations.

To cope with the operational stress of 2024, the Company will eliminate its weak while retaining its powerful production and sales structures, that is, get rid of the bad and keep the good and continue to enforce circular economy, conserve energy, promote smart plants and operational management to improve the production and management efficiency. As far as the issue of carbon neutralization is concerned, the Company has a reduction of 25% in carbon emissions from 2020 as its phased goal by 2030 and declares comprehensive carbon neutralization by 2050. It is estimated that a total of NT\$17.5 billion will be devoted between 2021 and 2030 to the implementation of related carbon reduction proposals, including improved energy conservation, fuel transformation, energy conversion, development of green renewable energy, and recycling and reutilization of CO<sub>2</sub> etc.

In the expansion of green products and circular economy, collaboration with downstream practitioners in establishing a circular and recycling mechanism for marine waste such as nylon oyster ropes and recycling fishing nets continued. Efforts were made to bring the quantity to 1,250 tons/month and fulfill the goal of having recycled marine waste to account for 21.5% of all raw materials and strengthen the reproduction of recycled plastics into low-carbon circular materials and secure the production of high-value green materials. In addition, we will enhance the development of new businesses, steadily set foot in green products, new materials, energy storage, hydrogen energy, and other fields of application on existing bases to keep track of new business opportunities and promote transformations on all fronts for fulfilling the goal of sustainable business development.

## **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:

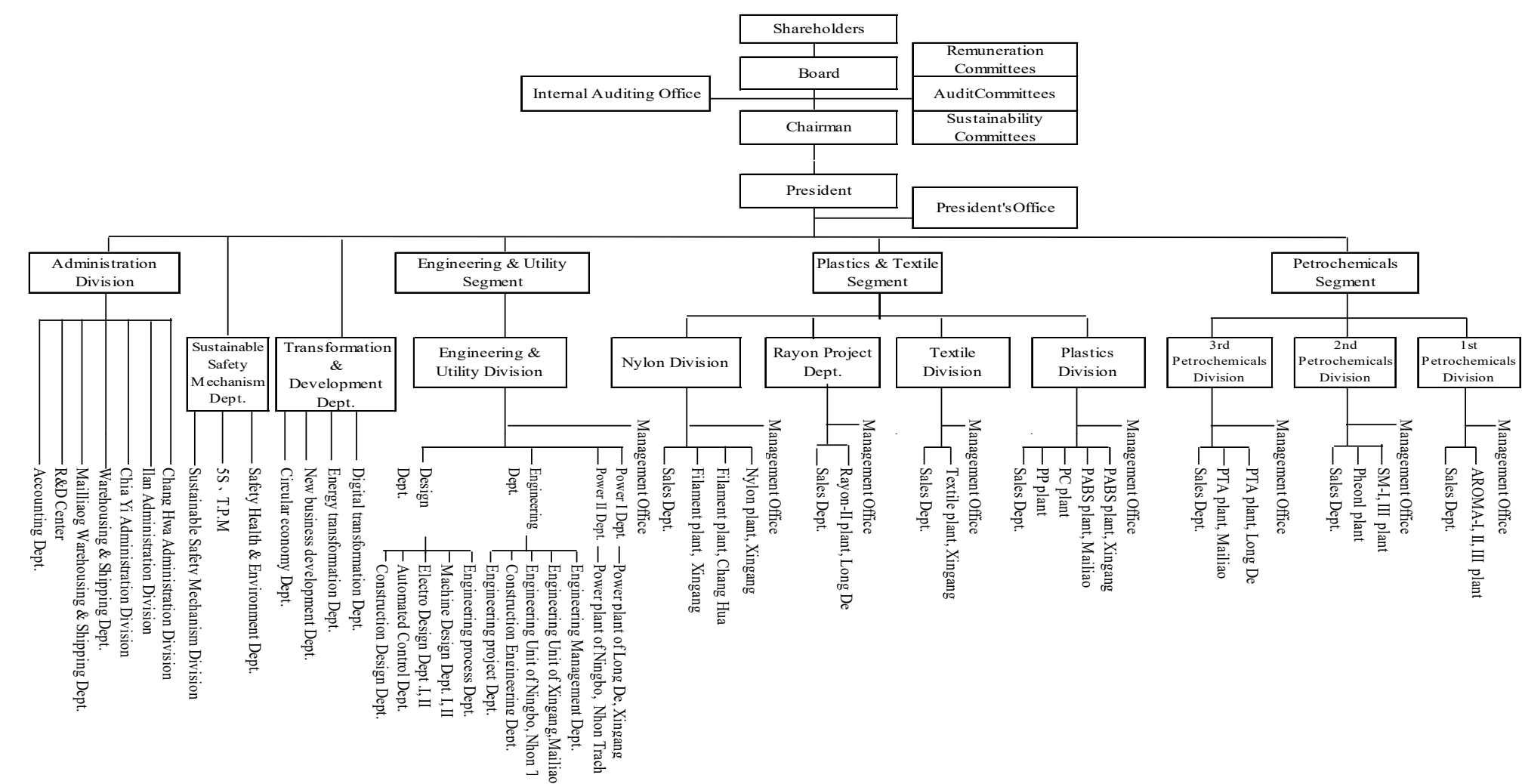
Year	Major Events
1964-1971	The Company prepared for establishing factory at Changhwa plant site in 1965, and got company registration documents to build plants on March 1965 with capital NT100 millions. The Company amended company laws and authorized to increase capital to NT300 millions with daily 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 <sup>nd</sup> 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 <sup>rd</sup> spinning factory was built on July, and the 4 <sup>th</sup> spinning factory and a new cotton knitting factory were expanded by the end of 1971.
1972-1981	Building the 4 <sup>th</sup> 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 <sup>th</sup> spinning factory which had capacity of 800 thousand spindles was built in 1980. The Company set up the 10 <sup>th</sup> spinning factory which had capacity of 400 thousand spindles in 1981.
1982-1991	The Company expanded the 2 <sup>nd</sup> 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 <sup>th</sup> nylon plant in 1992, and prepared for building ABS plant in 1994. The amount of capital exceeded NT20 billions in 1994. The 6 <sup>th</sup> nylon plant and DMF plant were scheduled in 1996. The Company was accredited to expand the 2 <sup>nd</sup> PTA plant and set up new HAC and PP plants. The amount of capital exceeded NT30 billions in 1998. The 2 <sup>nd</sup> 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 <sup>nd</sup> PC production line and the amount of capital exceeded NT40 billions in 2002. The same year net surplus was made use of the 3 <sup>rd</sup> PP production line which had capacity of 160 thousand tons and debottlenecking capacity of the 1 <sup>st</sup> and 2 <sup>nd</sup> Aromatic plants and Phenol plant in 2003. The 3 <sup>rd</sup> 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 <sup>rd</sup> 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.
2021	The current amount of capital is NT58.6 billion.
2022	The current amount of capital is NT58.6 billion. Board of Directors agreed to invest for NTD 1.4bn (20% shareholding) to set up "Formosa Smart Energy Tech Corp." with Formosa Plastics Corp., Nanya Plastics Corp. and Formosa Petrochemical Corp.
2023	The current amount of capital is NT58.6 billion.

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
Transformation & Development Dept.	Strengthen company-wide new product and new business development projects and integrate and implement circular economy and other related businesses
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 Age (Notes 2)	Date Elected	Term (Years)	Date First Exected (Notes 3)	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Notes 4)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			(Notes 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Fu Yuan, Hong	M 71~80 years old	July 23, 2021	3	May 12, 1988	272,804	—	272,804	—	1,107	—	0	0	BA, Chung Yuan Christian Univ.	Chairman, Formosa Chem. Ind. (Ningbo) Ltd.,	None	None	None	None
Managing director	R.O.C.	Wen Yuan Wong	M 71~80 years old	July 23, 2021	3	June 15, 1991	129,198,084	2.20	129,198,084	2.20	92,079	—	0	0	Master of Industrial Engineering and Bachelor of Chemical Engineering, University of Houston, Texas	Chairman of Formosa Taffeta Co., Ltd., and Managing Director of Formosa Plastics Corp.,Nan Ya Plastics Corp., Formosa Petrochemical Corp.	Managing director	Wilfred, Wang	Two Degrees of Kinship	
Managing director	R.O.C.	Wilfred, Wang	M 61~70 years old	July 23, 2021	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.	Managing director	Wen Yuan Wong	Two Degrees of Kinship	
Managing director	R.O.C.	Nan Ya Plastic Corp. Ruey Yu, Wang-Juridical person representative	F 61~70 years old	July 23, 2021	3	June 16, 2006	140,519,648	2.40	140,519,649	2.40	0	0	0	0	MA, Natl. Taiwan Univ.	Chairman, Formosa Biomedical Technology Corp. Chairman,Formosa Smart Energy Tech Corp. Managing Director of Nan Ya Plastics Corp.	Director	Walter, Wang	Two Degrees of Kinship	
							18,627,185	0.32	17,977,185	0.31										
Managing director- independent director	R.O.C.	Ruey Long, Chen	M 71~80 years old	July 23, 2021	3	June 15, 2012	0	0	0	0	0	0	0	0	BA, Natl. Chung Hsing Univ.	Chairman,China Petrochemical Development Corp. Chairman, BES ENGINEERING Corp. Chairman, SINOCON Industrial Standards Foundation Independent Director of Inventec Corp.	None	None	None	
Independent director	R.O.C.	Hui Chen, Huang	M 61~70 years old	July 23, 2021	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 71~80 years old	July 23, 2021	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 51~60 years old	July 23, 2021	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 Age (Notes 2)	Date Elected	Term (Years)	Date First Exected (Notes 3)	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Notes 4)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			(Notes 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Wen Chin, Lu	M 61~70 years old	July 23, 2021	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.	Ching Fen, Lee	M 61~70 years old	July 23, 2021	3	June 15, 2018	0	0	0	0	1	—	0	0	BA. Tam Kang Univ.	Executive Vice President of FCFC	None	None	None	
Director	R.O.C.	Tsung Yuan, Chang	M 61~70 years old	July 23, 2021	3	June 15, 2018	0	0	0	0	5,239	—	0	0	BA. Natl. Taiwan Ocean Univ.	Senior Vice President of FCFC	None	None	None	
Director	R.O.C.	Wei Keng, Chien	M 51~60 years old	July 23, 2021	3	June 15, 2018	0	0	0	0	0	0	0	0	MA. Natl. Cheng Kung Univ.	Senior Vice President of FCFC	None	None	None	
Director	R.O.C.	Chun Hsiung, Su	M 51~60 years old	July 23, 2021	3	July 23, 2021	359	—	359	—	0	0	0	0	Assoc. D., Ming Chi Univ. of Technology	Senior Vice President of FCFC	None	None	None	
Director	R.O.C.	Horng Ming, Juang	M 61~70 years old	July 23, 2021	3	July 23, 2021	2,626	—	2,626	—	5,253	—	0	0	BA. Tam Kang Univ.	Vice President of FCFC	None	None	None	
Director	R.O.C.	Ing Dar, Fang	M 71~80 years old	July 23, 2021	3	June 15, 2012	73	—	73	—	0	0	0	0	BA, Chinese Culture 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 : Please list the actual age and express it in intervals, such as 41-50 years old or 51-60 years old.

Note 3 : Fill in the date first elected as directors. If there is any interruption, it should be noted.

Note 4 : 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 5 : 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 6 : — 'stands for shareholding ratio less than 0.01%.

As of April 20 2024

Table 1 : Major shareholders of the institutional shareholders

April 20, 2024

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)	1.50
	Taishin International Bank Co., Ltd. is entrusted with the Taiwan ESG Perpetual High Dividend ETF Securities Investment Trust Fund Special Account for the Cathay Pacific Taiwan High Dividend Umbrella Securities Investment Trust Fund	1.46
	Citibank Taiwan Limited in custody for Macro System Corp.	1.45
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
	Cathay Life Insurance Corporation	0.51
	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
	Chang Gung University of Science and Techonolgy	1.43
	Citibank Taiwan Limited in custody for Funds of Government of Singapore	1.37
	Old Labor Pension Fund	1.17
Formosa Taffeta Co., LTD.	Formosa Chemicals & Fibre Corporation	37.40
	Chang Gung Medical Foundation	5.79
	Yu Yuan Textile Co., Ltd.	2.55
	Mine Hsiung, Lai	2.25
	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
	Citibank Taiwan Limited in custody for Macro System Corp.	0.93
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	—
Taishin International Bank Co., Ltd. is entrusted with the Taiwan ESG Perpetual High Dividend ETF Securities Investment Trust Fund Special Account for the Cathay Pacific Taiwan High Dividend Umbrella Securities Investment Trust Fund	Investment Account	—
Cathay Life Insurance Corporation	Cathay Financial Holdings Inc.	100

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	17.98
	Formosa Chemicals & Fibre Corporation	13.84
	Formosa Plastic Corporation	13.28
	Yong Tsai, Wang (pass away)	11.24
	Yong Ching, Wang (pass away)	7.35
Chang Gung University	Chang Gung Medical Foundation	56.83
	Yong Ching, Wang (pass away)	13.13
	Chindwell International Investment Corporation	3.88
	Nan Yan Plastics Corporation	2.64
	Formosa Plastic Corporation	2.34

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, 2024. Ratio of the donation of Chang Gung University is calculated by the cumulative amount of donation by the end of semester of 2023 (as July 31, 2024).

### **Professional qualifications and independence analysis of directors and supervisors**

Name \ Criteria	Professional qualifications and experience(Note1)	Independence Criteria(Note2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Fu Yuan, Hong	<p>Fu Yuan, Hong is provided with abundant industrial knowledge and managerial experiences including the industry of plastic, textile, chemistry, gas and electricity, semiconductor, iron and steel, and shipping and transportation, and biotechnology and medical care, etc. He was as a high-level manager of the companies in the above industries.</p> <p>He is currently the chairman of the company, in charge of the operation and management of the whole company, and the director of the above-mentioned industry-related companies. He has the ability of leadership, decision-making and judgment, crisis management and risk management, as well as international market insight, and leads the company to continue to promote sustainable development and digital transformation.</p>	<p>His spouse or a familial relationship within the second degree of kinship is not as the company's director, which is in compliances with Article 26-3 of the Securities and Exchange Act.</p>	0
Wen Yuan Wong	<p>Wen Yuan Wong was graduated from the University of Texas at Houston with a master's degree in industrial engineering and a bachelor's degree in chemical engineering. He has nearly 50 years of experience in business management in industries such as plastics, textile fibers, chemicals, oil, electricity and gas, semiconductors, steel, shipping, and biotechnology and medical care. He has worked for the above industries. The chairman, director or senior manager of related companies, currently serves as the chairman of the listed company Formosa Taffeta Company , with Formosa Plastics, Nanya, Formosa Chemicals &amp; Fibre Corporation , Formosa Petrochemical Corporation , Nanya Technology, Nan Ya PCB , Formosa Sumco Technology and FATC, etc. Director of a listed company.</p> <p>Has leadership, decision-making, crisis management, risk management and other capabilities as well as an international market outlook. He is a leader of multinational companies in mainland China, the United States, Vietnam and other countries, and served as Chairman of the Federation of Industrial Industries of the Republic of China and Chairman of the Textile Industry Development Association of the Republic of China.</p> <p>With engineering expertise and in-depth understanding of the AI field, he has led the company from energy conservation and emission reduction, circular economy, AI simulation to digital transformation.</p>	<p>The among of 1 director of the company is his spousal or a familial relationship within the second degree of kinship, which is not over the half of the total directors of the Company and in compliance with Article 26-3 of Securities and Exchange Act.</p>	0

Wilfred, Wang	<p>Graduated from the University of London with a bachelor's degree in Mechanical Engineering. He has more than 45 years of experience in business management in oil, electricity and gas, plastics, textile fibers, chemicals, steel, shipping, optoelectronics, biotechnology and medical industries. He once served as the general manager and director of the listed company Formosa Plastics. Chang, is currently the chairman of Formosa Plastics Shipping, Nanya Optoelectronics, Fujian Engineering Equipment, New Spectrum Lighting, Asia Pacific Investment, Eight Major TV and other companies, and a director of listed companies such as Formosa Plastics, Nanya, Formosa Chemicals &amp; Fibre Corporation, and Formosa Petrochemical Corporation.</p> <p>Possessing engineering expertise, leadership decision-making, innovative strategies, crisis management and other capabilities, as well as an international market outlook, he will oversee the company's continued research and development and expand its diversified businesses.</p>	The among of 1 director of the company is his spousal or a familial relationship within the second degree of kinship, which is not over the half of the total directors of the Company and in compliance with Article 26-3 of Securities and Exchange Act.	0
" Representative of Nan Ya Corporation Ruey Yu, Wang"	<p>Graduated with a master's degree in international business from National Taiwan University and a bachelor's degree in accounting from New York University. He has more than 35 years of management experience in biotechnology, medical care, plastics, textile fibers, chemicals, oil, electricity and gas, steel, information services and other industries (note). She is currently Chairman of Formosa Smart Energy, Formosa Biomedical, Formosa Advanced Energy and other companies, and director of listed companies such as Nanya and Formosa Chemicals &amp; Fibre Corporation.</p> <p>Has capabilities in leadership decision-making, marketing communication, crisis management, risk management, and an international market outlook. He once served as the general manager of the General Management Office of Formosa Plastics Corporation, leading the establishment and improvement of management systems and digital operations. He is now responsible for supervising and promoting the development of new energy businesses.</p>	The among of 1 director of the company is his spousal or a familial relationship within the second degree of kinship, which is not over the half of the total directors of the Company and in compliance with Article 26-3 of Securities and Exchange Act.	0
Independent Director Ruey Long, Chen	<p>Ruey Long, Chen is provided with abundant industrial, political and academic knowledge and experiences, and was a Minister of a Economy, Nowadays, he not only serves as a Chairman of Chemical Industry Development Corporation, Huaju Industry Common Standard Promotion Foundation, and the convener of the Company's Audit Committee and Remuneration Committee, an independent director in Inventec Corporation, and a director in TWSE/TPEX listed companies, but also as a convener of audit and remuneration committee of the Company without any conditions defined in Article 30 of Company Act.</p> <p>With the profession in banking, finance and accounting, and the ability of leading, decision making, operation and crisis management, and international economic perspective, he fulfills his duty to supervise the Company's issues about internal control, financial information present fairly, manager remuneration, etc.</p>	All of them, their spousal or a familial relationship within the second degree of kinship (or who is used by their names) do not hold any share of the Company's stock. They also do not have any condition of Article 3, paragraph 1 of Regulations Governing Appointment of Independent Directors and Compliance	1

Independent Director Hwei Chen, Huang	<p>Ruey Long, Chen is provided with abundant industrial, political and academic knowledge and experiences,, including plastics, textile fibers and chemical industries. He used to be the national policy adviser of the Presidential Office and the director of the Information Bureau of the Executive Yuan. He is currently the Chairman of Taiwan Research Institute and a member of the company's audit committee and remuneration committee, and a director in TWSE/TPEX listed companies, but also as a direct of audit and remuneration committee of the Company without any conditions defined in Article 30 of Company Act.</p> <p>With the profession in banking, finance and accounting, and the ability of leading, decision making, operation and crisis management, and international economic perspective, he fulfills his duty to supervise the Company's issues about internal control, financial information present fairly, manager remuneration, etc.</p>	Matters for Public Companies, and are eligible for an independent director qualification.	0
Independent Director Tai Lang, Chien	<p>Tai Lang, Chien is provided with abundant industrial, political and academic knowledge and experiences, he is currently an independent director of Huantai Enterprise and Daqing Securities Finance (Shares) Co., Ltd., and a member of the company's audit committee and remuneration committee, and a director in TWSE/TPEX listed companies, but also as a direct of audit and remuneration committee of the Company without any conditions defined in Article 30 of Company Act.</p> <p>With the profession in banking, finance and accounting, and the ability of leading, decision making, operation and crisis management, and international economic perspective, he fulfills his duty to supervise the Company's issues about internal control, financial information present fairly, manager remuneration, etc.</p>		2
" Representative of Formosa Petrochemical Corporation Walter, Wang"	<p>Walter, Wang has extensive industry knowledge and experience in operation and management, including plastics, textile fibers, chemicals, oil, electricity and gas industries.</p> <p>He is currently President and CEO of JM Manufacturing Co., Inc. and director of Formosa Petrochemical Co., Ltd., He has management decision-making skills. , business leadership, marketing communication, crisis management, risk management and other capabilities and international market outlook.</p>	The among of 1 director of the company is his spousal or a familial relationship within the second degree of kinship, which is not over the half of the total directors of the Company and in compliance with Article 26-3 of Securities and Exchange Act.	0
Wen Chin, Lu	<p>Wen Chin, Lu has rich industry knowledge and management experience in operating enterprises, including plastics, textile fibers, chemicals, oil, electricity and gas industries.</p> <p>He is currently the president of the company, managing the company's operation and management business, and director of companies related to the above industries. He has leadership decision-making, Crisis management and risk management capabilities and international market outlook.</p>	His spouse or a familial relationship within the second degree of kinship is not as the company's director, which is in compliances with Article 26-3 of the Securities and Exchange Act.	0



Ching Fen, Lee	Ching Fen, Lee has rich industry knowledge and experience in operation and management, including plastics, textile fibers, chemicals, oil, electricity, gas and other industries. He is currently the executive vice president of the company, Assist the general manager in overall management of business, He has business, with leadership, crisis management and risk management capabilities and international market outlook.	His spouse or a familial relationship within the second degree of kinship is not as the company's director, which is in compliances with Article 26-3 of the Securities and Exchange Act.	0
Tsung Yuan, Chang	Tsung Yuan, Chang has rich industry knowledge and experience in operation and management, including plastics, textile fibers and chemical industries. He is currently the senior vice president of the company, supervising the company's safety, hygiene, environmental protection, equipment preservation. He has business, with leadership, crisis management and risk management capabilities and international market outlook.	His spouse or a familial relationship within the second degree of kinship is not as the company's director, which is in compliances with Article 26-3 of the Securities and Exchange Act.	0
Wei Keng, Chien	Wei Keng, Chien has rich industry knowledge and experience in operation and management, including plastics, textile fibers and chemical industries. He is now the acting senior vice president of the company, managing and supervising the operation and management of the petrochemical business group. He has business, with leadership, crisis management and risk management capabilities and international market outlook.	His spouse or a familial relationship within the second degree of kinship is not as the company's director, which is in compliances with Article 26-3 of the Securities and Exchange Act.	0
Chun Hsiung, Su	Chun Hsiung, Su has rich industry knowledge and experience in operation and management, including plastics, textile fibers and chemical industries. He is now the acting senior vice president of the company, managing and supervising the operation and management of the plastics, fiber business group business group. He has business, with leadership, crisis management and risk management capabilities and international market outlook.	His spouse or a familial relationship within the second degree of kinship is not as the company's director, which is in compliances with Article 26-3 of the Securities and Exchange Act.	0
Horng Ming, Juang	Horng Ming, Juang has rich industry knowledge and experience in operation and management, including plastics, textile fibers and chemical industries. He is now the deputy general manager of the company, in charge of the operation and management of the directly subordinate departments, and has the ability to make business decisions, crisis management, and the international market outlook.	His spouse or a familial relationship within the second degree of kinship is not as the company's director, which is in compliances with Article 26-3 of the Securities and Exchange Act.	0

Ing Dar, Fang	Ing Dar, Fang has rich industry knowledge and experience in business management, including plastics, textile fibers, chemicals, oil, electricity, gas and other industries. He served as the executive vice president of the company. He has decision-making and judgment, crisis management and risk management capabilities and international market outlook.	His spouse or a familial relationship within the second degree of kinship is not as the company's director, which is in compliances with Article 26-3 of the Securities and Exchange Act.	0
---------------	---	---	---

Note 1: Professional qualifications and experience: State the professional qualifications and experience of each individual Director and Supervisor, and for those who are members of the Audit Committee with accounting or financial expertise, a statement of their relevant backgrounds and work experience, as well as an additional explanation on whether circumstances set out in Article 30 of the Company Act have occurred shall be provided.

Note 2: Independent Director shall state the conditions that qualify them as independent, including but not limited to whether the person, his/her spouse, relatives within the second degree of kinship are appointed as directors, supervisors or employees of the Company or its affiliates; the number and ratio of the shares of Company held by the person, his/her spouse and relatives within the second degree of kinship or under the name of another person; whether the person is a Director, Supervisor or employee of a company that has a specific relationship with the Company (with reference to Subparagraphs 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Director and Compliance Matters for Public Companies); and the remuneration received for commercial, legal, financial and accounting services rendered to the Company or its affiliates in the past two years.

Note 3: For the disclosure method, please refer to the template on the Taiwan Stock Exchange Rules & Regulations Directory website.

Note 4: None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.

## 2. Diversity and independence of board of directors :

### I. Diversity of board of directors :

(I) 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	Fu Yuan, Hong	R.O.C	Male				✓				✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	
Managing Director	Wen Yuan Wong	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	Ching Fen, Lee	R.O.C	Male	✓		✓				✓				✓		✓	✓	✓	✓	✓	✓	✓	
Director	Tsung Yuan, Chang	R.O.C	Male	✓		✓				✓				✓		✓	✓	✓	✓	✓	✓	✓	
Director	Wei Keng, Chien	R.O.C	Male	✓	✓					✓				✓		✓	✓	✓	✓	✓	✓	✓	
Director	Chun Hsiung, Su	R.O.C	Male	✓	✓					✓				✓		✓	✓	✓	✓	✓	✓	✓	
Director	Horng Ming, Juang	R.O.C	Male	✓		✓				✓				✓		✓	✓	✓	✓	✓	✓	✓	
Director	Ing Dar, Fang	R.O.C	Male			✓				✓				✓		✓	✓	✓	✓	✓	✓	✓	

(II) The board of directors of the company is diverse. The current 15 directors are all persons with specialized knowledge and experience in industrial operation. In addition to having the necessary knowledge, skills and literacy for the performance of their duties. To achieve the idol purpose of the corporate governance, the overall abilities of the Board of Directors should include: 1. operational judgment, 2. accounting and financial analysis, 3. operation management, 4. risk management, 5. Industrial knowledge, 6. perspectives of the international market, 7. leadership, 8. decision-making, etc.

(III) The Company values the gender equity and industrial experience of the board members. The goals are at least one female director and 50% of directors with petrochemical experience. Among 15 directors, there is 1 director that are female and over 10 directors with petrochemical experience currently, so the goals have been achieved. In addition to relying on their professional leader ship decision-making ability, the Directors also possess excellent business management capabilities, as well as expertise in the industry, finance, accounting, or the legal field. This deepens the independence and diversity of corporate governance. The future goal is to recruit professionals who are familiar with AI intelligence and data analysis.

II. Independence of board of directors :

- (I) The Company has established a director selection system. The selection process of all directors is open and fair, which is in line with the Company's "Articles of Association", "Rules for Election of Directors", "Corporate Governance Best Practice Principles", "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", "Article 14-2 of the Securities and Exchange Act", etc., the composition of the current board of directors consists of 3 independent directors (20%) and 12 non-independent directors (80%) only Wen Yuan Wong, Wilfred, Wang, Ruey Yu, Wang, and Walter, Wang four of the directors have a spouse or family relationship within the second degree of kinship, which complies with the provisions of Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.
- (II) In order to strengthen the independence of the board of directors, the company has set a target to increase the proportion of independent directors to all directors and that at least 50% of the independent directors shall serve no more than 3 consecutive terms (each term is 3 years). The Company's board of directors currently has 2 independent directors whose consecutive terms have not exceeded 3 consecutive terms, accounting for 66.67% of the independent directors.

### 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.	Ching Fen, Lee	Male	July 1, 2022	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
Senior Vice President	R.O.C.	Wei Keng, Chien	Male	July 1, 2022	0	0	0	0	0	0	MA. Natl. Cheng Kung Univ.	Director of Formosa Chem. Ind. (Ningbo) Ltd.	None	None	None	None
Senior Vice President	R.O.C.	Chun Hsiung, Su	Male	July 1, 2022	359	—	0	0	0	0	Assoc. D., Ming Chi Univ. of Technology	None	None	None	None	None
Assistant Senior Vice President	R.O.C.	Kuo Hsien, Huang	Male	Oct. 1, 2023	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.	Horng Ming Juang	Male	August 7, 2020	2,626	—	5,253	—	0	0	BA. Tam Kang Univ.	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.	Chun Chieh, Lee	Male	Dec.1, 2021.	0	0	0	0	0	0	Assoc. D., Ming Chi Univ. of Technology	None	None	None	None	None

Vice President	R.O.C.	Chi Huang, Lin	Male	Dec.1, 2021.	0	0	0	0	0	0	BA. Chung Yuan Christian Univ.	None	None	None	None	None
Vice President	R.O.C.	Heng Chian, Wu	Male	July 1, 2022	0	0	0	0	0	0	BA. Feng Chia. Univ.	None	None	None	None	None
Vice President	R.O.C.	Chun Ming, Huang	Male	July 1, 2022	10,000	—	0	0	0	0	BA. Feng Chia. Univ.	None	None	None	None	None
Vice President	R.O.C.	Chih Ming, Chen	Male	Dec.1, 2022	9,597	—	300,000	—	0	0	MA. Natl. Cheng Kung Univ.	None	None	None	None	None
Vice President	R.O.C.	Chih Hsing, Hung	Male	Nov.3, 2023	749	—	0	0	0	0	None	Director of Formosa Industries Corporation	None	None	None	None
Vice President	R.O.C.	Chi Chou Wang	Male	March 3, 2023.	0	0	0	0	0	0	BA. Tam Kang Univ.	President of Formosa Power (Ningbo) Ltd.	None	None	None	None
Assistant Vice President	R.O.C.	Shih Chung, Cheng	Male	Nov.3, 2023	0	0	0	0	0	0	None	None	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, 2024

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

#### Remuneration of Directors

December 31, 2023

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 (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		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)								
		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	Fu Yuan, Hong	19,370	19,370	0	0	0	0	80	140	19,450.2275	19,510.2282	0	0	0	0	0	0	0	0	0	0	19,450.2275	19,510.2282	0
Managing Director	Wen Yuan Wong	0	0	0	0	0	0	60	120	60.0007	120.0014	21,278	21,278	0	0	21	0	21	0	0	0	21,359.0.2499	21,419.0.2506	230
Managing Director	Wilfred, Wang	0	0	0	0	0	0	40	40	40.0005	40.0005	0	0	0	0	0	0	0	0	0	0	40.0005	40.0005	20,537
Managing Director	Ruey Yu, Wang	0	0	0	0	0	0	50	50	50.0006	50.0006	19,755	19,755	108	108	19	0	19	0	0	0	19,932.0.2332	19,932.0.2332	60
Director	Walter, Wang	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	Wen Chin, Lu	0	0	0	0	0	0	80	80	80.0009	80.0009	11,815	11,815	108	108	14	0	14	0	0	0	12,017.0.1406	12,017.0.1406	0
Director	Ching Fen, Lee	0	0	0	0	0	0	60	120	60.0007	120.0014	8,523	8,523	115	115	7	0	7	0	0	0	8,705.0.1018	8,765.0.1025	0
Director	Tsung Yuan, Chang	0	0	0	0	0	0	60	60	60.0007	60.0007	6,929	6,929	108	108	5	0	5	0	0	0	7,102.0.0831	7,102.0.0831	0
Director	Wei Keng, Chien	0	0	0	0	0	0	60	60	60.0007	60.0007	6,753	6,753	88	88	5	0	5	0	0	0	6,906.0.0808	6,906.0.0808	0
Director	Chun Hsiung, Su	0	0	0	0	0	0	50	50	50.0006	50.0006	6,644	6,644	108	108	5	0	5	0	0	0	6,807.0.0796	6,807.0.0796	0
Director	Horng Ming Juang	0	0	0	0	0	0	60	60	60.0007	60.0007	5,964	5,964	108	108	5	0	5	0	0	0	6,137.0.0718	6,137.0.0718	0
Director	Ing Dar, Fang	0	0	0	0	0	0	60	60	60.0007	60.0007	6,232	6,232	0	0	0	0	0	0	0	0	6,292.0.0736	6,292.0.0736	0
Independent Managing Director	Ruey Long, Chen	1,800	1,800	0	0	0	0	120	120	1,920.0.0225	1,920.0.0225	0	0	0	0	0	0	0	0	0	0	1,920.0.0225	1,920.0.0225	0
Independent Director	Hui Chen, Huang	1,800	1,800	0	0	0	0	150	150	1,950.0.0228	1,950.0.0228	0	0	0	0	0	0	0	0	0	0	1,950.0.0228	1,950.0.0228	0
Independent Director	Tai Lang, Chien	1,800	1,800	0	0	0	0	150	150	1,950.0.0228	1,950.0.0228	0	0	0	0	0	0	0	0	0	0	1,950.0.0228	1,950.0.0228	0

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, remuneration committees and Sustainability Committee.

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.

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, 2023

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	32,390	32,390	1,387	1,387	69,277	69,277	81	0	81	0	103,135 1.2065	103,135 1.2065	0
Executive Vice President	Ching Fen, Lee													
Senior Vice President	Tsung Yuan, Chang													
Senior Vice President	Wei Keng, Chien													
Senior Vice President	Chun Hsiung, Su													
Assistant Senior Vice President	Kuo Hsien, Huang													
Vice President	Horng Ming, Juang													
Vice President	Tien Chung, Huang													
Vice President	Chun Chieh, Lee													
Vice President	Chi Huang, Lin													
Vice President	Heng Chian, Wu													
Vice President	Chun Ming, Huang													
Vice President	Chih Ming, Chen													
Vice President	Chi Chou Wang													
Vice President	Chih Hsing, Hung													
Assistant Vice President	Shih Chung Cheng													

Note1: This table is to disclose the remuneration of President and Vice President as of December 31,2023

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)	Shih Chung Cheng	Shih Chung Cheng
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Ching Fen, Lee 、Tsun Yuan, Chang Wei Keng, Chien 、Chun Hsiung, Su Kuo Hsien, Huang 、Horng Ming, Juang Tien Chung, Huang 、Chun Chieh, Lee Chi Huang, Lin 、Heng Chian, Wu Chun Ming, Huang 、Chih Ming, Chen Chi Chou Wang 、Chih Hsing, Hung	Ching Fen, Lee 、Tsun Yuan, Chang Wei Keng, Chien 、Chun Hsiung, Su Kuo Hsien, Huang 、Horng Ming, Juang Tien Chung, Huang 、Chun Chieh, Lee Chi Huang, Lin 、Heng Chian, Wu Chun Ming, Huang 、Chih Ming, Chen Chi Chou Wang 、Chih Hsing, Hung
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	16	16

\* 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	87	87	0.0010
	Executive Vice President	Ching Fen, Lee				
	Senior Vice President	Tsung Yuan, Chang				
	Senior Vice President	Wei Keng, Chien				
	Senior Vice President	Chun Hsiung, Su				
	Assistant Senior Vice President	Kuo Hsien, Huang				
	Vice President	Horng Ming, Juang				
	Vice President	Tien Chung, Huang				
	Vice President	Chun Chieh, Lee				
	Vice President	Chi Huang, Lin				
	Vice President	Heng Chian, Wu				
	Vice President	Chun Ming, Huang				
	Vice President	Chih Ming, Chen				
	Vice President	Chi Chou Wang				
	Vice President	Chih Hsing, Hung				
	Assistant Vice President	Shih Chung Cheng				
	Chief of Finance Department & Corporate Governance Officer	Chia Ju, Liu				
	Accounting Supervisor	Wen Yen Cheng				

December 31, 2023

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.

Note 5 : This table is to disclose the employee compensation of executive officers as of December 31, 2023

### 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	
	2023	2022	2023	2022
Directors	1.4105	1.7544	1.4126	1.7569
President and Vice Presidents	1.2065	1.4220	1.2065	1.4220

The increase of the ratio of total remuneration to Directors, President and Vice Presidents of the Company, to the net income resulted from the increase in 2023 net income as compared to 2022.

- 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.

(6) The remuneration and performance assessment indicators of the Company's manager are as follows:

i. Financial Indicator: operating profit and loss, EBITDA, achievement rate of operating goals and profit contribution.

ii. Non-Financial Indicator: divided into 3 aspects, Environment Protection(E), Social Responsibility(S) and Corporate Governance(G). Environment Protection Indicators include environmental sustainability engagement, performance of water and energy saving, effectiveness of circular economy and achievement rate of carbon reduction. Social Responsibility Indicators include incident of work safety and occupational injury, innovation and development of product and friendly relations with plant area. Corporate Governance Indicators include capacity of operating management, promotion and effectiveness of AI project and number of fraud incident.

### 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	Fu Yuan, Hong	6	0	100	
Managing Director	Wen Yuan Wong	6	0	100	
Managing Director	Wilfred, Wang	4	0	67	
Managing Director	Ruey Yu, Wang	5	0	83	
Managing Director (Independent)	Ruey Long, Chen	5	1	83	
Independent director	Hwei Chen, Huang	6	0	100	
Independent director	Tai Lang, Chien	6	0	100	
Director	Walter Wang	0	6	0	
Director	Wen Chin, Lu	6	0	100	
Director	Ing Dar, Fang	6	0	100	
Director	Ching Fen, Lee	5	0	83	
Director	Tsung Yuan, Chang	6	0	100	
Director	Wei Keng, Chien	6	0	100	
Director	Chun Hsiung, Su	5	0	83	
Director	Horng Ming, Juang	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.
- (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.

The Company has set up the Audit Committee in accordance with regulations and therefore is not applicable to the provisions stipulated in Article 14, Paragraph 3 of the Securities and Exchange Act. In addition, there is no Director or Supervisor who has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, or said dissenting opinion recorded or prepared as a written declaration for the current year. For Independent Directors' opinions, their handling status and voting results, please refer to 3.11 Material resolutions of a shareholders' meeting or a Board of Directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

- B. For Information about the Implementation of Directors' Recusal in Proposals with Conflicts of Interests, the Name of the Directors, the Content of the Proposal, Reasons for Recusal, and the Results of Voting Shall be indicated: Please refer to 3.11 Material resolutions of a shareholders' meeting or a Board of Directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.
- 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	2022.10.01-2023.09.30	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	2022.10.01-2023.09.30	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	2022.10.01-2023.09.30	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	2022.10.01-2023.09.30	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	
Once annually	2022.10.01-2023.09.30	Sustainable Development Committee	Self-evaluation of Directors	1. Participation level in the company’s operations 2.Acknowledge the duty of Sustainable Development Committee 3. Improvement of the quality of Sustainable Development Committee’s decision making 4. Composition and structure, and election of Sustainable Development Committee	

The company passed the resolution of the board of directors on May 6, 2022 to establish a sustainable development committee

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 operations of the Board of Directors of the Company are exercised in accordance with the provisions of the laws and regulations, the Articles of Association, and the resolutions of the Shareholders' Meetings. All Directors, in

addition to the professional knowledge and skills necessary to perform their duties, should strive for the best shareholder interests based on the principles of loyalty and integrity.

- 2、The Company has elected 3 Independent Directors. In order to establish a good board governance system, sound supervision function and strengthen management functions, the Board of Directors agreed to established Remuneration Committees at August 22, 2011 according to the provisions of the securities authority. Moreover, in order to implement corporate governance, Remuneration Committee held the meeting to evaluate the manager salary and remuneration policy and rules on January 17 and August 5, 2022, respectively, and submit the suggestions to Board of Director for discussing.
- 3、In accordance with the provisions of the securities regulatory authority, the Board of Directors approved to set up an Audit Committee in order to replace the Supervisors on June 29, 2015. Audit Committee held the meeting on March 9, May 6, August 5, November 4, and December 9, 2022 respectively, and resolutions were submitted to the Board of Directors to implement corporate governance.
- 4、The Board of Directors approved to set up Sustainable Development Committee on May 6, 2022 to realize the sustainable development goals of environment protection, social responsibility and corporate governance.
- 5、The company conducts self-inspection of the operation of the board of directors on a regular basis, and internal auditors prepare an audit report on the operation of the board of directors. The monthly audit report is submitted to the independent directors for review before the end of the next month.

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
Convener	Ruey Long, Chen	4	1	80	
Committee Member	Hui Chen, Huang	5	0	100	
Committee Member	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.					
Audit Committee 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.3, 2023 (1 <sup>st</sup> 2023)	1.Set forth 2023 financial statement of the Company. 2.To formulate the pre-approval policy for the company's certification accounting firm to provide non-confirmation services. 3. To formulate the Company’s Internal Control System Statement. 4. Acquire assets form interested party, ‘Formosa Heavy Industries Corporation’. 5. Guidelines for lending of capital in 2 <sup>nd</sup> quarter of 2023. 6. To donate NT\$ 90,382,426 to “Kaohsiung Cultural Foundation of Brothers Wang Yung-Ching and Wang Yung-Tsai Park”. Independent director’s opinions or objections : None. Resolutions by audit committee: all attended committee approved these agendas. The Company’s procedures: The Company’s board of director approved these resolutions.			✓ — ✓ ✓ ✓ ✓	— — — — — —
May 5, 2023 (2 <sup>nd</sup> 2023)	1.To formulate the business report and financial statement for 2023 Q1. 2. To issue a letter of support for bank loan of “Formosa Industries Corporation”. 3. To issue a letter of support for bank loan of “Formosa Ha Tinh (Cayman) Limited”.			— ✓ ✓	— — —

	<p>4. Set up Guidelines for lending of capital in 3<sup>rd</sup> quarter of 2023.</p> <p>5. Acquire assets form interested parties who are ‘Formosa Plastics Corporation’ and ‘Nan Ya Plastics Corporation’.</p> <p>6. To issue a letter of support for bank loan of “Formosa Steel IB Pty Ltd”.</p> <p>7. To amend the procedure of financial statements formulation of “Internal Control Systems” and “Internal Audit Implementation Rules”</p> <p>Independent director’s opinions or objections : None. Resolutions by audit committee: all attended committee approved these agenda. 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>	
Aug. 4, 2023 (3 <sup>rd</sup> 2023)	<p>1.To formulate the business report and financial statement for 2023 Q2.</p> <p>2.Set up Guidelines for lending of capital in 4<sup>th</sup> quarter of 2023.</p> <p>3. Acquire assets form interested parties,, ‘Nan Ya Plastic Corporation’ and ‘Formosa Heavy Industries Corporation’.</p> <p>4.To increase investment to “Formosa Resources Corporation” with US\$ 25 million.</p> <p>Independent director’s opinions or objections : None. 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.</p>	<p>—</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p>	
Nov. 3, 2023 (4 <sup>th</sup> 2023)	<p>1.To formulate the business report and financial statement for 2023 Q3.</p> <p>2.Set up Guidelines for lending of capital in 1<sup>st</sup> quarter of 2024</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 increase Investment amount of NT\$500 million in “Formosa Plastics Construction Corporation”.</p> <p>Independent director’s opinions or objections : None. Resolutions by audit committee: all attendant committee approve these agenda. 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>	
Dec. 8, 2023 (5 <sup>th</sup> 2023)	<p>1.The Company issues a commitment letter to ‘Formosa Steel IB Pty Ltd ’ for drawing up a line of credit.</p> <p>Independent director’s opinions or objections : None. Resolutions by audit committee: all attendant committee approve these agenda.</p>	<p>✓</p>	<p>—</p>	

	The Company’s procedures: The Company’s board of director approves these resolutions.				
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.					
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)					
(1) Communication with the accountant: the company arrange at least one time of communication with accountant and independent directors and report to audit committee. The independent directors are able to communicate with accountant to understand the information of financial report. R					
(2) Communication with the Company's chief internal auditor:					
I.The internal auditing office of the Company submits the internal audit report issued by the Company to the Independent Director for review monthly.					
II.Independent Directors and the internal audit officer communicate at least once quarterly on internal control operation status, the auditing results, the amendment of “Internal Control Systems” and “Internal Audit Implementation Rules”, the assessment of the effectiveness of internal control system, and the internal auditing plan. The Company will follow up the correction of defects and irregularities to make sure the related department to adopt the reliable improvement measures in time.					
Date	Occasions	Person	Communication Events	Communication Result	
Mar. 3, 2023	Accountants and Chief internal auditor	Accountants	Financial report review objectives, scope, procedures and results for 2022. Implementation of internal schemes for 2023.	Realization	
Mar. 3, 2023	Audit Committee	Accountants	Communication for the findings of 2022 financial reports	Excellent	
Mar. 3, 2023	Audit Committee	Chief internal auditor	Set up prior year’s ‘Management’s report on internal control’	Set for the agenda to Board of Directors	
Mar. 3, 2023	Board of Directors	Chief internal auditor	Implementation of internal schemes for the November and December of 2022	Realization	
May 5, 2023	Audit Committee	Chief internal auditor	Amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules".	Set for the agenda to Board of Directors	
May 5, 2023	Board of Directors	Chief internal auditor	Implementation of internal schemes for the 1 <sup>st</sup> quarter of 2023	Realization	
May 26 , 2023	Board of Directors	Chief internal auditor	Improvement of objections and abnormal events occurred on internal control system in	Realization	

			2022	
Aug. 4, 2023	Board of Directors	Chief internal auditor	Implementation of internal schemes for the 2 <sup>nd</sup> quarter of 2023	Realization
Nov. 4, 2023	Board of Directors	Chief internal auditor	Implementation of internal schemes for the 3 <sup>rd</sup> quarter of 2023	Realization
Dec. 8, 2023	Board of Directors	Chief internal auditor	Implementation of internal schemes for the October of 2023	Realization
Dec. 8, 2023	Board of Directors	Chief internal auditor	Schedule 2024 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 2023. 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. Amendments to the Company's "Internal Control System" and "Internal Audit Implementation Rules"
  - 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.
  - VII. The offering, issuance, or private placement of any equity-type securities.
  - VIII. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
  - IX. The appointment or discharge of a financial, accounting, or internal auditing officer.
  - X. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
  - XI. Any other material matter so required by the company or the Competent Authority.
- (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 2024.

Note:1 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.

Note:2 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 <sup>th</sup> , 2014 and set a Corporate Governance Practice Principles. Thereon on November 4 <sup>th</sup> , 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. Directors are required not to trade the company's stocks during the closed period of 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report to avoid the directors being suspected of insider trading. In the future, the company will remind all directors of the closed stock trading period when scheduling the annual board meeting at the beginning of each year.</p>	In compliance with Article 10-3 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	
3. Composition and responsibilities of the Board of Directors:				
(1) Did the board of directors formulate and implement diversified policies, specific management objectives?	✓		<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 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 is for the independent directors to reach 33% in 2024 and the directors with different industry experience or expertise to reach more than 50% of the entire board of directors. Please refer to Page 22-23、27-29 of this annual report for implementation of the Board members' diversification policy.</p>	In compliance with Article 20 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(2) In addition to establishing the Salary and Remuneration Committee and Audit	✓		(2) The Company established the Remuneration Committee on August 22, 2011, the Audit Committee on June 29, 2015, and the Sustainable Development Committee on May 6, 2022, with the aim of strengthening	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>Committee according to the regulations, has the Company voluntarily established other functional committees?</p> <p>(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</p>	✓		<p>the Board’s supervision in promoting sustainable development.</p> <p>(3) On August 7, 2020, the Company's board of directors determined the performance evaluation method of the board of directors and has completed the regular performance evaluation of the board of directors, the Audit Committee, Remuneration Committee, and the Sustainability Committee in 2023. The performance evaluation results were satisfactory. The results of which have been submitted to the Board meeting convened on December 8, 2023. The preceding information could serve as references in determining remunerations, nomination, and re-election of the Company Directors.</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> <p>In compliance with Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</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>nomination, and additional office term?</p> <p>(4) Did the Company regularly evaluate the independence of CPAs?</p>	✓		<p>(4) The company evaluates the independence and competency of the certified accountants at least once a year. In addition to requesting the certified accountants to issue a "Declaration of Independence", the company also refers to the audit quality indicators (Audit Quality Indicators, AQIs) to assess the professionalism and audit quality control of the accountants. , independence, external supervision and innovation capabilities, etc., set evaluation indicators such as accounting firm audit experience, training hours, accountant workload, audit team member input, firm quality control support capabilities and other aspects, please sign accountants and The firm fills out its questionnaire and provides relevant information, which is evaluated by the general manager's office. All indicators are in line with independence and competence, and digital audit tools and software are used to help improve audit quality. The results of the most recent annual evaluation have been reported to the Audit Committee and Board of Directors on March 8, 2024.</p>	<p>In compliance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

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 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, reporting to the Board of Directors the examination results of the qualifications of Independent Directors and so on.</p> <p>(3) Chief Governance Officer Training Records in 2023:</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 rowspan="2">September 23, 2023</td><td>Global Prosperity Outlook and Industrial Trends in 2024</td><td>Securities and Futures Institute</td><td>3</td><td rowspan="4">12</td></tr> <tr> <td>Carbon rights trading mechanism and carbon management application</td><td>Securities and Futures Institute</td><td>3</td></tr> <tr> <td rowspan="2">October 03, 2023</td><td>Introduction to disputes over company management rights and commercial incident trial law</td><td>Securities and Futures Institute</td><td>3</td></tr> <tr> <td>How directors and supervisors should supervise corporate risk management and crisis management</td><td>Securities and Futures Institute</td><td></td></tr> </tbody> </table>	Date of Training	Course	Organization	Training Hours		September 23, 2023	Global Prosperity Outlook and Industrial Trends in 2024	Securities and Futures Institute	3	12	Carbon rights trading mechanism and carbon management application	Securities and Futures Institute	3	October 03, 2023	Introduction to disputes over company management rights and commercial incident trial law	Securities and Futures Institute	3	How directors and supervisors should supervise corporate risk management and crisis management	Securities and Futures Institute		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																					
September 23, 2023	Global Prosperity Outlook and Industrial Trends in 2024	Securities and Futures Institute	3	12																				
	Carbon rights trading mechanism and carbon management application	Securities and Futures Institute	3																					
October 03, 2023	Introduction to disputes over company management rights and commercial incident trial law	Securities and Futures Institute	3																					
	How directors and supervisors should supervise corporate risk management and crisis management	Securities and Futures Institute																						
5. Has the Company established	✓		(1) The Company instructs the President Office to communicate with	In compliance with Article																				

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
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>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:Employee collective bargaining rights are exercised, and communication with employees on workplace safety, employee welfare, human rights protection, labor and employment issues, etc. are conducted through regular trade unions, factory (office) meetings, etc. Suggestions are also addressed and reviewed on a regular basis.</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</p>	51of 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	
			strengthen two-way communication and advocacy. Also suppliers can 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 2023 Corporate Sustainability Report)	
6. Does the Company appoint a professional shareholder services agency to deal with shareholder affairs?		✓	The Company's shareholders' meeting affairs are conducted on its own currently, but the relevant procedures are strictly planned and conducted in accordance with the relevant regulations by designated stock affairs unit, legal department and the President office, and have been evaluated by Taiwan Depository & Clearing Corporation, a designated institution by the FSC, since 2022. All of the Company's recent evaluation results comply with regulation and ensure the shareholders' meeting can be convened legally, validly and safely and therefore able to protect shareholders' right.	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	✓		(1) The Company has set up a website in Chinese and English with disclosed relevant financial business and corporate governance	In compliance with Article 57 and Article 59 of the

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
information on financial operations and corporate governance?			information under “Investor Relations Section”. The Company's website is: <a href="http://www.fcfc.com.tw">www.fcfc.com.tw</a> .	Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(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)?	✓		(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.	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.
(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?		✓	(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.	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



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" and "Measures to prevent and control sexual harassment in the workplace, complaints and disciplinary measures" that establishes the internal whistle-blower channel and protection system has also been set up. In the meantime, we attach importance to employee collective bargaining rights. 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. If there are written demands and suggestions, they are also reviewed and explained on a regular basis. 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</p>	In compliance with Articles 52 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>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 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 185 of the annual report. Please refer to the Company's 2023 Sustainability Report 4.4 Healthy and safe working environment.</p> <p>(3) Investor Relations:</p> <p>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>	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>(4) Supplier Relations:</p> <p>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 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:</p> <p>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:</p> <p>In order to stabilize the quality and delivery of materials and to ensure the quality and progress of the construction, the Company, through sound vendor management and assessment, all suppliers are required to go through a review of manufacturing scale, production</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>capacity, sales amount and quality certifications upon joining the registration. In addition, those suppliers with late delivery of goods or construction, poor quality and violation of work safety regulations will be automatically documented in the assessment records with an aim to replacing non-performing suppliers and fostering long-term and good working relationship with good-performing suppliers in order to reach a mutual cooperation relationship.</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 20,000 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 will develop towards eco-industrial areas and promote green building and</p>	

Evaluation Item	Implementation Status (Note)					Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons			
	Yes	No	Summary						
			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.			In compliance with Article 40 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.			
			(6) Director Training Records						
			Title	Name	Date of Study		Organizer	Course	Length of Hours
			Director	Fu Yuan, Hong	Sep. 23 2023		Securities and Futures Institute	Carbon rights trading mechanism and carbon management application	3
				Wen Yuan Wong Ruey Yu, Wang Hwei Chen, Huang Wen Chin, Lu Ching Fen, Lee Chun Hsiung, Su Tsung Yuan, Chang Wei Keng, Chien Horng Ming, Juang				Global Prosperity Outlook and Industrial Trends in 2024	3
Director	Tai Lang, Chien Ing Dar, Fang	Oct. 03 2023	Securities and Futures Institute	Introduction to disputes over company management rights and commercial incident trial law	3				
			Securities and Futures Institute	How directors and supervisors should supervise corporate risk management and crisis management	3				

Evaluation Item	Implementation Status (Note)					Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons																													
	Yes	No	Summary																																
			<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="5">Director</td><td rowspan="5">Ruey Long, Chen</td><td>March 14 2023</td><td>Taiwan Corporation Governance Association</td><td>Investment Trends in Digital Biomedicine</td><td>1.5</td></tr><tr><td>May 12 2023</td><td>Taiwan Corporation Governance Association</td><td>Integrity management and insider trading prevention</td><td>1.5</td></tr><tr><td>Aug. 12 2023</td><td>Taiwan Corporation Governance Association</td><td>Looking at the trend of risk management from the perspective of ESG</td><td>1.5</td></tr><tr><td>Oct. 03 2023</td><td>Securities and Futures Institute</td><td>How directors and supervisors should supervise corporate risk management and crisis management</td><td>3</td></tr><tr><td>Nov. 10. 2023</td><td>Taiwan Corporation Governance Association</td><td>Reflecting on the AI-driven world from the perspective of technology industry information security standards</td><td>1.5</td></tr></table>				Title	Name	Date of Study	Organizer	Course	Length of Hours	Director	Ruey Long, Chen	March 14 2023	Taiwan Corporation Governance Association	Investment Trends in Digital Biomedicine	1.5	May 12 2023	Taiwan Corporation Governance Association	Integrity management and insider trading prevention	1.5	Aug. 12 2023	Taiwan Corporation Governance Association	Looking at the trend of risk management from the perspective of ESG	1.5	Oct. 03 2023	Securities and Futures Institute	How directors and supervisors should supervise corporate risk management and crisis management	3	Nov. 10. 2023	Taiwan Corporation Governance Association	Reflecting on the AI-driven world from the perspective of technology industry information security standards	1.5	In compliance with Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Title	Name	Date of Study	Organizer	Course	Length of Hours																														
Director	Ruey Long, Chen	March 14 2023	Taiwan Corporation Governance Association	Investment Trends in Digital Biomedicine	1.5																														
		May 12 2023	Taiwan Corporation Governance Association	Integrity management and insider trading prevention	1.5																														
		Aug. 12 2023	Taiwan Corporation Governance Association	Looking at the trend of risk management from the perspective of ESG	1.5																														
		Oct. 03 2023	Securities and Futures Institute	How directors and supervisors should supervise corporate risk management and crisis management	3																														
		Nov. 10. 2023	Taiwan Corporation Governance Association	Reflecting on the AI-driven world from the perspective of technology industry information security standards	1.5																														
(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 August 1st, 2013 to today.																																			

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 200-206 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.Enhancing the competitiveness of midstream and downstream manufacturers 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</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>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>c. 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 10th Corporate Governance Evaluation in 2023. 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 convene the shareholders' meeting by the end of May?		The Company has brought forward the 2023 Annual Shareholders' Meeting to May 26.	
	2.Does the Company record the important questions raised by shareholders and the Company’s responses in the minutes of the annual shareholders' meeting?		The Company has recorded the important questions raised by shareholders and the Company's responses in the minutes of 2023 Annual Shareholders' Meeting.	
	3.Has the Company uploaded the changes in the shareholdings of insiders of the previous month to the MOPS website by the 10th (10th included) day of each month?		The Company has uploaded the changes in the shareholdings of insiders of the previous month in advance by the 10th (10th included) day of each month since 2023.	
Improvement Set as a Priority	1. Has the sustainability report prepared by the Company been submitted to the Board of Directors for approval?		The Company will review the procedure for submitting the sustainability report to the Board of Directors for approval.	
	2. Has the Company developed a greenhouse gas reduction management policy that includes reduction goals, implementation measures, and achievements?		The Company has developed a greenhouse gas reduction management policy and aims to improve the transparency of relevant information.	

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

2024.4.20

Title	Criteria Name	Professional qualifications and experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director (Convener)	Ruey Long, Chen	Since September 2011 and June 2012, he has been a member of Inventec Co., Ltd. and the compensation committee of the company. He has extensive experience in listed companies, and has a good understanding of the operation of compensation and related responsibilities. Please refer to Disclosure of information on professional qualifications of directors and independence of independent directors on page 19 for the relevant content.	Please refer to Disclosure of information on professional qualifications of directors and independence of independent directors on page 19 for the relevant content.	1
Independent Director	Hui Chen, Huang	Since June 2018 he has been a member of the company's compensation and remuneration committee, and he is quite familiar with the operation of the company's compensation and compensation committee and its terms of reference. Please refer to Disclosure of information on professional qualifications of directors and independence of independent directors on page 20 for the relevant content.		0
Independent Director	Tai Lang, Chien	Since June 2017 and June 2018, he has been a member of Huantai Enterprise (stock) Company and the compensation committee of the company. He has rich experience in listed companies and counter companies, and has a good understanding of the operation of compensation and related responsibilities. Please refer to Disclosure of information on professional qualifications of directors and independence of independent directors on page 20 for the relevant content.		1

- Note 1: Please state in the table the relevant work experiences, professional qualifications, and independence status of each member of the Remuneration Committee. If the member is an Independent Director, please state in the remark column: refer to Pages 19 for Information on the Directors and Supervisor on Attachment I. Please state Independent Director or others in the Identity column. (If the member is a convener, please specify in the remark column).
- Note 2: Professional qualifications and experience: Please specify the professional qualifications and experience of each member in the Remuneration Committee.
- Note 3: Independence status: Remuneration Committee members shall state the conditions that qualify them as independent, including but not limited to whether the person, his/her spouse, relatives within the second degree of kinship are appointed as Directors, Supervisors or employees of the Company or its affiliates; the number and ratio of the shares of Company held by the person, his/her spouse and relatives within the second degree of kinship or under the name of another person; whether the person is a Director, Supervisor or employee of a company that has a specific relationship with the Company (with reference to Subparagraphs 5 to 8, Paragraph 1, Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); and the remuneration received for commercial, legal, financial and accounting services rendered to the Company or its affiliates in the past two years.
- Note 4: For the disclosure method, please refer to the template on the Taiwan Stock Exchange Rules & Regulations Directory website.

#### **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	1	1	50	
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. 13, 2023 (1 <sup>st</sup> , 2023)	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 13, 2023. Resolution from remuneration committee: none. Procedures from the Company: none.
Aug. 4, 2023 (2 <sup>nd</sup> , 2023)	1. To discuss the 2023 annual salary of the managers adjusts in line with the all employees' compensation. 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.

### C. Attendance of Members at Sustainable Development Committees Meetings

Component and professional qualifications ability of Sustainable Development Committee

The Sustainable Development Committee of the Company is constituted by six directors. Their term of office is from May 6, 2022 to July 22, 2024. The each member of this Committee with the related professional background and experience is as below table:

Title	Name	Professional Background and Experience								
		Industrial Safety	Environment Protection	Circular Economy	Social Participation	Corporate Governance	Legal Compliance	Risk Management	Green finance	R&D and Innovations
Convener	Fu Yuan, Hong	V	V	V	V	V	V	V	V	V
Committee Member	Wen Chin, Lu	V	V	V	V	V	V	V	V	V
Committee Member	Ruey Long, Chen	V		V	V	V	V	V		V
Committee Member	Hui Chen, Huang				V	V	V	V		V
Committee Member	Tai Lang, Chien				V	V	V	V	V	V

#### 2. Sustainable Development Committee Meeting Status

##### (1) Duty of Sustainable Development Committee

- I. Reviewing the sustainable development policies, strategies, and managerial rules of the Company.
- II. Supervising the matters of sustainable development promotion and implementation cases.
- III. Reviewing the material sustainable development information including ESG report and reporting to the board of directors.
- IV. Supervising the greenhouse gas inventory and verification plans.
- V. Supervising the Company to care the material issues concerned by stockholders, employees, customers, community, and government.
- VI. Other matters instructed by the resolution of the board of directors.

There are 5 members in the Sustainable Development 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	Fu Yuan, Hong	2	0	100	
Committee Member	Wen Chin, Lu	2	0	100	
Committee Member	Ruey Long, Chen	2	0	100	
Committee Member	Hui Chen, Huang	2	0	100	
Committee Member	Tai Lang, Chien	2	0	100	

Sustainable Development committee Date & Sessions	Agenda, Procedures and Resolution
May 22, 2023 (1 <sup>st</sup> , 2023)	1.Proposal: To formulate ESG report of the Company of 2022. 2.Sustainable Development Committee Resolution: The above proposal was approved by all attendants and submitted to the Board of Directors for report. 3.The Company’s handling of the opinions of the Sustainable Development Committee: Acknowledged.
Dec. 08, 2023 (2 <sup>nd</sup> , 2023)	1.Proposal: To report the result of greenhouse gas verification in 2022. 2. Sustainable Development Committee Resolution: Acknowledged and submitted to the Board of Directors for report. 3.The Company’s handling of the opinions of the Sustainable Development Committee: Acknowledged

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 Fulfillment of Social Responsibilities and Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” :

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
1. Does the Company establish a governance structure to promote sustainable development as well as an exclusively (or concurrently) dedicated unit to implement sustainable development and have management appointed by the Board of Directors to be in charge of sustainable development and to report the implementation status to the Board of Directors?	✓		<p>To promote Corporate Sustainability, the Chairman- Fu Yuan, Hong has been appointed as the general convener and the Vice President Wen Chin, Lu as Vice convener. President Office, safety and health department, accounting department and other units form “The Sustainable Development Team” which is dedicated to the implementation of corporate sustainability.</p> <p>The sustainable development team holds regular meetings, as well as reviews and reports all work matters to the company's directors through internal official documents. They report at least once a year to the Board of Directors regarding the company's implementation status of sustainable developments, including sustainable development policies, goals and management policies, risk management, climate change risks and opportunities, and greenhouse gas and energy management, etc. The implementation of 2021 has been reported to the board of directors on May 26, 2023, and the implementation of 2023 is scheduled to be reported to the board of directors in June 2024. In addition, the Company will</p>	In compliance with the Article 9 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			review the establishment of a sustainability committee under the Board of Directors in 2022 to strengthen the company's implementation of the supervision mechanism for promoting sustainable development.	
2. 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 2)	✓		The Company's President Office and FPG Administration Department assess the risks to the Company and main subsidiaries from environmental, social and governance issues based on the levels of influence to stakeholders, and establish risk policies and concrete solutions that enable effective identification, measurement and evaluation, supervision, and control to lower influences from relevant risks: The Company's website is: ( <a href="https://www.fcfc.com.tw/risk-management">https://www.fcfc.com.tw/risk-management</a> )	In compliance with the Article 3 paragraph 2 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.
3. Environmental issues (1) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	✓		(1)a.The Company formulated the administrative standards for security and health management, management information systems, office automation systems in accordance with the environmental protection laws and regulations formulated by the Environmental Protection Administration (such as the Air	In compliance with Article 13 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.



Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>Pollution Control Act, the Water Pollution Control Law, the Waste Disposal Act and the Toxic and Concerned Chemical Substances Control Act, etc.),and strengthened the management of the security zone in the plants area through the improvement of the system. In addition, the Company applies introduce 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 Environmental Management Policies and Strategies of the 2023 Corporate Sustainability Report. )</p> <p>b.To meet our corporate social responsibility and future requirements for GHG reductions, FPC has set up and maintained a systematic inventory of GHG emissions since 2016 in accordance with ISO 14064-1. Furthermore, the British Standards Institution (BSI) and SGS Taiwan are commissioned to conduct Scope 1 and Scope 2 GHG inventories in order to ensure that the inventory is accurate and can be used as a basis</p>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(2) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental	✓		<p>for future improvement in GHG reductions.</p> <p>(2) The company continues to promote energy conservation, emission reduction and circular economy, and integrates energy and resources across factories to improve energy efficiency. In recent years, AI and simulation technologies have been used to carry out industrial safety management and process optimization to improve production efficiency and maximize energy utilization. The company reviews the recycling method for industrial waste and exhaust. The industrial waste recycling PIR aims at 100% recycling, and continues to develop recycled products, such as antibacterial oyster shell powder plastic products, etc. 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. The Company (For details of the specific practices</p>	In compliance with Article 12 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(3)Does the Company assess potential risks and opportunities arising from climate change, and establish relevant risk management policy or strate?	✓		and products that are environmentally friendly, please refer to 2.3 Product Safety and Health Responsibility of the 2023 Corporate Sustainability Report) (3)The Company continued to assess potential risks and 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. The Company signs up to support the Climate-related Financial Disclosures (TCFD) and disclose information on the Company's governance, strategy, risk management, indicator and targets for climate-related risks and opportunities in accordance to the TCFD. (Please refer to 3.2 Climate change slow down and accommodation of the 2023 Climate Related Financial Disclosures (TFCD) Report.)	In compliance with Article 17, paragraph 1 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.
(4) Does the company monitor its greenhouse gas (GHG) emissions, water consumption, and waste volume for the past	✓		(4)The Company regularly commissions BSI (British Standards Association) and SGS Taiwan Limited to conduct greenhouse gas inventory. For energy conservation and carbon reduction, the Company will set a specific reduction target each year. (For	In compliance with Article 17, paragraph 2~3 of the Sustainable Development Best Practice Principles for TWSE/GTSM

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
two years, and establish policies for energy conservation, carbon and GHG reduction, water consumption reduction, waste volume reduction accordingly?			further details, please refer to 3.1 ~3.6 of the 2023 Corporate Sustainability Report.)	Listed Companies.
4. Social issues (1) Has the Company referred to relevant laws and international human rights instruments to establish relevant management policies and procedures?	✓		(1) a.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	In compliance with Article 18 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>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, Fu Yuan, Hong officially signed the human rights policy , which aims at preventing child and forced labor, respecting employees’ privacy and freedom of association, respecting employee privacy, freedom of association, and collective bargaining rights, and providing employees with diverse communication channels. For details, please refer to the official website of the Company. (<a href="https://www.fcfc.com.tw/human-rights-policy">https://www.fcfc.com.tw/human-rights-policy</a>) °</p> <p>b. Principle of Diversity, Inclusion and Equal Employment: Comply with the Employment Service Act to provide open, fair and equitable employment opportunities, and establish the Diversity and Inclusion Policy. ( <a href="https://www.fcfc.com.tw/data-73805">https://www.fcfc.com.tw/data-73805</a>)</p> <p>c. Gender friendliness: In addition to the formulation of the “Measures on Prevention, Complaint and Punishment of Sexual Harassment at Workplace” to ensure equal gender work rights, the Company also attaches great importance to gender equality</p>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>in the workplace. Although due to the nature of the industry, the proportion of male employees is higher than female employees, promotion channels have been structured and the performance of female employees are highly valued. Therefore, the number and proportion of female supervisor above employees constantly increase year on year, which is a demonstration of the Company's effort in gender equality. Please refer to the Company's 2023 sustainability report 4.1.2 Employment of employees.</p> <p>d. Local recruitment: In recruiting new employees, priority is given to local residents. Local quality supervisors are cultivated. Over the years, a high proportion of local residents have been employed, as detailed in the Company's 2023 Sustainability Report 4.1.2 Employment of employees.</p>	
(2)Did the company establish and implement reasonable employee benefits (including compensations, holidays, and other benefits), and	✓		(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	In compliance with Article 21,paragraph 2 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>appropriately reflect its business performance and results on its employee compensations?</p> <p>(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?</p>			<p>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 187 of the annual report.</p> <p>c. Article 31 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> <p>(3)a.The Company produces "i Medical Health Network" and "iHealth Podcast" in the form of video and audio streaming to provide employees with health education information. In order to enhance the employees' awareness of safety and hygiene, the "Work Hazard Reminder Card" and "Safety and Hygiene Handbook" are distributed, and employees are reminded of work</p>	Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
	✓		<p>safety through education and training and safety observation (for various practices related to improving employee and workplace safety, please refer to section 4.4 Healthy and safe working environment of the company's 2023 Sustainability Report for details.)</p> <p>b.The ISO 45001 Occupational Safety and Health Management System and the Taiwan Occupational Safety and Health Management System (TOSHMS) certifications have been obtained by all FPC plants.</p> <p>c.In 2023, 3 number of employee occupational accident cases (excluding traffic occupational accident) occurred in the company, 3 people were injured and 0 people died, accounting for 0.611% of the total employees. The Company immediately formed an "incident investigation team" after the accident to collectively review and clarify the cause of the accident with relevant departments. Substantive improvement measure was proposed, and all departments are requested to inspect and review the adequacy of protective measures in place. Those with inadequate protection are requested to make improvement, while</p>	In compliance with Article 20 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.



Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development 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>education and training has also been reinforced across all departments. All employees are requested to comply with Company's rules to avoid any future recurrence.</p> <p>(4)a.The company's entry-level personnel have successively received training courses such as pre-employment training, shift training, basic and professional training on the job, and CiNet after arriving on the job. The average number of training hours per person in 2023: 48.9hours for junior managers and 39.4 hours for entry-level personnel; while middle-level managers implement training courses such as management training, cross-functional training, new supervisor training, work enthusiasm and group effectiveness training, etc. The annual average training hours per person in 2023: 21.5 hours for first-level supervisors and hours for second-level supervisors</p> <p>b.In addition, in response to the rapid development of AI and big data application technology, the Company has dispatched employees to participate in the technical leadership training classes and executive programs at the Taiwan AI Academy every year since 2018. At the same time we continue to invest</p>	In compliance with Article 21, paragraph 1 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(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 products and services and has the company established relevant consumer protection policies and grievance procedures?	✓		<p>in various AI improvement projects. (For other specific practices, please refer to section 4.3 Cultivation of human capital in the 2023 Sustainability Report)</p> <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 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</p>	In compliance with Article 24 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
(6)Has the company established supplier management policy and require suppliers to comply with relevant standards on environmental protection, occupational safety and health, or labor and human rights issues?	✓		<p>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> <p>(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 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</p>	In compliance with Article 26 of the Sustainable Development

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			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 2.7 Customer Service and Supply Chain Relations of the 2023 Corporate Sustainability Report.)	Best Practice Principles for TWSE/GTSM Listed Companies.
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 2022 Corporate 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. The Company have been inspected by a third party certifying authority, the British Standards Association (BSI), in accordance with the GRI Standards	In compliance with Article 29 of the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			2021/AA1000, and was awarded the certificate of credibility.	
<p>6. Where the Company has established its own Best Practices on CSR according to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and actual implementations taken by the Company :</p> <p>Note : The Board of Directors of the Company approved to set the “Principles of Corporate Social Responsibility Code” on August 7, 2015, and the Company reviews the principles annually. The latest version is on May 6, 2022, to revise “Principles of Corporate Social Responsibility Code” to “Principles of Sustainable Development” with the approval of the Board of Directors. Although the Company’s principles have been slightly revised, it still complies with the spirit of “the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”. For the operation of the Company’s sustainable development, please refer to the 2023 ESG Report and website.</p>				
<p>7. Other important and helpful information in understanding CSR operation:</p> <p>Explanation 1: Relevant systems and structures</p> <p>The company established the "ESG Promotion Organization" in 2021. The business content includes three aspects: environmental protection (E), social responsibility (S), and corporate governance (G). Among them, the environmental protection (E) aspect is subdivided into 8 important topics: 1. Climate-related financial disclosure 2. Circular economy - energy (resource) efficiency improvement 3. Circular economy - plastic recycling 4. Integration of international carbon reduction initiatives 5. Safety and green procurement (including transportation and packaging) 6. Degradable plastic 7. Renewable energy and green energy 8. Green product research and development and promotion of the green industry.</p> <p>The 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</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>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. The Company convenes each business unit to review the implementation of various ESG businesses every quarter to meet the goal of energy consuming reduction and the ecological balance, and realize the sustainable value of the Company of environment, sociality and corporate governance.</p> <p>Explanation 2: Social welfare engagement of the enterprise</p> <p>1. The system, measures, and performance of environmental protection, safety, and health:</p> <p>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.</p> <p>Following this concept, the Company adopts the latest international technology for production processes and environmental protection 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 2023 years has decreased by 18% and 19% respectively compared with the completion of the Phase 4 expansion in 2007. Future reduction targets will continue</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>to be promoted. The spirit of the Company is to always find out the root cause of any problem, continue 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 2023 the sixth naphtha cracker has invested 10.21 billion dollars to complete 2,875 improvement cases, saving 308,500 tons of water per day. The 231 ongoing cases will receive 1.67 billion dollars of investment to achieve the target of saving 13,900 tons of water per day. The total investment is 11.88 billion dollars. After the completion, the annual benefit will be approximately 1.44 billion dollars. In terms of energy conservation and carbon reduction, the sixth naphtha cracker has also invested 32.21 billion dollars 11,192 improvement cases have been completed, reducing about 13.72 million tons of CO<sub>2</sub>. 1,400 ongoing cases will receive 1.63 billion dollars. It is estimated that an additional 2.11 million tons of CO<sub>2</sub> will be reduced, with a total investment of 48.55 billion dollars. The end benefits will be about 44.17 billion dollars per year.</p> <p>The above-mentioned results can be affirmed by the Company awards from 97 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 2014 to 2023.</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 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 CO<sub>2</sub> 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</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>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 1.422 billion in subsidies have been provided to the afforestation applicants, contributing to the afforestation and carbon reduction. However, the Council of Agriculture considers that the conversion of fertile land into forest land may lead to food shortages, and it is easy to attract snakes, rats and birds, which will affect the harvest of adjacent farmlands. According to government policy, the Company will no longer provide reciprocal subsidies.</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 2023 is 780 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</p>				



Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>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. Quarterly reviews are conducted to eliminate potential hazards, and an annual safety culture performance commendation conference is held to improve employees’ participation and sense of honor through cross-company competitions and performance appraisals across the enterprise.</p> <p>2. Community participation: the Company is deeply rooted in Taiwan. Factories are distributed all over Taiwan. We strive to become a “good 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. Please refer to the Company’s 2023 Sustainability Report 5.1 Local Community Development and Devotion.</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</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>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 1,186 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 2023, it has spent 10.721 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 youth education and employment opportunities. The total donation amount is about 1.677 billion dollars, and the number of assisted people reached 5,500.</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. Since 2007, the Company has cooperated with the government to promote the national free vaccination program for the elderly over 75 years old to improve their health and quality of life. Up until 2010 when the government budgeted and promoted on its own, a total of</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>nearly 1.16 million doses of the Pneumococcal Conjugate Vaccines were donated.</p> <p>B. Continue to promote the "Professional Service of Early Treatment Effectiveness Improvement Program". Assist developmentally retarded children to receive high-quality treatment as soon as possible in order form them to return to the general education system and integrate with society, thereby reducing the burden of family and social care. This project is based on empirical research and guided by the fusion of concepts, family-centered and community-based promotion principles, with the main focus to improve the quality of institutions, personnel capabilities, and parental awareness. From 2006 to 2023, NT\$ 1 billion were invested, 33 thousand people and 92 units were benefited.</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. In consideration of the widespread dental defects among AIDS prisoners that result in poor chewing functions and poor health, Wang Jhan-Yang charitable trust fund donated denture installation fund for the underprivileged AIDS prisoners in Yilan, Taipei, Tainan, Kaohsiung, and Kaohsiung Women’s Prison in the hope of assisting prisoners' nutrition digestion and health improvement. In 2023, donated to reformatory schools for the budget of purchasing vocational training equipment in order to enhance employment skills and foster a passion for learning.</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</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>disadvantaged backgrounds to assist 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. l. Promotion of the after-school care program at rural schools by providing after-school care subsidies for schoolchildren of elementary schools in rural areas, offering schoolwork tutoring, life and cultural education to improve schoolwork performance and bridge the gap between families and schools.</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. h. Donation the ‘Evergreen Canteen’ of Yunlin County. h. Donation the ‘Evergreen Canteen’ of Yunlin County, i. Donations were made to elderly people aged 65-69 in Yunlin County as</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>Double Ninth Festival gift money.</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」, g. Promote lighting improvement projects, donate lighting equipment to improve the lighting equipment in social welfare institutions in order to provide good care of the environment and save electricity bills, h. Promotion of food banks for the effective use of charitable resources to meet the basic living needs of vulnerable populations, i. donated to the Taichung School for the Visually Impaired for the budget of purchasing computer equipment to assist the visually impaired in their learning.</p> <p>H. Promote the development of Taiwan's distinctive culture: sponsoring the "Ming Hwa Yuan Art &amp; Cultural Group", "I Wan Jan Puppet Theater", "If kids Theatre", "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. sponsoring the Chinese Taipei Paralympic Committee for the training of athletes with disabilities.</p> <p>J. Institutional support: a. Donation of social welfare institutions to purchase facilities and equipment and construction and repair (17 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.If Implementation Status is specified "Yes", please explain the key policies, strategies and measures taken and the current progress. If

Implementation Status is specified "No", please refer to "Deviations from the Sustainable Development Best Practice Principles for TWSE/GTSM

Listed Companies and Reasons " section to explain the situation and reasons for the discrepancies, as well as explain any policy, strategy and measure planned for the future. However, in relation to the implementation of Items 1 and 2, listed and OTC companies should specify the governance and supervision framework for sustainable development, including but not limited to management approach, strategy and goal setting, review measures, etc. It also describes the Company's risk management policies or strategies on operational-related environmental, social and corporate governance issues and their assessment.

Note 2. The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the company.

Note 3. For the disclosure method, please refer to the template on the Taiwan Stock Exchange Rules & Regulations Directory website.

### 3.3.6 Company climate-related information

#### 1. Implementation Status of Climate-related Information

Item	Implementation Status
<p>1. State the supervision and governance of climate-related risks and opportunities of the Board of Directors and the management.</p>	<p>Fcfc believes that environmental, social and corporate governance (ESG) related issues are fundamental to the sustainable development of the company. On May 6, 2022, the Board of Directors approved the establishment of a Sustainability Development Committee to strengthen the Board of Directors' response to climate change and other sustainable development issues. Responsibilities for supervising continuing matters. The Sustainability Development Committee, with the Chairman as the convener and the General Manager as the deputy convener, is responsible for formulating corporate sustainability strategies, supervising relevant performance, implementing and promoting environmental protection, fulfilling social responsibilities and implementing risk management.</p> <p>Climate-related issues are an ESG aspect that companies pay special attention to. Therefore, the company established a TCFD working group under the Sustainability Development Committee, which is responsible for compiling the risks and opportunities identified by each unit and the corresponding action plans. Through the monthly "Energy Saving and Emission Reduction" Circular Economy Conference" and "ESG Promotion Conference" track the progress of the response plan and report the results to the Sustainable Development Committee. Thereafter, the Sustainability Committee will report to the Board of Directors at least once every six months, with the Chairman serving as the top manager to oversee issues and matters related to climate change.</p> <p>Board of Directors: Supervise the company's climate change management performance and hold board meetings every quarter.</p> <p>Sustainability Committee: Decision-making on climate change management strategies/goals is held every six months to discuss the company's sustainable development policies and implementation guidelines.</p> <p>(Please refer to the preface of the company's 2023 TCFD report)</p>

Item	Implementation Status																
2. State how identified climate risks and opportunities affect the business, strategies, and finance of the company in the short-term, medium-term and long-term.	<p>The climate change risk identification method refers to the TCFD report recommendations (Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017). When formulating risk scenarios, consider transition risks (policy and law/market/technology/reputation) and physical risks (chronic and acute ), and make a risk description of possible events, including the degree of financial impact, impact time (short, medium, long), affected objects in the value chain, risk possibilities, etc. When formulating opportunity scenarios, consider resource efficiency, energy, products and services, markets, and adaptability, and provide an opportunity description of possible events, including the degree of financial impact, impact time (short, medium, and long), and the length of the value chain. Affected objects, opportunity possibilities, etc. When identifying and assessing climate-related risks, the Company defines financial impacts exceeding NT\$1 million as material impacts. Based on the above risk and opportunity matrix results, the risks and opportunities are classified as follows: 1. 15-25 points: high risk, priority should be given to corresponding response measures 2. 6-14 points: medium risk, no action is required at present. Continuous monitoring 3. 1-5 points: low risk, acceptable risk.</p> <p>(Please refer to 3.2 Climate Change Risk Issues and Financial Impact List of the Company’s 2023 TCFD Report)</p> <table><tr><th colspan="4">List of Risk/Opportunity Issues</th></tr><tr><th>Issue number</th><th>Risk/Opportunity issues</th><th>Issue statement</th><th>Influence level</th></tr><tr><td>1</td><td>Risk/Policy &amp; Regulation</td><td>In order to cope with climate change, the government plans to impose a carbon fee in the future.</td><td>Medium</td></tr><tr><td>2</td><td>Risk/Policy &amp; Regulation</td><td>The government announced amendments to the "Water Conservancy Law" in February 2023, levying a "water consumption fee" for those who consume a large amount of water resources.</td><td>Low</td></tr></table>	List of Risk/Opportunity Issues				Issue number	Risk/Opportunity issues	Issue statement	Influence level	1	Risk/Policy & Regulation	In order to cope with climate change, the government plans to impose a carbon fee in the future.	Medium	2	Risk/Policy & Regulation	The government announced amendments to the "Water Conservancy Law" in February 2023, levying a "water consumption fee" for those who consume a large amount of water resources.	Low
List of Risk/Opportunity Issues																	
Issue number	Risk/Opportunity issues	Issue statement	Influence level														
1	Risk/Policy & Regulation	In order to cope with climate change, the government plans to impose a carbon fee in the future.	Medium														
2	Risk/Policy & Regulation	The government announced amendments to the "Water Conservancy Law" in February 2023, levying a "water consumption fee" for those who consume a large amount of water resources.	Low														



Item	Implementation Status			
	3	Risk/Policy & Regulation	The EU will begin to levy a carbon border tax starting from 2026. The initial standard products will be levied on direct emissions from five major industrial products including electricity, cement, chemical fertilizers, steel, and aluminum.	Medium
	4	Risk/Technology	Customers' awareness of green consumption is increasing, and the number of customers for sustainable products continues to increase. Therefore, if we consider the product life cycle and product value chain, high-carbon products will have an impact on the company.	Low
	5	Risk/Reputation	With the ESG craze in recent years, investment institutions will evaluate their clients' ESG performance when evaluating investments and lending. Failure to meet ESG sustainability requirements will have a negative impact on the company's reputation.	Low
	6	Entity Risk/ Chronic	Taiwan Chemical considers the impact of strong winds or typhoons due to abnormal weather conditions, which may cause the factory to shut down safely to avoid process hazards; the impact of heavy rainfall/floods, which may cause the factory to shut down due to flooding, which will cause the risk of loss of revenue.	Low
	7	Entity Risk/ Chronic	Taking 1986 to 2005 as the base period, it is estimated that the climate conditions in the factory area in the near future (2016 to 2035) will cause water shortages or droughts for two months every year.	Medium

Item	Implementation Status			
			Water shortages or droughts caused by climatic abnormalities will cause the risk of loss of revenue.	
	8	Opportunity/ Technology	Develop low-carbon products, recycle raw materials, and recycle end-customer marine waste into products to reduce production costs and promote sustainable use of resources.	Medium
	9	Opportunity/ Resource efficiency	Brand customers require that the company's products contain PCR (post-consumer recycled materials). Our company has leading technology and can provide this product with priority to increase revenue.	Medium
	10	Opportunity/ Resource efficiency	The company has installed renewable energy systems such as solar power and hydropower to meet the requirements of Taiwan's "Renewable Energy Development Ordinance".	Medium
	11	Opportunity/ Technology	Due to the demand for renewable energy, the company's products can be used in renewable energy equipment, and in conjunction with policies for the construction of green power and energy storage equipment, the company's products can tap into business opportunities and increase revenue.	Medium
3.State the effects of extreme climate events and transition actions on finance.	1. Extreme climate events: (1) Flooding: Based on an estimated turnover of NT.217.55 billion in 2023, the turnover for each day of shutdown is NT.596 million. (2) Water shortage: According to the company's proposed contingency measures for water shortage in the Mailiao plant, when the water limit in the Mailiao plant is 10%, the company's production capacity of the PTA plant will be reduced to 80% and the PC plant's production capacity will be reduced to 90%; assuming that it may be possible in the future A 10% water restriction for four			

Item	Implementation Status
	<p>months will affect the company's revenue by NT.1.29 billion/day.( Please refer to 3.2 Climate Change Risk Issues and Financial Impact List of the Company's 2023 TCFD Report)</p> <p>2. Transformation actions: In response to the global carbon reduction trend, the company's launch of relevant carbon reduction products is expected to increase operating income, such as:</p> <p>(1) The Plastics Department estimates that by 2025, the plastic material business opportunities for solar trunking, energy storage cabinets, and charging piles will be NT.580 million ; and sales of PCR (post-consumer recycled materials) will increase revenue by NT.530 million per year.</p> <p>(2) Caprolactam, the raw material of nylon fiber products, will be recycled and regenerated into caprolactam by increasing the use of recycled materials. It is estimated that the annual operating income will be affected by approximately NT.150 million.</p> <p>(3) In addition, the company has added solar and hydropower renewable energy sources, with a photovoltaic capacity of 43,123kWp and a hydropower capacity of 23,256kW. The estimated benefits are RMB 270 million per year.</p> <p>( Please refer to 3.2 Climate Change Risk Issues and Financial Impact List of the Company's 2023 TCFD Report)</p>
<p>4. State how the process for identifying, assessing, and managing climate risks is integrated into the overall risk management system.</p>	<p>The Company's process for identifying, assessing, and managing climate-related risks: background data collection→scope of risk and operational assessment→risk and operational impact analysis→control measures and goal setting →View optimization.</p> <p>Each functional group identifies and defines an environmental risk and opportunity inventory table every year. For each single risk category in the inventory table, the person responsible for the risk is designated to systematically collect risk-related information. Risks and opportunities whose impact time is assessed to be less than 10 years are directly integrated into the regular target planning process described above to develop response plans. Risks and opportunities whose impact time is assessed to be greater than 10 years will be reported to the board of directors by the chairman of the board during the annual management meeting, and special response strategies will be formulated. The company's</p>

Item	Implementation Status
	<p>transformation and development project team is responsible for tracking the progress of the response plan through the "Monthly Energy Saving and Emission Reduction Circular Economy Meeting".</p> <p>Regarding risk management, in response to the rapid changes in the internal and external environment that are increasingly impacting corporate operations, every change will cause a certain degree of risk to the company. Therefore, the company aims to minimize the impact on every risk project. Deficiencies in risk management can be reported to the company's audit office, independent directors or the board of directors. Each risk department independently evaluates the performance of identifying and mitigating risk projects. The general manager office of the company will also conduct performance evaluation and coaching for risk departments.</p> <p>(Please refer to 3.1 Risk and Opportunity Identification Process of the Company's 2023 TCFD Report)</p>
<p>5. If using scenario analysis to assess resilience to climate change risks, it is necessary to explain the scenario, parameters, assumptions, analysis factors used, and major financial impacts.</p>	<p>Based on the TCFD recommended guidelines, the company uses the Worst-case Scenario (The Worst-case Scenario) faced by the two risk types of transformation and entity, and incorporates the analysis results into the strategic resilience assessment.</p> <p>The transformation risk refers to the IEA WEO 450 Scenario (2016) and the Nationally Determined Contribution (NDC) targets set by each manufacturing base. Taiwan set the 2050 greenhouse in the 2015 "Nationally Determined Contribution" report. Gas emissions are reduced by 50% based on the current development trend scenario (Business as Usual, BAU). Under this scenario, the power generation structure in 2025 is 20% renewable energy, 30% coal-fired, and 50% gas. After importing the above relevant scenarios, analyze the future impact of the company on the market, technology, reputation, finance, operations, etc.</p> <p>For physical risks, refer to the World Bank (Climate Change Knowledge Portal), Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP), and National Disaster Prevention and Protection Technology Center, for RCP2.6 and RCP4. 5. RCP8.5 and other scenarios are used to estimate temperature rise, rainfall, flooding, and drought from 2020 to 2040, analyze them, and evaluate their impacts.</p> <p>(Please refer to 3.3 Climate Risk Scenario Analysis of the Company's 2023 TCFD Report)</p>

Item	Implementation Status		
6. If there is a transition plan to address and manage climate-related risks, please explain the plan's content, as well as the indicators and goals used to identify and manage physical risks and transition risks.	The company promotes the management of risks and opportunities of climate change through five major strategies, setting indicators and goals in areas such as energy conservation improvement, energy transition, circular economy, other measures, and participation in climate initiatives.( Please refer to Chapter 2 Strategy of the Company's 2023 TCFD Report)		
	Strategy	index	Target
	Energy saving improvement	Reduce energy consumption and improve efficiency, reducing greenhouse gas emissions	The target carbon reduction amount to complete the improvement project in 2024 is 207 thousand tons/year
	Energy transition	Coal-fired boilers reduce coal consumption and reduce greenhouse gas emissions	The 2030 target is to reduce carbon emissions by 826,000 tons compared with 2020.
		Oil-fired boiler converted to gas	A total of 29 improvements will be completed in 2025
		Install green power generation equipment	The goal is to install 49,000kWp of solar power generation and 23,000kW of hydropower generation by the end of 2030.
	Circular Economy	CO2 recovery and reuse improvement project	The target CO2 recovery volume in 2030 is 9,400 tons/year
		Marine waste recycling	Target sales volume in 2026 is 9,000 tons/year
		Waste plastic recycling	Target sales volume in 2026 is 16,000 tons/year
		Environmentally friendly yarn products	Target sales volume in 2026 is 1,356 tons/year
		Environmentally friendly woven bags/pallets	Target sales volume in 2026 is 1,094 tons/year
		Storage tank VOC recovery	Estimated emission reduction in 2024: 114 tons

Item	Implementation Status		
	Other measures	Low-carbon transportation	The target carbon reduction amount in 2024 is 37.6 tons/year
		Paperless office	The target carbon reduction amount in 2024 is 152 tons/year
		pre-dyed silk	Target sales volume in 2026 is 2,400 tons/year
	Get involved in climate initiatives	CDP climate change	Leadership level and above
		CDP water management	Leadership level and above
7. If using internal carbon pricing as a planning tool, the basis of price determination shall be explained.	In order to increase each factory's personal awareness of greenhouse gas emissions and strengthen the implementation of carbon reduction work, internal carbon pricing (ICP) will be promoted from 2022. Through the company's self-developed greenhouse gas calculation system, monthly Incorporate greenhouse gas carbon emission costs (including carbon excess emission costs) into business performance calculations to deepen greenhouse gas reduction efforts at each factory. At the same time, in order to promote carbon reduction in the supply chain, an "Equipment Selection Analysis Form" for high-carbon-emitting equipment procurement cases has been formulated. The procurement department estimates the carbon emissions of the equipment to be purchased and takes the carbon emission cost into consideration in the procurement selection.		
8. If climate-related goals are set, the activities covered, scope of GHG emissions, planning schedule, and annual progress should be explained. If carbon offset or Renewable Energy Certificates (RECs) are used to achieve the related goals, the source and quantity of carbon reduction credit offset or the quantity of Renewable	<p>1. The company's carbon emissions dropped from the peak of 12.23 million tons in 2010 (scope 1 and scope 2 externally sold electricity) to 8.54 million tons in 2020, a reduction of 3.69 million tons, a decrease of 30.2%, and will further decrease in 2022. to 7.87 million tons, a decrease of 35.7%.</p> <p>2. The short-term (2025) and medium-term (2030) goals are to reduce carbon emissions by 10% and 25% compared with the base year (2020), and the long-term goal is to achieve carbon neutrality in 2050.</p> <p>3. The company's short-term (2025) goal is to reduce carbon emissions by 10% compared with the base year (2010), which means reducing carbon emissions by 850,000 tons. The planned carbon reduction plan is estimated to reduce carbon emissions by 1.291 million tons, as shown in the table below.</p>		

Item	Implementation Status		
Energy Certificates (RECs) should be specified.	Carbon Reduction Plan	Estimated Carbon Reduction (in ten thousand tons)	Explanation
	1.Transitioning from coal to low (zero) carbon energy	86.4	1.Coal-fired boilers reduce coal consumption 2.Oil-fired boiler converted to gas
	2.Continuously promoting energy conservation, carbon reduction, and circular economy	36.5	1.Process improvement and energy saving improvement 2. Continue to use AI+ simulation and digital transformation technology to promote intelligent manufacturing processes 3. Low-level energy recovery and upgrading
	3.Establishing renewable energy equipment	4.2	Solar power, hydropower
	4.Researching and implementing other feasible carbon reduction measures	2.0	1. Develop high-concentration CO2 removal methods for manufacturing processes 2. Research on process exhaust reduction technology
	Total	129.1	
	4. The mid-term (2030) goal is to reduce carbon emissions by 25% compared with the base year (2010), which means a further 839,000 tons of carbon emissions need to be reduced. The carbon reduction plan is as follows.		
	Carbon Reduction Plan	Estimated Carbon Reduction (in ten thousand tons)	Explanation
	1.Transitioning from coal to low (zero) carbon energy	12.2	1.Coal-fired boilers reduce coal consumption 2.Oil-fired boiler converted to gas

Item	Implementation Status		
	2.Continuously promoting energy conservation, carbon reduction, and circular economy	65.0	1.Process improvement and energy saving improvement 2. Continue to use AI+ simulation and digital transformation technology to promote intelligent manufacturing processes 3. Low-level energy recovery and upgrading
	3.Establishing renewable energy equipment	6.7	Solar power, hydropower
	4.Researching and implementing other feasible carbon reduction measures	0.0	1. Develop high-concentration CO2 removal methods for manufacturing processes 2. Research on process exhaust reduction technology
	Total	83.9	
	5. The long-term (2050) goal is carbon neutrality, and the carbon reduction plan is as follows.		
	Carbon Reduction Plan	Estimated Carbon Reduction (in ten thousand tons)	Explanation
	1.Transitioning from coal to low (zero) carbon energy	524.4	1. Explore carbon-free fuels such as hydrogen energy, ammonia energy, biomass energy, and carbon-neutral natural gas 2. Research carbon capture, storage and utilization (CCUS) technology
	2.Continuously promoting energy conservation, carbon	101.3	1. Introducing new technologies to reduce carbon emissions in the process



Item	Implementation Status		
	reduction, and circular economy		2. Continue to use AI+ simulation and digital transformation technology to promote intelligent manufacturing processes 3. Low-level energy recovery and upgrading
	3.Establishing renewable energy equipment	10.3	Solar power, wind power, hydropower
	4.Researching and implementing other feasible carbon reduction measures	5.0	1. Develop high-concentration CO2 removal methods for manufacturing processes 2. Research on process exhaust reduction technology
	Total	641.0	
9.Greenhouse gas inventory and assurance, as well as reduction goals, strategies, and specific action plans (also filled in 1-1 and 1-2).	1.Since 2005, the Company has been conducting greenhouse gas inventory and commissioning external organizations such as SGS and BSI for verification. It has also reported the emissions to the Ministry of Environment in accordance with the law. 2.In order to demonstrate its commitment to carbon reduction, the Company not only publicly declares short-, medium-, and long-term goals, but also submits reports to the International Carbon Disclosure Project (CDP) Organization annually to disclose the Company's carbon management practices. In 2023, it achieved the "Leadership level" in the rating. 3.To verify the effectiveness of carbon reduction, the Company has set a goal of limiting temperature rise to no higher than 2°C to control carbon reduction and has applied for certification from the International SBTi (Science Based Targets initiative) organization, which has been recognized and approved. Its goal is to achieve an annual average reduction of 2.5% in Scope 1 and Scope 2 emissions within 5 to 15 years.		

## 1.1 The Company's greenhouse gas inventory and assurance in the recent two years

### 1.1.1 Information on greenhouse gas inventory

State the greenhouse gas emissions (metric tons of CO <sub>2</sub> e), intensity (metric tons of CO <sub>2</sub> e/million), and scope of data coverage in the recent two years					
The greenhouse gas emissions of the Company's Taiwan plants(contains FORMOSA INEOS CHEMICALS CORPORATION) have been disclosed in the Sustainability Report and the relevant environmental sections, and are verified by third party certifying authorities such as SGS Taiwan Ltd. (SGS) and the British Standards Institution (BSI) each year. Excerpts from the data in the recent two years are as follows: Unit: tCO <sub>2</sub> e					
Year	Scope of data coverage	Scope 1	Scope 2	Scope 3	Emission intensity (tCO <sub>2</sub> e/million)
2022	All plants in Taiwan	4,698,681	3,166,588	14,488,269	30.8476
2023	All plants in Taiwan	5,142,739	2,978,111	-	37.3293
Explanation: 1. Emission intensity = (Scope 1 + Scope 2)/operating revenue of the parent company only financial report for the current year (million).					
2. The greenhouse gas emissions in 2023 represent the internal inventory figure of the Company.					

Note 1: Direct emissions (Scope 1, i.e., emissions directly from sources owned or controlled by the Company), energy indirect emissions (Scope 2, i.e., greenhouse gas emissions indirectly caused by the input of electricity, heat, or steam), and other indirect emissions (Scope 3, i.e., emissions generated from the Company's activities that are not energy indirect emissions but come from other sources owned or controlled by the Company).

Note 2: The scope of data coverage of direct emissions and energy indirect emissions shall be handled in accordance with the schedule specified in the provision of Article 10, Paragraph 2 of the Guideline. Information on other indirect emissions may be voluntarily disclosed.

Note 3: Standard for greenhouse gas inventory: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions can be calculated by using product, service, or revenue per unit. However, at least the data calculated by revenue (NT\$ million) shall be stated.

### 1.1.2 Information on greenhouse gas assurance

State the explanation of assurance during the recent two years up to the date of publication of the annual report, including the scope of assurance, assurance agencies, assurance standards, and assurance opinions	
1.	2022: The Scope 1 and Scope 2 greenhouse gas emissions from all the Company's plants in Taiwan totaled 7,865,269 tCO <sub>2</sub> e, and were verified by SGS Taiwan Ltd. (SGS) and the British Standards Institution (BSI) in accordance with the ISO 14064-3 standard, and the assurance opinions were reasonable assurance.
2.	2023: Complete assurance information will be disclosed in the sustainability report.

Note 1: Shall be handled in accordance with the schedule specified in the provision of Article 10, Paragraph 2 of the Guideline. If the Company fails to obtain complete greenhouse gas assurance opinions by the date of publication of the annual report, it shall be noted as "Complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it shall be noted as "Complete assurance information will be disclosed on the Market Observation Post System," and the complete assurance information shall be disclosed in the next year's annual report.

Note 2: Assurance agencies shall comply with the relevant regulations for assurance agencies of sustainability reports stipulated by the Taiwan Stock Exchange Corporation and the Taipei Exchange.

Note 3: For content of disclosure, please refer to the example of best practices on Corporate Governance Center of Taiwan Stock Exchange website.

### 1.2 Greenhouse gas reduction goals, strategies, and specific action plans

State the base year and its data, reduction goals, strategies and specific action plans, as well as the achievement of reduction goals of greenhouse gas reduction	
1.	The company's carbon emissions dropped from the peak of 12.23 million tons in 2010 (scope 1 and scope 2 externally sold electricity) to 8.54 million tons in 2020, a reduction of 3.69 million tons, a decrease of 30.2%.
2.	The short-term (2025) and medium-term (2030) goals are to reduce carbon emissions by 10% and 25% compared with the base year (2020), and the long-term goal is to achieve carbon neutrality in 2050.
3.	The Company's short-term, medium-term and long-term carbon reduction response strategies and action plans:

State the base year and its data, reduction goals, strategies and specific action plans, as well as the achievement of reduction goals of greenhouse gas reduction				
	Short-term	Medium-term		Long-term
Energy saving improvement	Continue to promote energy conservation and emission reduction improvement measures			
	Import AI intelligent production	Expand and promote the application of AI intelligent modules in various processes and units		
	Promote digitalization of simulated factories and operations management	Continue to introduce advanced digital management models		
Energy transition	Oil boiler changed to gas boiler	Continuously replace with high-efficiency boiler equipment		
	Cooperate with the balance of steam and electricity in the factory area to reduce coal consumption	The factory switched from selling electricity to purchasing electricity	Evaluate the conversion of coal-fired boilers to gas-fired boilers	
	Add renewable energy sources (solar and hydro)	Continue to expand and add various renewable energy sources		
	Promote the electrification of process equipment and reduce greenhouse gas emissions			
	Recovery of process waste heat and advanced use of low-level steam			
Circular Economy	Recovery and reuse of CO2 from acetic acid plant tail gas	Continue to increase the recycling ratio of raw materials		
	Production of plastic environmentally friendly recycled materials	Expand the production and use of environmentally friendly products		
	Recycling of waste fishing nets and oyster ropes			
	Production of environmentally friendly yarn products			
Other measures	Promote subsidies for electric motorcycles, replace official vehicles with petrol and electric vehicles and go paperless			
	In line with the international carbon reduction initiative, conduct TCFD disclosure and participate in CDP SBTi reporting			
	Develop smart grid application technology	Expand smart grid application areas and combine power generation, energy storage and charging pile systems		
	Research advanced low-carbon energy technologies, such as hydrogen energy, ammonia energy and small nuclear energy, etc.			

Note 1: Shall be handled in accordance with the schedule specified in the provision of Article 10, Paragraph 2 of the Guideline.

Note 2: The base year shall be the year in which the inventory is completed based on the boundaries of the consolidated financial statements. For example, according to the provision of Article 10, Paragraph 2 of the Guideline, companies with a capital of more than NT\$10 billion shall complete the inventory of 2024 consolidated financial statements in 2025. Therefore, the base year is 2024. If the company has completed the inventory of the consolidated financial statements in advance, the earlier year can be used as the base year. In addition, the data of the base year can be calculated by the average of a single year or multiple years.

Note 3: For content of disclosure, please refer to the example of best practices on Corporate Governance Center of Taiwan Stock Exchange website.

### 3.3.7 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	
1. Stipulating policies and plans for ethical corporate management (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	✓		(1) The I In addition to following Company Act, Securities and Exchange Act, and other related regulations, the Company keeps the “Diligence, Perseverance, Frugality and Trustworthiness” enterprise spirit 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 Principles of Ethical Corporation Management approved by the Board of Directors. With the Company’s President Office as the driving unit to formulate and implement various ethical policies, and establish a good corporate governance and risk control mechanism, the Company is to pursue sustainable development. The Board of Directors and	In compliance with Article 4 and Article 5 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”

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 team actively fulfill their commitment to corporate policies?</p> <p>(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</p>	✓		<p>management also promise to carry out and supervise the implementation of the integrity management policy actively</p> <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</p>	<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</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	
Practice Principles for TWSE/GTSM Listed Companies?			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 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.	rules and systems. Nevertheless, specific "Procedures for Ethical Management and Guidelines for Conduct" has yet to be formulated.
(3) Has the Company established action plans to prevent unethical conduct? Has the Company clearly prescribed procedures, code of conduct,	✓		(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	In compliance with Article 6, paragraph 1 of the “Ethical Corporate Management Best



Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
punitive measures for violations and appeal systems within the said plan? Did the action plans be implemented accordingly?			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 116 of the annual report.). The adequacy and effectiveness of regulations and policies for ethical business conduct were reviewed on a regular basis .	Practice Principles for TWSE/GTSM Listed Companies."
2. Implementing ethical corporate management				
(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?	✓		(1) The contract signed by the Company for commercial activities is 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.	In compliance with Article 9 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."
(2) Has the Company designated an exclusively (or concurrently)	✓		(2) The President Office of the Company and the general management office of the whole enterprise are in charge of promoting ethical	In compliance with Article 17 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	
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?			business. They promote regulations and policies for ethical business conduct .In addition, they handle 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 8, 2023.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.	“Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
(3) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and	✓		(3) a. The Company’s standards for the Board of Directors meetings has 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	In compliance with Article 19 of the “Ethical Corporate Management Best Practice Principles for

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
channels accordingly?			<p>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 "Guidelines to Employee Grievances" and " Whistleblowing Procedures ", etc., and provides specific reporting channels for reporting any illegal or improper behavior.</p>	TWSE/GTSM Listed Companies.”
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate	✓		(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	In compliance with Article 20, of the “Ethical Corporate Management Best

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
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 ?			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.	Practice Principles for TWSE/GTSM Listed Companies.”
(5) Does the Company regularly organize internal and external	✓		Through regular corporate publications as well as various occasions, the Company promotes the corporate culture of “Diligence, Perseverance,	In compliance with Article 22-2 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	
training for ethical corporate management?			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 anti-corruption are held every year to strengthen the employees' commitment to complying with management rules based on good faith. In 2023, the Company held internal and external education training related to the issue of integrity management (including compliance with business ethics, corporate ethics, prevention of insider trading, risk management and strengthening corporate governance), with a total of 218 person involved in, and the 187 training hours.	“Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
3. Status for enforcing whistle-blowing systems in the Company  (1) Has the Company established concrete whistle-blowing and	✓		The Company has a "Guidelines to Employee Grievances" and " Whistleblowing Procedures " to provide a specific reporting and reward	In compliance with Article 23 of the “Ethical Corporate

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>reward systems as well as accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?</p> <p>(2) Has the Company established standard operating procedures (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>✓</p> <p>✓</p>		<p>system:</p> <p>(1) Providing multiple reporting channels such as actual mailboxes, e-mail boxes, and fax lines. Visible notices are placed around the main entrances to be used by informants.</p> <p>(2) After a case is filed, the relevant team members of the president office of the whole enterprise shall be responsible for the procedures of case review, filing, and follow-up investigation.</p> <p>(3) The principle of confidentiality : During and after an investigation, it is 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>	Management Best Practice Principles for TWSE/GTSM Listed Companies.”

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>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 implementations :</p> <p>On November7, 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 and regularly revised every year. 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."</p>				
<p>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):</p> <p>The Company arranges corporate governance courses for Directors and managers regularly to transmit the importance of governance, which is to strengthen the effectiveness of governance and carry out ethical management.</p>				

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

### **3.3.8 Corporate Governance Guidelines and Regulations**

Please refer to the Company's website at [www.fcfc.com.tw](http://www.fcfc.com.tw)

### **3.3.9 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	September 23, 2023	Securities and Futures Institute	Carbon rights trading mechanism and carbon management application	3
Executive Vice President	Ching Fen, Lee		Securities and Futures Institute	Global Prosperity Outlook and Industrial Trends in 2024	3
Senior Vice President	Chun Hsiung, Su				
Senior vice president	Tsung Yuan, Chang				
Senior Vice President	Wei Keng, Chien				
Vice President	Horng Ming, Juang				
Financial Controller& Corporate Governance Officer	Chia Ju, Liu				
Financial Controller& Corporate Governance Officer	Chia Ju, Liu	October 03, 2023	Securities and Futures Institute	Introduction to disputes over company management rights and commercial incident trial law	3
		October 03, 2023	Securities and Futures Institute	How directors and supervisors should supervise corporate risk management and crisis management	3
Accounting Supervisor	Wen Yen, Cheng	November 13~14, 2023	Accounting Research and Development Foundation	Continuing training course for the Accounting Supervisor of the issuer's securities firm and the stock exchange	12

### 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 candidate 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 2023, 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 2023, 83 people have attended the courses and accumulated 296 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 established the “Operating Procedures for Handling Material Inside Information” to specify the scope of material inside information, to require the Directors, managers and employees to keep the inside material information confidential, and to establish the confidentiality mechanism for material inside information and the provision of penalties for non-compliance. Internal evaluation and approval shall be obtained before public disclosure of material information and the Company's spokesperson or acting spokesperson shall speak on behalf of the Company in principle. In addition, the internal material information processing procedures are incorporated into the internal control and internal audit system, and training is provided on a timely basis.
- (3) 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 are also strictly forbidden.
- (4) 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.

### **3.3.10 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.

#### **3.3.10.1 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 8, 2024

The Company states the following with regard to its internal control system in 2023, 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, 2023 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 8, 2024 where 0 of the 15 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Formosa Chemicals & Fibre Corporation

Chairman: Fu Yuan, Hong

President: Wen Chin, Lu

### **3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings**

#### **1. Shareholders' Meeting on May 26, 2023**

##### **(1) Ratification Items**

###### **Proposal 1**

Proposal: For approval of the 2022 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 4,541,245,678 votes for this proposal. Voting results show adoption of 4,340,784,430 votes (of which votes through electronic means account for 3,333,994,762), representing 95.6% of the total voting rights. Dissent voting rights are 23,102,639 votes (of which votes through electronic means account for 23,102,639 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 177,358,609 votes (of which votes through electronic means account for 177,297,977 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

Implementation: Recognized by the resolution of the shareholders meeting.

###### **Proposal 2**

Proposal: For Approval of the Proposal for Distribution of 2022 Profits as required by the Company Act.

(Proposed by the Board of Directors)

Resolution: Total voting rights represented by the attending shareholders are 4,541,245,678 votes for this proposal. Voting results show adoption of 4,367,749,135 votes (of which votes through electronic means account for 3,360,959,467), representing 96.2% of the total voting rights. Dissent voting rights are 1,079,326 votes (of which votes through electronic means account for 1,079,326 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 172,417,217 votes (of which votes through electronic means account for 172,356,585 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

Implementation: The 2023 Shareholders' Meeting resolved cash dividends of NTD 0.95 per share. On May 26, 2023, the Board of Directors set the date of June 20, 2023 as the base for the distribution of cash dividends. The actual distribution date was on July 14, 2023.

##### **(2) Extempore motion: None.**

## **2. Board of Directors Meeting on Mar. 3, 2023**

### **Proposal1**

Proposal: Employee compensation of 2022.

Resolution: All attendants approved and it submitted to report on the 2023 Shareholders' Meeting.

### **Proposal2**

Proposal: Creation of the 2022 business report and financial statements and the 2023 operating plans.

Resolution: All attendants voted in favor of the resolution.

### **Proposal3**

Proposal: To compile 2022 profit distribution schedule.

Resolution: All attendants voted in favor of the resolution.

### **Proposal4**

Proposal: Calling of the 2023 Shareholders' Meeting to take place on May 26, 2023.

Resolution: All attendants voted in favor of the resolution.

### **Proposal5**

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

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

### **Proposal6**

Proposal: Transaction with related party.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Director, Wen Yuan Wong, Wilfred 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.

### **Proposal7**

Proposal: To compile plan of lending funds for 2023 Q2.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Director, Wen Yuan Wong, 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: To formulate the pre-approval policy for the company's certification accounting firm to provide non-confirmation services.

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal9

Proposal: To donate NT\$ 90,382,426 to “Kaohsiung Cultural Foundation of Brothers Wang Yung-Ching and Wang Yung-Tsai Park”.

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal10

Proposal: To promote the company's management supervisor.

Resolution: All attendants voted in favor of the resolution.

Proposal11

Proposal: To appoint the manager of the Mailiao branch of the company.

(The Director Wei Keng, Chien was interested party and should be recused. )

Resolution: Except for Directors Wei Keng, Chien, who was recused due to the conflicts of interest, the remaining directors present agreed to pass the case.

### **3. Board of Directors Meeting on May 5, 2023**

Proposal1

Proposal: Production of the company's 2023 Q1 financial statement.

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal12

Proposal: To issue a letter of support for bank loan of “Formosa Industries Corporation”.

(Proposed by the Audit Committee)

(The Chairman and attending Director, Wen Chin, Lu, Ching Fen, Lee, serve as Directors of Formosa Industries Corporation were recused from the discussion and voting. The Managing Director, Wen Yuan Wong, 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.

Proposal13

Proposal: To issue a letter of support for bank loan of “Formosa Ha Tinh (Cayman) Limited”.  
(Proposed by the Audit Committee)

(The Chairman and attending Managing Director, Wen Yuan Wong, 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 compile plan of lending funds for 2023 Q3.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Director, Wen Yuan Wong, Wilfred Wang and Ruey Yu, Wang, serve as the Chairman, Managing Director, Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Independent Director, Hwei Chen, Huang, 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: Transaction with related party. (Proposed by the Audit Committee)

(The attending Managing Director, Wen Yuan Wong, Wilfred, Wang and Ruey Yu, Wang, serve as Managing Director, or representative of the institutional shareholders of the related company were 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.

#### Proposal6

Proposal: To issue a letter of support for bank loan of “Formosa Steel IB Pty Ltd”.

(Proposed by the Audit Committee)

(The attending Managing Director, Wen Yuan Wong, Wilfred Wang, serve as Chairman, or Directors of Formosa Resources Corporation and FSIB were 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.

#### Proposal7

Proposal: To amend the procedure of financial statements formulation of  
“Internal Control Systems” and “Internal Audit Implementation Rules”  
(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

#### **4. Board of Directors Meeting on May 26, 2023**

Proposal1

Proposal: To set the base date and distribution date of the Company’s 2022  
allocation of cash dividend.

Resolution: All attendants voted in favor of the resolution.

Proposal2

Proposal: The Company intends to negotiate a credit line with financial institutions.

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. 4, 2023**

Proposal1

Proposal: Creation of the 2023 Q2 financial statements.  
(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal2

Proposal: To compile plan of lending funds for 2023 Q4.  
(Proposed by the Audit Committee)

(The Chairman and attending Managing Director, Wen Yuan Wong, Wilfred Wang, Ruey Yu, Wang serve as Chairman, 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.

Proposal3

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

(The Chairman and attending Managing Director, Wen Yuan Wong, 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.

#### Proposal4

Proposal: To increase investment to “Formosa Resources Corporation” with US\$ 25 million. (Proposed by the Audit Committee)

(The attending Managing Director, Wen Yuan Wong, Wilfred Wang, serve as Directors of Formosa Resources Corporation were 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.

#### Proposal5

Proposal: To discuss the 2023 annual salary of the managers adjusts in line with the all employees’ compensation. (Proposed by the Remuneration Committee)

(The attending Director, Wen Chin, Lu, Ching Fen, Lee, Tsung Yuan, Chang, Wei Keng, Chien, Horng Ming, Juang, and Chia Ju, Liu, Wen Yen, Cheng were interested party should be 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.

### **6. Board of Directors Meeting on Nov. 3, 2023**

#### Proposal1

Proposal: Creation of the 2023 Q3 financial statements.

Resolution: All attendants voted in favor of the resolution.

(Proposed by the Audit Committee)

#### Proposal2

Proposal: To compile plan of lending funds for 2024 Q1.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, Wen Yuan Wong, and Directors Ching Fen, Lee, serve as Chairman, Managing Director, or Director 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 and attending Managing Director, Wen Yuan Wong, serve as Managing Director, or Director 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 increase Investment amount of NT\$500 million in “Formosa Plastics Construction Corporation”. (Proposed by the Audit Committee)

(The Chairman serve as Director of Formosa Plastics Construction 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 Chairman who had to recused from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal5

Proposal: Plan to relocate the company's Taipei branch location.

Resolution: All attendants voted in favor of the resolution.

Proposal6

Proposal: In order to promote the position of the company's operating supervisor.

Resolution: All attendants voted in favor of the resolution.

**7. Board of Directors Meeting on Dec. 8, 2023**

Proposal1

Proposal: Preparation of 2024 internal audit plan.

Resolution: All attendants voted in favor of the resolution.

Proposal2

Proposal: To issue a letter of undertaking for bank loan of “Formosa Steel IB Pty Ltd”. (Proposed by the Audit Committee)

(The attending Managing Director, Wen Yuan Wong, serve as Chairman of Formosa Resources Corporation were 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.

Proposal3

Proposal: In order to raise long-term funds for reinvestment in domestic or overseas businesses, new construction and expansion, replacement of old and new plant equipment, repayment of debts or enrichment of working capital, the company plans to invest within NT\$8 billion in total in 2024 , issuing domestic unsecured ordinary corporate bonds.

Resolution: All attendants voted in favor of the resolution.

Proposal4

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. 8, 2024**

Proposal1

Proposal: Employee compensation of 2023

Resolution: All attendants approved and it submitted to report on the 2024 Shareholders' Meeting.

Proposal2

Proposal: Creation of the 2023business report and financial statements and the 2024 Business objectives.

Resolution: All attendants voted in favor of the resolution.

Proposal3

Proposal: To compile 2023 profit distribution schedule.

Resolution: All attendants voted in favor of the resolution.

Proposal4

Proposal: Calling of the 2024 Shareholders' Meeting to take place on June 18,2024.

Resolution: All attendants voted in favor of the resolution.

Proposal5

Proposal: To re-elect the Board of Directors during 2024 shareholders' meeting.

Resolution: All attendants voted in favor of the resolution.

Proposal6

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

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal7

Proposal: Transaction with related party.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Director, Wen Yuan Wong, Wilfred Wang, Ruey Yu, Wang, and Director, Walter Wang serve as Director 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: To compile plan of lending funds for 2024 Q2.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Director, Wen Yuan Wong, Wilfred Wang , Ruey Yu, Wang, and Director, Walter 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.

Proposal9

Proposal: To donate NT\$ 4,420,500 to “Kaohsiung Cultural Foundation of Brothers Wang Yung-Ching and Wang Yung-Tsai Park”

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal10

Proposal: Replacement of CPA auditing the Company’s financial report.

(Proposed by the Audit Committee)

Resolution: All attendants voted in favor of the resolution.

Proposal11

Proposal: To amend the Articles of Incorporation of the Company.

Resolution: All attendants voted in favor of the resolution and it submitted to report on the 2024 Shareholders’ Meeting.

**3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors : None**

**3.3.13 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 : None**

**3.4 Information Regarding the Company’s Audit Fee and Independence**

**3.4.1 Audit Fee**

**Unit: NT\$ thousands**

Accounting Firm	Name of CPA	Period Covered by CPA’s Audit	Audit Fee	Non-audit Fee	Total	Remarks
Price Waterhouse Coopers, Taiwan	Juanlu, Man Yu Han Chi, Wu	2023.01.01~ 2023.12.31	6,585	1,644	8,229	<b>3.4.1.3</b>

**Note :** 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.

**3.4.1.1** When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed : Not applicable.

**3.4.1.2** When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reasons therefor shall be disclosed : Not applicable.

**3.4.1.3** Non-audit fee includes expenditure on transfer price report, master document, master file and direct deduction of business tax.

### 3.4.2 Replacement of CPA

The Company did not replace CPAs within the last two fiscal years.

#### A. Regarding the former CPA

Replacement Date	March 9, 2022		
Replacement reasons and explanations	<p>The original CPAs of the Company were Wu, Han Chi (CPA A) and Juanlu, Man Yu (CPA B) from Price Waterhouse Coopers, Taiwan firm.</p> <p>Due to internal restructuring at Price Waterhouse Coopers, Taiwan firm , the CPAs of the Company were changed to Chou, Chien Hung (CPA C) and Juanlu, Man Yu (CPA D), beginning March 20, 2015.</p> <p>Due to internal restructuring at Price Waterhouse Coopers, Taiwan firm , the CPAs of the Company were changed to Chou, Chien Hung (CPA E) and Wu, Han Chi (CPA F), beginning March 16, 2018.</p> <p>Due to internal restructuring at Price Waterhouse Coopers, Taiwan firm , the CPAs of the Company were changed to Wu, Han Chi (CPA G) and Juanlu, Man Yu (CPA H), beginning March 9, 2022.</p>		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	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	Wu, Han Chi and Juanlu, Man Yu
Date of appointment	March 9, 2022
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, President, or Any Manager Involved in Financial or Accounting Affairs Being Employed by the Auditor's Firm or Any of its Affiliated Company within the Last Year : None.

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

Unit: Shares

Title	Name	2023		As of April 20, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Fu Yuan, Hong	0	0	0	0
Managing Director	Wen Yuan Wong	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	(400,000)	0	(250,000)	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 President	Wen Chin, Lu	0	0	0	0
Director	Ing Dar, Fang	0	0	0	0
Director Interlocking Executive Vice President	Ching Fen, Lee	0	0	0	0
Director Interlocking Senior Vice President	Tsung Yuan, Chang	0	0	0	0
Director Interlocking Senior Vice President	Wei Keng, Chien	0	0	0	0
Director Interlocking Senior Vice President	Chun Hsiung, Su,	0	0	0	0

Director Interlocking Vice President	Horng Ming, Juang	0	0	0	0
Shareholdings exceed 10% of outstanding shares	Chang Gung Memorial Hospital	0	0	0	0
Assistant Senior Vice President	Kuo Hsien, Huang	0	0	0	0
Vice President	Tien Chung, Huang	0	0	0	0
Vice President	Chun Chieh, Lee	0	0	0	0
Vice President	Chi Huang, Lin	0	0	0	0
Vice President	Yung Lung, Chen	0	0	0	0
Vice President	Heng Chian, Wu	0	0	0	0
Vice President	Chun Ming, Huang	0	0	0	0
Vice President	Chih Ming, Chen	0	0	0	0
Vice President	Chih Hsing, Hung	0	0	0	0
Vice President	Chi Chou, Wang	0	0	0	0
Assistant Vice President	Shih Chung, Cheng	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 Chih Hsing, Hung and Assistant Vice President Shih Chung, Cheng served as a manager since November 2023.

### 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 March 28, 2023

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	140,519,649	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	
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.	88,747,905	1.51	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	Managers in common	

HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	84,719,326	1.45	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	
Bank of Taiwan in Custody for Wang Jhan Yang Charitable Trust Fund	80,427,471	1.37	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. HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	Parts of managers are the same person	

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	661,334,402	32.91	1,348,142,772	67.09	2,009,477,174	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	764,201,100	24.94	2,292,651,413	74.82	3,056,852,513	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	138,333,334	33.34	276,666,666	66.66	415,000,000	100.00
Formosa Resources Corporation	909,907,125	25.00	2,729,721,375	75.00	3,639,628,500	100.00
Formosa Group (Cayman) Limited	12,500	25.00	37,500	75.00	50,000	100.00
Formosa Plastics Construction Corporation	110,000,000	33.33	220,000,000	66.67	330,000,000	100.00
Formosa Smart Energy Tech Corporation	140,000,000	20.00	560,000,000	80.00	700,000,000	100.00
FG INC	6,000	30.00	14,000	70.00	20,000	100.00
GUO SU PLASTIC INDUSTRY CO., LTD	3,675,000	49.00	0	0.00	3,675,000	49.00
B.YOUNG INTERNATIONAL COMPANY LIMITED	0	0.00	467,400	30.00	467,400	30.00
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	0	0.00	135,686,472	30.68	135,686,472	30.68
NAN YA PHOTONICS INCORPORATION	0	0.00	28,145,195	61.07	28,145,195	61.07
QUANG VIET ENTERPRISE CO., LTD.	0	0.00	18,595,352	17.98	18,595,352	17.98
Scholler Textil AG	0	0.00	21,874	50.00	21,874	50.00

As of December 31, 2023

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, 2024

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	6	48	673	184,900	678	186,305
Shareholding (thousands shares)	94,525	466,985	1,940,724	1,385,890	1,973,062	5,861,186
Percentage	1.61	7.97	33.11	23.65	33.66	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, 2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	66,908	14,150,642	0.24
1,000 ~ 5,000	84,096	183,733,405	3.13
5,001 ~ 10,000	17,324	130,562,390	2.23
10,001 ~ 15,000	6,331	78,444,217	1.34
15,001 ~ 20,000	3,339	60,255,247	1.03
20,001 ~ 30,000	3,075	76,705,195	1.31
30,001 ~ 40,000	1,473	51,899,293	0.88
40,001 ~ 50,000	884	40,391,089	0.69
50,001 ~ 100,000	1,533	106,538,843	1.82
100,001 ~ 200,000	633	87,318,790	1.49
200,001 ~ 400,000	294	81,129,915	1.38
400,001 ~ 600,000	96	45,989,891	0.79
600,001 ~ 800,000	47	32,361,623	0.55
800,001 ~ 1,000,000	35	31,026,582	0.53
1,000,001 or over	237	4,840,679,169	82.59
Total	186,305	5,861,186,291	100.00

#### B. Preferred Shares

None

#### 4.1.4 List of Major Shareholders

As of April 20, 2024

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.	140,519,649	2.40
Wen Yuan Wong	129,198,084	2.20
Consolidated Power Development Corp.	95,386,877	1.63
Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc.	88,747,905	1.51
HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	84,719,326	1.45
Bank of Taiwan in Custody for Wang Jhan Yang Charitable Trust Fund	80,427,471	1.37

Note: List the name of top ten shareholders.

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

Unit: NT\$

Items	2022	2023	Jan.1,2024 Mar.31,2024
<b>Market Price per Share</b>			
Highest Market Price	82.60	74.20	62.60
Lowest Market Price	64.30	59.80	53.50
Average Market Price	74.87	65.71	56.58
<b>Net Worth per Share</b>			
Before Distribution	55.64	57.88	—
After Distribution	54.69	56.63	—
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	5,849,017	5,849,017	—
Diluted Earnings Per Share	1.26	1.46	—
Adjusted Diluted Earnings Per Share	—	—	—
<b>Dividends per Share</b>			
Cash Dividends	0.95	1.25	—
Stock Dividends			
• Dividends from Retained Earnings	—	—	—
• Dividends from Capital Surplus	—	—	—
Accumulated Undistributed Dividends	—	—	—
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 1)	59.18	45.48	—
Price / Dividend Ratio (Note 2)	78.49	53.12	—
Cash Dividend Yield Rate (Note 3)	1.27	1.88	—

\* 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 Board of Directors or 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 : Cash dividend in profits distribution of 2023 was approved by the Board of Directors.

Note 10 : As of the publication date of the annual report, the financial report data for the first quarter of 2024 has not been reviewed by accountants.

#### **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. Dividend distribution:**

The Board of Directors approved to distribute cash dividend with NTD 1.25 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:

(1)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.

(2)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.

(3)No Directors' remuneration has been allocated.

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 2023 compensation approved by the Board of Directors:

The Board of Directors meeting on March 8, 2024 approved:

(1) The amounts of employees' cash compensation are NT\$ 8,716 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 March 3, 2023 approved:

- (1) The actual amounts of employees' cash compensation are NT\$ 7,210 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	2013 Unsecured Corporate Bonds, Phase II	2014 Unsecured Corporate Bonds, Phase I
Issue date	January 17, 2014	July 4, 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	NT\$10,000,000,000	A bond: NT\$1,400,000,000 B bond: NT\$4,600,000,000
Coupon rate	2.03%	A bond: 1.81% B bond: 2.03%
Tenor	12 years Maturity: January 16, 2026	A bond: 10 years B bond: 15 years Maturity: July 3, 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 Juanlu, Man Yu

Repayment method		Repayment of 50% of the principal in the eleventh and twelfth year.	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.
Outstanding principal		NT\$10,000,000,000	NT\$5,300,000,000
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: December 12, 2013 Credit rating: twAA-	Rating agency: Taiwan Ratings Rating date: May 15, 2014 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	2019 Unsecured Corporate Bonds, Phase I	2020 Unsecured Corporate Bonds, Phase I
Issue date	May 13, 2019	Sep. 3, 2020
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\$3,300,000,000 B bond:NT\$3,000,000,000	A bond:NT\$2,900,000,000 B bond:NT\$5,200,000,000

		C bond:NT\$700,000,000	C bond:NT\$1,900,000,000
Coupon rate		A bond: 1.75% B bond: 1.83% C bond: 1.93%	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: May 13, 2029	A bond: 5 years B bond: 7 years C bond: 10 years Maturity: Sep.3, 2030
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 Chien Hung, Chou	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	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\$5,350,000,000	NT\$10,000,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause		None	None
Name of credit rating agency, rating date, rating of corporate bonds		None	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	2021 Unsecured Corporate Bonds, Phase I
Issue date	May 10, 2021
Denomination	NT\$1,000,000
Issuing and transaction location	Market (listed)
Issue price	Issue by denomination
Total price	A bond:NT\$6,000,000,000 B bond:NT\$4,000,000,000
Coupon rate	A bond: 0.48% B bond: 0.56%
Tenor	A bond: 5 years B bond: 7 years Maturity: May.10, 2028
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.
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	As of the
	N/A

rights attached	printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	
	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.IG03010 Energy technology service industry business °
- 39.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	32.1	Benzene, Toluene, PX, OX, MX
2nd Petrochemical Division	24.5	SM, Phenol, Acetone
3rd Petrochemical Division	12.8	PTA, PIA
Plastics Division	23.3	ABS, PS, PP, PC
Nylon Division	1.8	Nylon pellet, Nylon filaments, Stretch Nylon Filament
Textile Division	0.3	Blended spun yarn, Synthetic yarn
Rayon Project Dept.	0.3	Synthetic spun yarns
Engineering and Utility Division	5.0	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 70% high rubber powder for ABS, home appliance white dye specifications, highly transparent microwavable PP meal boxes, core and cavity altered specialized materials for contact lenses, outdoor plastics, outdoor sporting goods PC/ABS materials, large-size PC light-guide plate materials.

Nylon Fiber Products: Moisture-response nylon silk, fast-cooling nylon silk, ultra-high viscosity engineering plastic nylon pellets.

Short-Fiber Yarns: Environmentally friendly recyclable E/C yarn, polyester slub variation yarn

Rayon Cotton Products: Coarse denier non-woven cotton, medium-strength cotton with improved quality, graphene cotton, bamboo carbon cotton, collagen 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: The price trend of benzene in 2023 was roughly the same as that of the raw material - light oil. The average benzene price for the whole year was US\$916/ton, and the average price difference with light oil was US\$267/ton. The annual benzene price peak occurred at US\$1,048/ton in mid-September. The floor price was US\$752/ton at the end of June. With the release of new production capacity for SM in the downstream of benzene in China, the demand for benzene was stable and the price difference between benzene and light oil remained above US\$200/ton throughout the year. Judging from monthly data, benzene prices rose slowly from January 2023 to April 2023 along with the price of light oil, with the average monthly price rising from US\$934/ton to US\$997/ton. Plus the impacts on the supply side from the overhaul and load-shedding of certain manufacturers and the US-Asia arbitrage window made available to leave no concerns about the consumption of phenylene. The spread with light oil climbed from US\$256/ton in January to US\$324/ton in April. Between May and June, the price of benzene fell along with the price of light oil. At the same time, the price difference between light oil and benzene slowly slid with the price of benzene reached the bottom in June given the impacts on profits with benzene as a result of undesirable production of SM and ABS. From July to September, the price of benzene rose again along with the price of light oil to the peak within the year. Meanwhile, the spread between benzene and light oil was boosted with the commissioning of new production capacity for benzene in the downstream. It reached the peak of the year to arrive at US\$305/ton in September. In the fourth quarter, the price of benzene fell again along with light oil, and the price difference between benzene and light oil also weakened with reduced commissioning of SM and synthetic phenol in the downstream. The price

difference between benzene and light oil came to US\$254/ton in the fourth quarter. Benzene closed at US\$907/ton on December 29 at the end of the year, and the price difference with light oil dropped to US\$235.

- (2) Para-xylene (PX): In 2023, the price of PX fluctuated with the price of oil and the supply and demand of PX. The mean price in the first quarter was US\$1,035/ton and it dropped in the second quarter to US\$1,028/ton. The price of oil rose in the third quarter and hence the mean price of PX climbed to US\$1,072/ton. With the price of oil being sluggish in the fourth quarter, the mean price dropped to US\$1,015/ton. The polyester chain will maintain a high opening in 2023, driving upstream raw material consumption, and PTA will start to increase to maintain PX demand. In terms of the price difference between PX and light oil, it was US\$347/ton on average in the first quarter. In the second quarter, the supply of PX was tight due to frequent abnormalities reported of aromatic hydrocarbon plants throughout Asia. Deficits borne by cracking plants reduced commissioning at the same time to weaken the price of light oil. The price difference between PX and light oil grew to US\$428/ton throughout the quarter. Repairs were arranged by aromatic hydrocarbon plants in Korea and Japan. The spread between PX and light oil came to US\$425/ton. In the fourth quarter, due to improved commissioning of aromatic hydrocarbon plants in Asia and undesirable PTA processing, PX spread weakened to arrive at US\$356/ton.
- (3) Ortho-xylene: In 2023, OX trends fluctuated with oil prices. As the war between Ukraine and Russia required that Europe replenish OX from Asia and aromatic hydrocarbon plants reduced OX production, the supply of OX appeared to be tight. For the first three quarters, OX prices were consistently higher than PX ones. Prices of OX in the first quarter were US\$1,101/ton on average. The demand for OX in Europe and India continued to keep the arbitrage window open and it favored the price difference with raw materials. The price difference between OX and xylene was US\$135/ton in the first quarter. The price of OX dropped while that oil fell in the second quarter; the quarterly mean price of OX was US\$1,091/ton. The price of xylene, however, dropped further to drive the spread in the second quarter to US\$139/ton. In the third quarter, OX prices rose again with oil ones and were US\$1,098/ton on average. The end demand, however, appeared to be sluggish with interest rate hikes among European countries in the background. PA plants could meet their production demand as long as they delivered OX by contract. Business talks about in-stock goods were few and far between. The mean price difference between OX and xylene narrowed to US\$95/ton. By the fourth quarter, the price of oil fell back and demand in the downstream for PA weakened. It impacted the demand for OX and hence the price was lower than that of PX. The mean price of OX in the fourth quarter was US\$996/ton, and the price of the raw material xylene dropped to US\$94/ton.

- (4) SM: Market prices of SM in the first half of 2023 appeared to be weak and volatile mainly because of the undesirable demand in the downstream and the fact that buyers turned conservative and were waiting and seeing while expecting the devotion of additional production capacity of 3.7 million tons for SM. As the inventory remained low with the undesirable profits brought about by SM facilities in respective regions during the preceding period, the market reached the bottom in the second quarter and bottomed out in the third quarter, thanks to bargain hunting and urgent stocking. With the support of raw material prices, SM prices once peaked at US\$1,200/ton. As the end demand slowed down in Q4, they fell back. The Company continued to focus on stabilizing internal and external sales in terms of SM in 2023. Opportunities for import substitution were proactively sought at the same time in Southeast Asia and Northeast Asia. External sales climbed from 45.2% in 2022 to 56.3% in 2023. Domestic sales rose from 340 thousand tons to 427 thousand tons while export ones from 194 thousand tons to 263 thousand tons.
- (5) Phenol, acetone: In the first half of 2023, market prices of phenol and acetone fell back due to impacts from the commissioning of new phenol and ketone production capacity and the decline in benzene prices. As phenol and ketone plants cut production in exchange for the price in the second half of the year, however, their market prices rebounded and operations gradually improved.
- (6) Purified Terephthalic Acid (PTA): In 2023, factors such as continuous rate hikes in Europe and America to inhibit inflation contributed to the slow-down of the global economic growth would slow down and that prices of crude oil and bulk products would fall. As a result, the spot price of PTA fluctuated with that of crude oil. It peaked in April to arrive at US\$860/ton on average and dropped to US\$746/ton in December. Given the still low differences in prices between the final product and the raw material, operations in Taiwan and Ningbo showed consistent deficits throughout the year.
- (7) Purified Isophthalic Acid (PIA): In the first half of 2023, as new polyester production capacity was put into operation, the supply of materials on the market was slightly tight in general. Some of the customers proactively increased their material preparations. As a result, the selling price of PIA in Taiwan increased from an average of US\$1,085/ton in the beginning of the year to a maximum of US\$1,187/ton in April. Subsequently, affected by the interest rate hikes in Europe and the United States and price reductions by peers Yisheng and South Korea's Lotte, the market outlook in the downstream turned undesirable; demand slided; and the sources of materials turned ample to bring down the selling price to US\$986/ton in December, which could barely break even and deficits resulted. The new process in Ningbo and the 6.5% tariff difference, however, managed to render selling prices higher than costs throughout the year; therefore, operations were fairly profitable.

(8) Plastic Raw Materials PS, ABS, PP, PC: The global economy slowed down further in 2023. The ongoing Russia-Ukraine conflict and the Israel-Kazakhstan war in the Middle East that broke out on October 7, as well as the slow recovery of demand after COVID-19 restricted the pace of economic growth. The multiple interest rate hikes imposed in the United States against inflation, nevertheless, gained traction. The risk of a hard landing for the global economy continued to lower. Oil prices, on the other hand, were effectively supported by the persistent additional efforts to bring down the production among OPEC and core oil-producing countries. Concerns about weakened demand, however, never stopped in the meantime. These two forces turned into a tug of war resulting in a wide range of fluctuating oil prices between US\$66 and US\$96 per barrel. Prices of petrochemical raw materials in Asia, however, remained low due to suboptimal fundamentals and surplus in production capacity. The demand for plastic pellets in the downstream shrunk mainly due to the housing bubble that turned consumers conservative and the serious involution in terms of domestic demand that drove devotion of additional production capacities one after another to make things even worse for the industry chain in addition to the sluggish market outlook for raw materials in the upstream and the weak support on the cost side and also twisted demand for exports as a result of inflation in the United States and Europe and geopolitical conflicts as well as the US-China technology and trade wars. Accordingly, the Company reinforced sales in other regions in an attempt to expand its market share in Mainland China to make up for the shrunk demand. Distant-water sales, however, continued to be impacted by port congestion, obstruction of the Red Sea channel, and rising freight costs while near-water sales encountered low-price goods from Mainland China. For 2024, increased demand in the service sector and the certain resilience demonstrated by the global economy in addition to the multiple interest rate hikes against inflation imposed in the United States that has gained traction will continue to lower the risk of a hard landing for the global economy. Inflation in most countries is not expected to return to target levels until 2025. In the long run, as the global energy landscape has changed as a whole and the impact of conflicts will gradually fade, the global economy is expected to gradually stabilize.

In terms of PS and ABS, the sales of PS in Taiwan managed to grow by 2.2% from 2022 thanks to desirable market decentralization and the certain rigid demand in the applied field for consumer goods. Sales to non-Mainland China regions still grew by 13% from 2022 and the ratio rose from 46.3% to 52.4%. Efforts will continue in 2024 to bring it above 53%. Sales of food wrapping materials, building XPS, home appliance and household hardware materials in Southeast Asia, the Middle East, and South America remained stable in 2023. Special sales accounted for 55.1%, which was also higher than 51.9% in 2022.



For 2024, besides expediting the pace in entering the market for certified materials and continuing to secure direct users in plants, the emphasis will be placed on improving the sales of high-tone HIPS and low-MI GPPS. The target goal for special sales is set to be 55.4%. Maximize sales further to bring profits to new heights.

The overall sales of ABS pellets in 2023 dropped by 9.4% from 2022 and relatively great changes were seen in regions where they were sold to. Mainland China borne greater reductions in sales, by about 60 thousand-plus tons and the ratio dropped from 64.3% in 2022 to 50% in 2023. Impressive fruits, however, were reaped in expanding market shares in other regions, with the most growths in Europe (91%), followed by South America (73%), and then South Asia (42%). Efforts in the future will be focused on continuous maximization of sales channels and decentralization of specifications. For 2024, given the commissioning of additional production capacities in Mainland China and cancellation of ECFA, sales will be reinforced in four ways: 1. Continue to expand the ASA dyeing market. 2. Continue to expand the automotive parts and consumer electronics certification markets. 3. Combine the development and technical services of the Technical Department to be closer to the application market. 4. Promote the Company's active efforts in sustainability and carbon reduction in the supply chain, continue with plastics recycling, and promote other product lines at the same time. Besides existing OA printer customers, notebook computer customers, and net-com customers, current focus will be placed on energy storage battery customers and electric vehicle charging pile customers, among others that require certification in order to increase the sales of flame-retardant PC/ABS and flame-retardant PC. Special sales accounted for 42.4% in 2023 and the goal for 2024 is 44.4%. The sales of PC/ABS, in particular, will grow by 73% from 2023; the goal is 7,500 tons/month; for ASA, it is 600 tons/month while the sales ratio in Mainland China continue to drop from 50% to 43.3%.

In terms of PP, sales throughout 2023 dropped by 19.4% from 2022. Because of the lower unit prices for exports, the focus turned to increase the ratio of imports with better profits; it climbed from 34.5% in 2022 to 39.7% in 2023. The efficacy of market decentralization, on the other hand shrunk relatively significantly as a result of the competition from low-price Mainland China products sold to Southeast Asia. The ratios in other regions, on the other hand, declined from 26.2% in 2022 to 25.1%. The Top 3 sales were secured in Vietnam, Peru, and Japan. The ratio in Mainland China dropped from 39.3% to 35.2%. For the ratios of target sales in 2024, impacted by the cancellation of preferred COPO tariff in ECFA, domestic sales goal is set at 45% and sales to other regions at 35% and those in Mainland China at 20%. Due to the fact that the supply on the PP market remained relatively relaxed and the fact that

additional capacities in Mainland China are becoming available one after another to further squeeze the market share and profitability, the Company continue with its paths towards high MI thin parts-exclusive specifications, transparent boards, materials directly certified by automobile manufacturers, medical devices, and materials with altered properties in order to avoid general price-cutting competition. The goal for special sales in 2024 will be to improve from 49.4% to 50%.

In polycarbonate resin products, the market prices remained low in 2023 due to the collection of anti-dumping deposits announced in Mainland China in August and the decline in exports from Mainland China impacted by global inflation in addition to the oversupply of the raw material BPA. In addition, the total production capacity of PC in Mainland China reached 3.43 million tons, far exceeding the actual demand of 2.34 million tons. Given the oversupply, fierce price-cutting competition from peers and declining raw material prices, profits have been gradually eroded. Although the Company has worked hard to reduce costs and increase sales of special grades, its operations are still under pressure. For 2024, the Company will continue to increase special sales in respective applied fields, such as those of automotive thin films, light-guide plates, advanced projection and lighting. Efforts will be made to increase the ratio of special sales from 32.8% in 2023 to be above the goal of 38% in 2024, too. The sales in other regions, on the other hand, will be increased from 21.5% in 2023 to 30% in 2024.

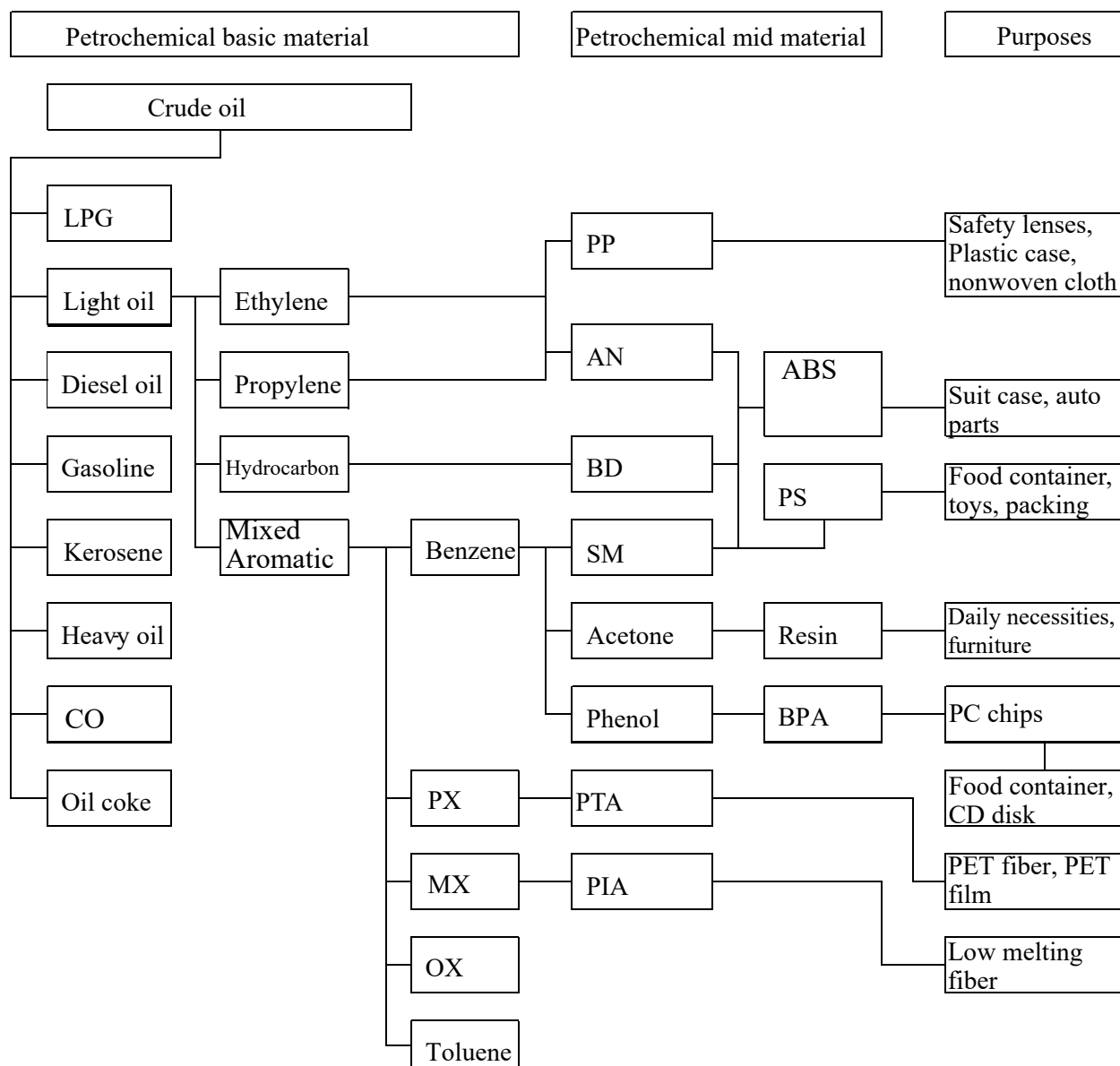
- (9) Nylon Fiber Products: In order to ensure its competitive advantages on the market and the strength of its products, the Company will go with the prevailing green, environmental protection, recycling, and re-generation trends by enhancing the production and sales ratio of green products. Developments will prioritize the production of differentiated products such as environmentally-friendly silk and color silk with recycled waste fishing nets and oyster ropes; brand sales networks will be combined; the production and sales plan and production model will be adjusted; and the production demand of downstream customers and market trends will be taken into consideration to form a marketing system combining the upstream, mid-stream, and downstream.
- (10) Short-Fiber Yarns: Given the increasingly difficult business environment and the uneasiness to make profits in the traditional textile industry, downstream weaving and dyeing plants have followed one another in cutting production or shutting down their facilities. As a result, production of short fibers to fulfill most export orders shifted to Southeast Asia; the overall demand is shrinking year by year. In addition, entry of low-price products from India, Indonesia, and Vietnam to the domestic market, the expensive cost of manpower and lack of labor for domestic spinning mills further worsened the sales of local yarn as a result of the pricing competition on the market. Therefore, domestic

spinning mills, for the sake of survival, are avoiding not only the competition over pricing of bulk specifications but also the red sea, taking advantages of their existing strengths such as differential, high-value, and environmentally-friendly products and local supply.

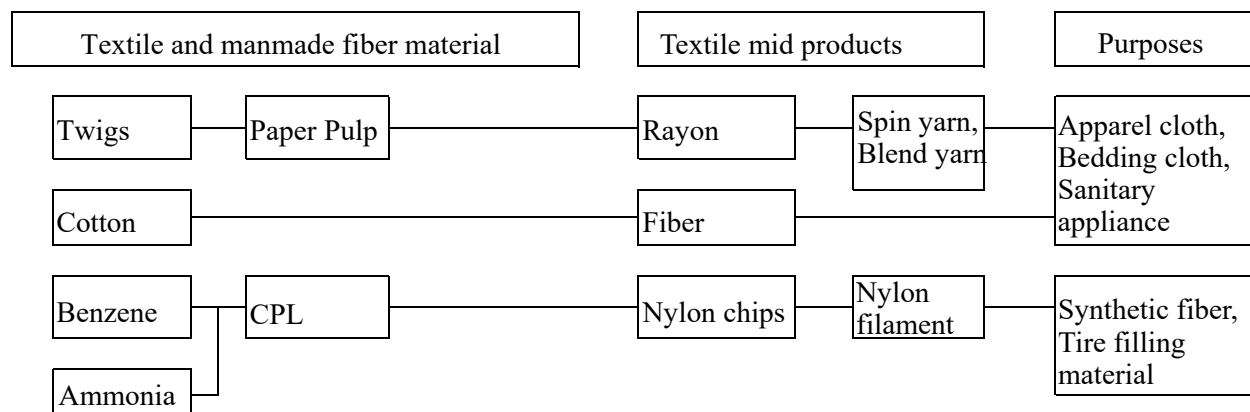
- (11) Rayon Cotton Products: In 2023, thanks to consumer demand, a high uptime rate and low inventory were maintained on the market. Steady growths continued for non-woven cotton. Therefore, the Company went on to improve the quality of woven cotton and actively promoted the sales of differentiated products such as coarse denier cotton and graphene cotton and accordingly their sales ratios. In early June, however, the downstream demand fell short of expectations to drive down their prices. The persistent Russia-Ukraine war for which the light at the end of the tunnel is yet to appear drove up the price of energy and respective rayon cotton plants were distressed with deficits in addition to the dual challenges of inflation and low growth in global economy. For the sake of inhibiting inflation, the U.S. Federal Reserve aggressively raised interest rates, which impacted respective currencies as they depreciated and the overall economy got worse, with demand declining sharply. Fortunately, the market bottomed out at the end of July in Mainland China; most of the orders taken on the market reached the variable cost. Meanwhile, high-value products are prioritized. For the exports to Pakistan, mainly coarse denier cotton (2 denier) was the target. In addition, the European and American non-woven cotton markets shifted for the better in pricing after the third quarter. In the future, the Company will continue to prioritize long-term customers domestically, in Europe, America, Japan, and Korea for supply.

## 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	2023	2024(Estimated)
Total Expenditure	445,027	503,426

#### B. Successfully developed technologies or products

Item	Successfully developed	Description of purpose
PCR environmentally-friendly recycling	AF353R, HP825R, AC330R, AC381R, etc.	PCR (Post-Consumer Recycled Plastic), the environmentally-friendly recycling material, meets the GRS (Global Recycled Standard) requirements and is ISCC (International Sustainability and Carbon Certification)-certified.
ABS	Special ABS high rubber powder	Increase the rubber content of special powder to 65%, which helps bring down the cost of materials used for emulsion polymerization and also cut the amount of waste water, waste gas, and steam generated.
PP	Separating film for lithium batteries	There are two producers of PP lithium battery separating films in our country. The collaboration occurs in the beginning to develop the specifications of the battery separating films to be applied to the energy storage system.
	Medical consumable material used to pre-fill or seal syringes Two-in-one highly-rigid material for the core and cavity of contact lenses	The development of high-value medical consumable materials will continue and their promotions will not be stopped at all. The focus is placed on cryovials, vaccines buckets, and second-generation contact lens core and cavity materials this year.

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
PS	PS anti-yellowing light-guide plates	It is mainly used in light-guide plates and can resist LED light yellowing, increase the life span of the light, and maximize the market share on the LED illumination market.

**Short-Fiber Yarns:**The Company has developed environmentally-friendly recycled polyester yarn, bright white polyester yarn that does not need to be dyed, natural cotton and polyester slub yarn, functional (anti-fouling, anti-fungal, antibacterial and deodorizing) yarn, compact spinning yarn, flame-resistant yarn, etc., and continues to cooperate with brand owners in the research, development, and production of various yarn types for use in functional fabrics, improve product quality and added value, and continue to develop new product applications to expand the blue ocean market.

**Nylon Fiber Products:** In response to the appeal for being green and environmentally friendly, marine waste is recycled for production purpose. A series of environmentally-friendly nylon silk products have been developed, with reduced carbon emissions, 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, in 2024, China's new benzene production capacity is expected to be put into operation at 1.13 million tons/year. The new downstream production capacity of styrene is 2.15 million tons/year and phenol is 150 thousand tons/year. The converted benzene demand is 1.86 million tons/year. The new downstream SM and phenol production capacity will have an impact on benzene. Demand is greater than the new supply of benzene, which will be in favor of benzene prices. For the long term, as the benzene production capacity is relatively limited, and it is uneasy to improve the profitability of alkene given continuous commissioning of new production capacities on the market, the light oil cracking plant will most likely keep their loads low and there will not be much contribution to the output of benzene. As the supply and demand of benzene remains tight, prices will stay at relatively optimal levels and the price difference with light oil is expected to be kept between US\$260 and US\$290/ton.
- (2) Para-xylene (PX): For the short term, the new PX production capacity in 2024 is only Shandong Yulong's 3 million tons/year. The estimated production capacity

launch has to be some time in the second half of the year. At present, Yulong has not obtained the government's PX production license, and there are variables in the production time, while PTA Yisheng Hainan's 2.5 million tons have been put into production, and there are still 4.5 million tons planned to be shipped in the first quarter. The new PX supply cannot meet the raw material demand for PTA's new production, so PX supply and demand will remain tight. For the long term, moderate growths will be kept in the polyester industry chain each year as the global economy grows. If the annual production capacity of PTA expands up to 12%, however, consumption by polyester in the downstream will unlikely catch up. Part of the old production capacity of PTA may be discontinued or eliminated. Nevertheless, immediate shutdown while PTA is being eliminated will not happen. PX replenishment or preparation will be progressive.

- (3) Ortho-xylene: For the short term, commissioning of production capacities for plasticizers and unsaturated resins in the downstream of phthalic anhydride affects the demand for phthalic anhydride. Naphthalene phthalic anhydride, as a competitive supplier of o-phthalic anhydride, also affects the demand of o-phthalic anhydride for OX. In 2024, the aromatic hydrocarbons plant will reduce the production of OX, which will lead to better profits. However, in the second half of the year, with interest rate hikes in European countries, end demand will weaken. Business talks about in-stock OX are few and far between as most phthalic anhydride plants are able to meet their production demand as long as they deliver OX by contract. As tightening monetary policies adopted by major central banks around the world come to an end in 2024, interest rate cuts throughout the year will hopefully boost the end demand in Europe and the United States and drive the demand for the raw material OX. For the long term, the Company will consider the price of xylene mixture and the material preparation status while adequately adjusting the sales of OX to increase profits.
- (4) SM: For the short term, the additional throughput of styrene is expected to be commissioned at 2.15 million tons in 2024. There will be sufficient market supply domestically. The Company will adequately increase the ratio of external purchases made by the Ningbo Plant in Mainland China and continue to reach out to Europe, South America, India and Central Asia and Vietnam in terms of sales and reinforce and secure the domestic market in Taiwan. The goal is to obtain ISO14067 carbon footprint certification in 2024 and develop ISCC-certified low-carbon styrene products to strengthen sales competitiveness. For the long term, promote energy transformation and optimization making the best of the park by converting compressor turbines to be electrically driven. With the amount of steam reduced, recycling and use of low-grade steam from adjacent plants are maximized. After improvement, it is estimated that styrene carbon emissions can be reduced by 56.2%.
- (5) Phenol, acetone: For the short term, the supply and demand of phenol and acetone became better in 2023 and the operations in the industry were relatively stable

mainly because of the continued commissioning of the additional throughput for BPA and phenolic resin in the downstream and the collective plant inspections. Although the supply of phenol and acetone on the market will continue to climb in 2024 and it will squeeze earnings from phenol and acetone, optimized yield rate and distillation powers through the AI forecast module will bring down the cost. For the long term, through intelligent optimized management, increased steam production capacity, increased external steam, and improved power optimization, it is estimated that carbon emissions from acetone and synthetic phenol can be reduced by another 12.6% after completion in 2026.

- (6) Purified Terephthalic Acid (PTA): For the short term, as the production capacities of counterparts keep expanding, the business environment is turning more and more difficult each day. Our company's sales strategy is that, as far as plants in Taiwan are concerned, since selling prices of exports are unable to reach the variable cost, for the sake of minimizing deficits, PTA-3 in Longde has been stopped for a long time, with reduced production while for PTA-1 in Mailiao, shouldering the ESG mission, full-load production is planned and its main goal is to secure domestic polyester customers in the downstream. In addition, the existing annual production capacity of 1.2 million tons at the PTA plant in Ningbo, Mainland China remains, with the new production line of 1.5 million tons expected to be commissioned in mid-March 2024. Besides the current customers that are approached for an increase in supply, expenditure on tariffs and shipping costs will be reduced by focusing on the inland market such as the Ningbo area. Meanwhile, adequate exports to Tainan Fiber in Vietnam and Hualon Vietnam will be pursued to ensure total production and total sales. For the long term, besides the effort to promote process optimization, energy integration, and energy-saving improvements, AI big data analysis will continue to be applied at respective plants at the moment to help enhance the management efficiency on multiple fronts, lower the production cost, and enhance the competitive advantages versus counterparts.
- (7) Purified Isophthalic Acid (PIA): For the short term, due to the decline in global economic growth and competitive sales from peers Yisheng and South Korea's Lotte in 2023, customers expect that prices will fall. The procurement and preparation of materials are mainly based on rigid demand. The business environment for PIA is quite challenging as the sources of PIA remain ample on the market over the short term. For the long term, as the throughput of polyester continues to expand in the downstream in Mainland China, the demand for PIA is increasing each day. It is expected that selling prices will be adjusted reflective of changes in supply and demand. The Company will make the best of its autonomy in raw materials and the strength that it has plants in both Taiwan and Mainland China and comprehensively target users of bottle chips, low melting point cotton, and coatings around the world while continuing to maximize its overall market share. Taiwan, in particular, focuses on markets outside Mainland



China while Ningbo, with its advantageous low costs, proactively explores domestic sales market in order to enhance profits. The goal is to become a leader on the market.

- (8) Plastic Raw Materials and Products: For the short term, in 2024, demand will not grow significantly; oil prices continue to fluctuate within a narrow range; US CPI tends to be stable; and interest rate cuts are likely. Mainland China has cut interest rates to stabilize the housing market and it is expected that policies to stimulate the economy will continue to be promoted. It is inevitable, however, that the additional production capacities of plastics in Mainland China will enter the market, not only in Mainland China but also in RCEP regions, North America, and Latin America and fierce competition is likely. The Company will continue to implement the lean production and sales plan and comprehensively accelerate the expansion of differentiated specification sales and diversify the market for maximized competitiveness. Besides keeping track of the demand from new energy vehicles, home appliances, and 5G energy storage in Mainland China and export orders from Europe and the United States, for other regions in Europe and Africa, etc., collaboration with more quality distributors will be sought in order to maximize the effort to proactively explore and decentralize the market. In addition, we must strive to maximize product differentiation and devote ourselves to the development of products featuring new specifications. In terms of ABS, production and sales will be integrated. All general grades will be produced by the PABS plant in Xingang; the cost-effective wet powder granulation and greater process safety of Xingang will help secure basic profits and the market share. The PABS plant in Mailiao, on the other hand, will focus on PC/ABS gluing and be devoted to the market for special products. For the PABS plant in Ningbo, on the other hand, the new ABS facility with an annual throughput of 250 thousand tons was completed and commissioned in July 2023. Combining existing 14 thousand tons of the composite material section in Ningbo, the total production capacity will reach 84 thousand tons. 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. Meanwhile, the wet-powder granulation system was added to Series 1 of Zone 600 for the Stage 2 project of the Ningbo plant to replace fluidized drying with extruding-desiccation for improved process safety and elapsed whiteness. Completion and commissioning are expected for the fourth quarter of 2025. For the long term, metallocene catalysts will be developed for the PP plant for specifications such as better cleanliness and optimal transparency. It is expected to NT\$143 million will be invested in and commissioning is expected for the fourth quarter of 2026.
- (9) Nylon Fiber Products: For the short term, a production capacity of 500 tons/month for solid recycling is added and devoted to pure nylon-based marine waste for the recycling and mass production of marine recycled

environmentally-friendly silk, reinforced product combinations, and enhanced interest. For the long term, to ensure the competitive advantages and the strength of products of the Company on the market, the Fiber Department adjusted the production and distribution structure and managed to transform towards high-value products as part of its continuous effort to reach out to additional markets. 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 high-value products such as environmentally-friendly silk and color silk with recycled waste fishing nets and oyster ropes; 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: For the short term, efforts are made to bring sales above 4,000 units given the reduced domestic market size. For the long term, as far as Xingang yarns are concerned, only the powerful ones will be retained and non-profitable products will be reduced. Bulk specifications are to be fulfilled with imported Vietnam yarns instead so that the production in Xingang Plant will be streamlined and alteration of yarns will be minimized in the pursuit of steady quality. At the same time, Renze imported yarns are competitive in price and are mostly profitable; efforts will be made to maximize imported yarns for overall increased profits. In addition, given the international environmental protection trend, business expansion focuses on environmentally-friendly yarns and constantly reaches out to different aspects, such as: shoes, bags, outdoor supplies, and clothes, etc. in order to contribute to continuous growths in the sales of environmentally-friendly products.
- (11) Rayon Cotton Products: The market demand for rayon cotton gradually recovered in 2023 and a high uptime rate and low inventory level remained to favor the support of product prices. 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, differential 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, Exxon	59
Para xylene	Mainland China	JXTG,SKGC	22
Styrene Monomer	South Korea, Hong Kong, Southeast Asia, India, Central Asia, Europe, America	China Petrochemical Development Corporation, Zhejiang Petrochemical Corporation ,Hanwha Total Petrochemical, SHELL, SADAF	58
Acetone	Mainland China, Southeast Asia, India, America	China Petrochemical Development Corporation, Zhejiang Petrochemical Corporation, Kingboard Holdings Limited, Chang Chung Group, LG, PTT	50
Phenol	Mainland China, Southeast Asia, India	China Petrochemical Development Corporation, Zhejiang Petrochemical Corporation, Kingboard Holdings Limited, Chang Chung Group, LG, PTT	52
Pure Terephthalic Acid	Southeast Asia, Vietnam, India, North Africa,	CAPCO, Oriental Petrochemical (Taiwan) Co., Ltd.	33
Purified Isopropyl Alcohol	Mainland China, Southeast Asia, India , Middle East, Europe, South America	LOTTE, MGC, Indorama, Ineos , SINOPEC Yanshan Company	62
Poly Styrene	Mainland China , Southeast Asia ,Middle East, America, Africa, South Asia	Chi Mei Corp., Taita Chemical Co., Ltd., KAOFU Chemical Corp., SABIC,IRPC	60

Acrylonitrile Butadiene Styrene Pellets	Mainland China , Southeast Asia, Europe, America	Chi Mei Corp., Grand Pacific Petrochemical Corp. Taita Chemical Co., Ltd. LG,INEOS	30
Poly Propylene	Mainland China, Southeast Asia, Japan, Middle East, America, North Africa, South Asia	LCY Chemical Corp., LOTTE, TOTAL, China Petrochemical Development Corp, Exxon	29
Poly Carbonate	Mainland China, Asia, Southeast Asia, Europe and America	Chi Mei Corp., Teijin, Covestro, SABIC, LUXI Chemical Corp., MEP, LG	41
Rayon fibers	Southeast Asia, Pakistan, America, Europe, Japan, South Korea, Vietnam	Sanyou Chemical Industry, SPV, LENZING, Sateri	35
Synthetic Spun Yarns	-	Tung Ho Textile Co., Ltd., GIO DAH TEXTILE CO., LTD Far Eastern New Century,	40
Nylon filaments	Mainland China, Southeast Asia , Middle East	Li Peng Enterprise Co., Ltd. Zig Sheng Industrial Co., Ltd. Chain Yarn Co., Ltd.	26

**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**  
 ↓  
 purification → isolation → isomerization  
 ↓  
**Ortho-xylene (OX)**      **Para-xylene (PX)**

## 2. Styrene Monomer (SM)

Benzene  $\xrightarrow{\text{alkylation}}$  distillation  $\rightarrow$  benzole recovery  $\rightarrow$  ethylbenzene recovery  $\rightarrow$   
 Ethylene  $\xrightarrow{\text{de-hydrogen}}$  isolation  $\rightarrow$  ethylbenzene recycle  $\rightarrow$  purification  $\rightarrow$  **SM**

### 3. Phenol

```

graph LR
    Benzene --> alkanisation
    Propylene --> alkanisation
    alkanisation --> cumene_distillation[cumene distillation]
    cumene_distillation --> oxygenation
    oxygenation --> concentration
    concentration --> Cumene
    concentration --> Phenol
    
```

#### 4. Pure Terephthalic Acid (PTA)

Pary-xylene → oxygenation → crystallization → split → dehydration → harmonized  
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  $\rightarrow$  polymerization  $\rightarrow$  SM  $\xrightarrow{\text{Acrylonitrile}}$  polymerization  $\rightarrow$  condensation  
 $\rightarrow$  hydrogenation  $\rightarrow$  dehydration  $\rightarrow$  **ABS powder**

ABS powder  
SAN pellets

extrusion → cut → packing → **ABS Pellets**

## 8. Poly-propylene (PP)

```

graph LR
    Ethylene --- J1
    Propylene --- J1
    Hydrogen --- J1
    Normal_hexane[Normal hexane] --- J1
    J1 --> Purification
    Purification --> Polymerization
    Polymerization --> Inactivation
    Inactivation --> Pellets
    Pellets --> Blending
    Blending --> PP

```

## 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  $\rightarrow$  polymerization  $\rightarrow$  spin  $\rightarrow$  extension  $\rightarrow$  **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	3,953,736	82,958,862	Import and from local company
Mixed Aromatic hydrocarbons	tonne	798,562	17,488,371	Formosa Petrochemical Corporation
Mixed Xylene	tonne	373,348	11,181,429	Import and from local company
Benzene	tonne	1,388,350	39,170,015	Import and from local company
Ethylene	tonne	351,621	10,105,966	Formosa Petrochemical Corporation
Propylene	tonne	560,332	15,363,324	Formosa Petrochemical Corporation
Para-xylene	tonne	363,882	11,567,593	from local company
Meta Xylene	tonne	123,947	4,430,075	from local company
Styrene Monomer	tonne	469,500	15,418,316	from local company
Acrylonitrile	tonne	60,627	2,403,127	Formosa Plastics Corporation
Butadiene	tonne	39,971	1,122,289	Formosa Petrochemical Corporation
Bisphenol A	tonne	130,710	4,999,320	Nan Ya Plastics Corporation, Chang Chung Group, Idemitsu Petrochemical Corporation.
Rubber	tonne	11,909	691,360	TSRC Corporation, Chi Mei Corp. TRIGON,ASAHI
Caprolactam	tonne	32,577	1,617,608	China Petrochemical Development, 、UBE
Pulp	tonne	4,284	106,767	Arauco, Sappi, NPI,Prince
Coal	tonne	1,431,357	7,334,379	Indonesia, Russia



## 5.2.4 Major Suppliers and Clients

### A. Major Suppliers in the Last Two Calendar Years

Item	2022				2023			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Formosa Petrochemical Corporation	183,369,442	54.1	Invested Firm	Formosa Petrochemical Corporation	152,576,758	57.3	Invested Firm
2	Others	155,355,101	45.9		Others	113,612,939	42.7	
	Net Purchases	338,724,543	100		Net Purchases	266,189,697	100	

Unit: NT\$ thousands

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. Due to weak market conditions and demand, as well as the opening of new production capacity by mainland peers, the company's raw material purchases from Formosa Petrochemical Co., Ltd. decreased in volume and amount in 2023.

### 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	2023			2022		
		Capacity (tonne)	Quantity (tonne)	Amount	Capacity (tonne)	Quantity (tonne)	Amount
Ortho xylene		290,000	201,593	5,917,739	290,000	128,944	4,265,914
Para xylene		2,020,000	1,694,338	51,118,112	2,020,000	1,694,900	56,983,652
Meta Xylene		275,000	152,977	5,297,225	275,000	143,482	5,102,826
Benzene		1,430,000	1,052,513	27,011,218	1,430,000	1,254,176	36,155,201
Styrene Monomer		1,320,000	1,240,141	40,964,204	1,320,000	1,165,879	43,861,072
Acetone		517,000	568,791	10,143,188	517,000	499,037	10,037,804
Phenol		840,000	918,662	30,294,102	840,000	807,035	30,214,920
Pure Terephthalic Acid		2,520,000	1,826,164	43,330,553	2,520,000	2,106,004	51,679,910
Purified Isopropyl Alcohol		400,000	391,339	11,945,639	400,000	382,304	11,125,428
High Acetic Acid		350,000	219,567	3,081,624	350,000	279,811	5,339,147
Polystyrene		650,000	601,509	21,797,328	650,000	590,758	23,726,372
Acrylonitrile Butadiene Styrene		1,160,000	873,370	37,915,840	960,000	812,478	40,504,463
Polypropylene		640,000	370,712	12,548,647	640,000	458,482	17,257,511

Output Major Products (or by department)	Year	2023			2022		
		Capacity (tonne)	Quantity (tonne)	Amount	Capacity (tonne)	Quantity (tonne)	Amount
Polycarbonate		220,000	149,900	9,030,861	220,000	188,370	14,108,095
Rayon		26,280	11,581	912,046	29,400	20,239	1,284,821
Synthetic Spun Yarn		452,744	300,498	4,543,936	458,400	311,494	5,389,039
Nylon filaments		90,000	41,042	4,388,317	90,000	71,786	7,394,467
Nylon Pellets		93,900	52,473	3,540,053	120,000	90,458	6,505,999
Polyester Fiber		200,664	122,512	5,260,496	200,664	153,559	6,358,696
Polyester Pellets		147,600	83,193	2,601,406	147,600	130,818	4,205,288
Film		105,000	40,391	1,911,097	105,000	67,085	3,464,030
Tire Cord Filament		42,245	22,706	3,755,747	48,802	33,919	6,688,281
Gasoline		0	402,109	11,256,097	0	420,422	11,681,397
Electricity				16,461,950			22,660,956
Others				61,235,254			71,916,003
Total				426,262,679			497,911,292

## 5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Major Products (or by departments)	Year	2023				2022			
		Local		Export		Local		Export	
		Quantity (tonne)	Amount	Quantity (tonne)	Amount	Quantity (tonne)	Amount	Quantity (tonne)	Amount
Ortho xylene		99,229	3,317,675	96,700	3,345,882	108,844	3,680,676	22,899	819,399
Para xylene		0	0	516,016	16,694,371	10	347	480,051	16,572,521
Benzene		0	0	0	0	0	0	11,996	418,983
Meta Xylene		837	31,399	0	0	0	0	0	0
Styrene Monomer		427,525	14,008,466	263,821	8,728,116	340,911	12,499,744	194,062	6,944,933
Acetone		464,613	10,969,230	101,435	2,068,570	425,835	8,952,703	83,113	1,455,743
Phenol		849,116	25,281,322	81,389	2,141,850	774,191	30,209,716	27,593	961,225
Pure Terephthalic Acid		1,779,770	42,530,853	35,381	880,104	1,864,529	45,036,081	247,246	6,293,247
Purified Isopropyl Alcohol		251,772	8,740,953	186,150	6,131,180	215,752	8,087,169	206,372	7,231,577
High Acetic Acid		103,831	1,515,888	115,736	1,565,736	170,895	3,163,670	108,916	2,168,727
Polystyrene		316,204	12,075,201	278,526	10,937,804	324,068	13,817,679	263,677	12,138,773
Acrylonitrile Butadiene Styrene		607,749	26,158,967	270,588	12,847,760	537,269	27,822,371	299,222	17,129,603
Polypropylene		149,968	5,547,829	223,145	7,466,057	161,469	6,634,055	292,986	11,186,080

Shipments & Sale Major Products (or by departments)	Year	2023				2022			
		Local		Export		Local		Export	
		Quantity (tonne)	Amount	Quantity (tonne)	Amount	Quantity (tonne)	Amount	Quantity (tonne)	Amount
Polycarbonate		15,172	977,140	81,531	5,334,703	46,528	3,622,912	110,617	8,650,071
Rayon		3,265	187,033	4,323	244,624	4,644	266,533	15,197	910,881
Synthetic Spun Yarn		105,757	1,597,789	198,857	2,498,438	131,753	2,495,257	164,235	2,712,082
Nylon filaments		23,095	1,938,915	8,573	975,641	34,977	3,266,528	16,818	1,885,990
Nylon Pellets		7,492	394,541	13,179	721,781	6,334	382,566	17,353	1,071,780
Polyester Fiber		44,123	2,045,773	19,919	1,057,536	64,226	2,564,495	25,740	1,725,190
Polyester Pellets		73,019	2,312,601	11,286	347,153	95,052	3,335,453	36,710	1,261,563
Film		23,819	1,096,548	16,298	874,100	41,017	2,468,661	37,174	2,219,840
Tire Cord Filament		11,166	1,833,318	12,338	2,058,761	6,494	1,599,358	26,757	4,972,318
Gasoline		402,109	11,256,091	0	0	420,422	11,681,397	0	0
Electricity		3,602,448	11,859,863	0	0	3,336,960	12,806,227	0	0
Others			48,133,991		11,887,980		52,038,126		14,734,313
Total			233,811,386		98,808,147		256,431,724		123,464,839

### 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		2022	2023	As of March 31, 2024
Number of Employees	Male	4,103	4,052	3,967
	Female	465	451	449
	Total	4,568	4,503	4,416
Average Age		45.3	45.6	45.7
Average Years of Service		19.4	19.7	19.9
Education	Philosophy Degree	0.28	0.36	0.34
	Masters	11.39	12.23	12.27
	Bachelor's Degree	52.10	54.67	55.07
	Senior High School	32.78	29.87	29.53
	Below Senior High School	3.45	2.87	2.79

## 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	2023	As of March 2024
Industrial Safety Fine	810	0
Environmental Protection Fine	0	30

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

- (1) A fine was received from the Central Taiwan Occupational Safety and Health Center on January 12, 2023. For the collapsed scaffolds of the PABS finished product warehouse color steel project of the Storage and Transport Department in Mailiao in the midst of strong wind on October 10, 2022, a fine of NTD 100,000 was imposed for the failure to confirm the construction drawings and strength calculations for the collapsed scaffolds and to inspect the site, which is in violation of Article 27 Paragraph 1 Sub-paragraph 3 of the Occupational Safety and Health Act.
- (2) On March 23, 2023, was received a letter from the Occupational Safety and Health Administration of the Ministry of Labor stating that on February 4, 2023, the Central District Occupational Safety and Health Center went to the synthetic phenol factory, because the workplace of special chemical substances (benzene, sulfuric acid, etc.) did not conduct regular environmental monitoring for 6 months. For missing items, if the matter fails to comply with the provisions of Article 43, Paragraph 2 of the Occupational Safety Act, a fine of NTD 60,000 was imposed.
- (3) On April 19, 2023, an employee at the second rayon plant was accidentally splashed by dilute acid. According to Article 6 Paragraph 1 of the Occupational Safety and Health Act and Article 43 Sub-paragraph 2 of the Facility Rules, a fine of \$100,000 was imposed.
- (4) On August 15, 2023, two employees of the Contractor "I SAN ENVIRONMENTAL TECHNOLOGY CORPORATION" at the Xingang Utility Plant were accidentally scalded while removing high-temperature bottom ash at

SK4. According to Article 27 Paragraph 1 of the Occupational Safety and Health Act and Article 281 Paragraph 1 of the Facility Rules, a fine of \$200,000 was imposed.

(5) On July 29, 2023, an employee of Contractor “Dexie” at the Longde Utility Plant fell off and got hurt because of the broken wood ladder he stepped on by the LT3 cooling water tower. According to Article 43 Sub-paragraph 2 and Article 45 Sub-paragraph 2 of the Occupational Safety and Health Act, a fine of \$100,000 and \$150,000 was imposed, respectively.

(6) On October 26, 2023, the Central Occupational Safety and Health Center responded to the case of electric shock suffered by employees of Shengda, a contractor of the Xingang Engineering Office of the Changhua Plant on October 24 and imposed a fine of \$100,000 according to Article 27 of the Occupational Safety and Health Act due to the failure to control the Contractor's participation in the agreed organization, on-site inspections, and work communication and adjustments.

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

(1) On January 18, 2024, a letter was received from the Chiayi County Environmental Protection Bureau stating that the Environmental Protection Bureau inspected the Xingang Aggregation Plant Marine Waste Recycling Phase II Construction Project on November 27, 2023 and found that a plan for reducing runoff wastewater from the construction project was not submitted and hence determined that it was in violation of Article 10 and Article 46 of the Water Pollution Control Measures and Test Reporting Management Regulations, for which \$30,000 was imposed.

#### **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. In accordance with government regulations and risk standards, all mechanical equipment and pipelines are subject to planned safety inspections and preventive maintenance, and reductions in open fire construction are promoted to effectively prevent accidents and reduce on-site construction risks.
  - 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. In order to fulfill its social responsibilities, the company promotes greenhouse gas emissions inventory and ISO 14064-3 verification related operations in accordance with the specifications of ISO 14064-1. The GHG emissions of each plant in 2022 of Scope 1 are 4,698,681 CO<sub>2</sub>e tonnes, and Scope 2 are 3,166,588 CO<sub>2</sub>e tonnes, respectively. The totals of emissions are 7,865,269 CO<sub>2</sub>e tonnes. In addition, 2023, the company has invested a total of 1.64 billion in promoting energy conservation and emission reduction, and completed 259 project improvement projects, saving 2,789 tons of water per day, 62.7 tons of steam per hour, and 9.1 kWh of electricity per hour. Data on GHG emissions in 2023 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\$20.79 billion in environmental improvement by 2023 that were NT\$11.76 billion in air pollution control, NT\$8.02 billion in waste water pollution control, NT\$0.52 billion in waste materials disposal, and NT\$0.49 billion in anti-noise control, respectively. The Company will spend totally NT\$0.43 billion in environmental improvement

together with 11 projects in 2023 that includes 3 air pollution control projects which will spend NT\$0.34 billion, 6 waste water pollution control projects which will spend NT\$0.07 billion and 2 waste materials disposal which spend NT\$0.02 billion.

#### 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 CO<sub>2</sub> emissions.

To improve air quality and reduce the harm of PM<sub>2.5</sub> 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, employee maternity reward. 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 2023:

The continuing education and trainings held by the Company throughout 2023 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 37.1 hours and the overall amount of money spent came to \$12,183 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.

In 2023, "first- and second-level supervisor reserve training" will be carried out in personnel general affairs, industrial safety and environmental protection, production, maintenance, finance, and sales, etc., with a total of 148 trainees. Cross-functional training for middle-level managers, with a total of 115 participants.

A total of 498 people participated in various AI trainings.

### (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 Information Security Risk Assessment**

- (I). The policies and specific management schemes on cyber security formulated and resources invested in the management of cyber security by the Company:

In order to ensure the continuous operation and data security of the Company, the “Information Security Management Rules” and other relevant rules and regulations were formulated and incorporated into management operation system to meet the requirements of laws and related information security regulation. The information and communication security risk management framework, information and communication security policies, specific management plans and

resources devoted to information and communication security management by the Company in 2023 are described as follows:

- (1) The structure of the information security management: The company formulates information security policy management measures based on the guiding principles of the "Information Security Management Rules", "Information Security Management Measures" and "Information Security Management Guidelines" promulgated by the Ministry of Information. In order to effectively implement information security work, the company complies with the requirements of the "Guidelines for Establishing Internal Control Systems for Publicly Offered Companies" issued by the Financial Supervisory Commission and the operating points of the "Information Security Control Guidelines for Listed Overseas Companies" issued by the Taiwan Stock Exchange. Establish an information security officer, establish a dedicated information security unit and assign dedicated supervisors and personnel to supervise the execution of information security management business within the company, and cooperate with the information security team of the information department to promote information security management operations and integrate and divide information security business Collaborate to ensure consistency with corporate security policy implementation.
- (2) Information security policy: To ensure the confidentiality, integrity, and availability of the Company's information systems, and to establish a reliable information usage environment for smooth operation of all business operations to achieve the goal of corporate sustainable operation, the Company formulated the following information security policies: 1. Comply with legal requirements and promote information security awareness. 2. Attach importance to risk management and protect data security. 3. All employees are required to participate and pursue continuous improvement. 4.Strengthen information security protection to ensure stable production.

- (3) Information Security Control Measures:

Item	Description of Management Plan
Cybersecurity	<ul style="list-style-type: none"><li>Adopting a multi-layered defense-in-depth structure to build firewalls and an intrusion detection system (IPS)</li></ul>

	<ul style="list-style-type: none"> <li>• Malicious URL filtering and Advanced Persistent Threat (APT) defense</li> <li>• Implement Security Information and Event Management (SIEM) system and Security Operation Center (SOC)</li> </ul>
Device security	<ul style="list-style-type: none"> <li>• All computers must install antivirus software and control the connection and access to USB devices</li> <li>• Update virus signature and security patches in real time, and schedule regular virus scans</li> </ul>
Application security	<ul style="list-style-type: none"> <li>• Set up a website application firewall (WAF) to protect external service website</li> <li>• Set up a source code detection system platform to conduct vulnerability detection of program source code</li> </ul>
Data security protection	<ul style="list-style-type: none"> <li>• Set up internet, email and personal/confidential and sensitive data loss prevention (DLP) control mechanisms</li> <li>• Establish secure access policies and strengthen authentication for system login</li> </ul>
Education and training	<ul style="list-style-type: none"> <li>• Conduct regular information security education, training and testing for employees annually</li> <li>• Enhance employees' awareness of email social engineering and regularly conduct exercises to enhance information security awareness</li> </ul>
Information security management audit	<ul style="list-style-type: none"> <li>• Regularly perform information security management audits and improvement operations, and implement information security management measures</li> </ul>
Cyber security test	<ul style="list-style-type: none"> <li>• Regularly engage external experts to conduct red teaming</li> </ul>

(4) Resources invested in information security management:

- a. A Chief Information Security Officer at the management level has been designated, and a dedicated unit and dedicated personnel for information security management has been established.
- b. Annual operational drills have been conducted continuously, and four key system drills had been completed in 2023, all of which met the expected objectives.
- c. The administrator accounts of the core server system have been included in the privileged access management system, with a total of 27 accounts managed until 2023.
- d. Third-party red teaming drills are conducted every year, and all identified vulnerabilities from the drills have been 100% patched.
- e. The Taishan server room passed the ISO 27001 certification and completed the first re-inspection in December 2023.
- f. Perform vulnerability scans of websites quarterly and vulnerability scans of systems annually and improve detected deficiencies.
- g. Implement Security Information and Event Management (SIEM) system and Security Operation Center (SOC) to meet regulatory requirements.
- h. Conduct email social engineering exercises every year, with over 1,300 employees being tested. The results of the 2023 exercise show a 82% decrease in the personnel click-through rate by mistake compared to 2022.
- i. Employee information security awareness training courses are implemented every year, and 3,071 people completed physical or online training courses related to information security management awareness in 2023.

(II).If the possible impact and countermeasures caused by a major information security incident cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated. The company has not had any major information security events in the most recent year and as of the date of publication of the annual report.



## 5.7 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Technological Collaboration Contract	LUMMUS/POLIMERI	From 2010.12 to the effect of any clauses of the contract suspended	Provide phenol basic design, production technology knowhow	—
	Badger	2020.04 ~ 2034.04	Provide SM-I basic design, production technology knowhow	Obligations on the contract are not transferrable without approved by both contracting parties
	Badger	2019.04 ~ 2033.04	Provide SM-III basic design, production technology knowhow	Obligations on the contract are not transferrable without approved by both contracting parties
	Idemitsu Petrochemical Co., Ltd.	From 2000 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
Long-term loan contract	Mizuho Bank	2022.07~2024.12	Improve financial structure and enrich working capital	None
	First Bank Shanghai Branch	2019.10~2024.10	For ABS expansion project	None
	Mega International Commercial Bank Suzhou Branch	2020.11~2025.11	For PTA expansion project	None
	Taiwan Bank	2023.07~2025.07	Improve financial structure and enrich working capital	None
	Taiwan Cooperative Bank	2023.07~2025.07	Improve financial structure and enrich working capital	None

## 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

Item \ Year		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		226,182,634	215,865,015	246,631,027	226,085,090	214,905,674
Property, Plant and Equipment		124,671,052	127,268,960	130,897,801	142,861,143	148,226,306
Intangible assets		1,288	3,436	5,884	340,914	346,018
Other assets		199,694,043	188,683,017	220,810,559	186,259,149	202,392,370
Total assets		550,549,017	531,820,428	598,345,271	555,546,296	565,870,368
Current liabilities	Before distribution	87,132,669	73,452,939	84,917,037	116,950,946	101,225,762
	After distribution	109,405,177	88,105,905	113,050,731	122,519,073	108,552,245
Non-current liabilities		54,125,385	62,914,960	69,447,280	65,231,218	80,955,890
Total liabilities	Before distribution	141,258,054	136,367,899	154,364,317	182,182,164	182,181,652
	After distribution	163,530,562	151,020,865	182,498,011	187,750,291	189,508,135
Equity attributable to shareholders of the parent		356,514,671	344,353,858	390,970,532	326,126,741	339,258,524
Capital stock		58,611,863	58,611,863	58,611,863	58,611,863	58,611,863
Capital surplus		9,138,869	9,167,637	9,192,999	9,246,656	9,272,140
Retained earnings	Before distribution	186,526,961	184,043,516	208,492,621	188,090,723	191,227,565
	After distribution	164,254,453	169,390,550	180,358,927	182,522,596	183,901,082
Other equity interest		102,560,930	92,854,794	114,997,001	70,501,451	80,470,908
Treasury stock		-323,952	-323,952	-323,952	-323,952	-323,952
Non-controlling interest		52,776,292	51,098,671	53,010,422	47,237,391	44,430,192
Total equity	Before distribution	409,290,963	395,452,529	443,980,954	373,364,132	383,688,716
	After distribution	387,018,455	387,799,563	415,847,260	367,796,005	376,362,233

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: A company whose stock is listed on an exchange or trade on OTC shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report: The financial information is audited by CPAs.

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: The after-distribution data of 2023 are estimated by the earnings distribution approved by Board of Directors Meeting on March 8, 2024.

## B. Individual Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		168,412,878	157,073,768	176,628,356	149,241,019	146,056,938
Property, Plant and Equipment		53,342,392	54,560,182	56,451,606	58,282,675	62,096,791
Intangible assets		—	—	—	—	—
Other assets		237,763,630	233,662,288	270,411,966	238,259,787	244,730,725
Total assets		459,518,900	445,296,238	503,491,928	445,783,481	452,884,454
Current liabilities	Before distribution	63,393,137	55,810,777	61,954,234	72,094,097	61,851,778
	After distribution	85,665,645	70,463,743	90,087,928	77,662,224	69,178,261
Non-current liabilities		39,611,092	45,131,603	50,567,162	47,562,643	51,774,152
Total liabilities	Before distribution	103,004,229	100,942,380	112,521,396	119,656,740	113,625,930
	After distribution	125,276,737	115,595,346	140,655,090	125,224,867	120,952,413
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		9,138,869	9,167,637	9,192,999	9,246,656	9,272,140
Retained earnings	Before distribution	186,526,961	184,043,516	208,492,621	188,090,723	191,227,565
	After distribution	164,254,453	169,390,550	180,358,927	182,522,596	183,901,082
Other equity interest		102,560,930	92,854,794	114,997,001	70,501,451	80,470,908
Treasury stock		-323,952	-323,952	-323,952	-323,952	-323,952
Non-controlling interest		—	—	—	—	—
Total equity	Before distribution	356,514,671	344,353,858	390,970,532	326,126,741	339,258,524
	After distribution	334,242,163	329,700,892	362,836,838	320,558,614	331,932,041

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: A company whose stock is listed on an exchange or trade on OTC shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report: The financial information is audited by CPAs.

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: The after-distribution data of 2023 are estimated by the earnings distribution approved by Board of Directors Meeting on March 8, 2024.

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

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	315,384,595	253,294,668	365,812,098	379,896,563	332,619,533
Gross profit	32,018,518	29,532,068	53,438,372	12,742,361	11,424,442
Income from operations	16,488,744	15,323,620	34,432,730	-5,286,074	-3,050,244
Non-operating income	20,616,940	9,444,067	15,727,165	14,875,657	10,436,732
Non-operating expenses	33,244,103	21,554,193	42,707,431	9,203,861	7,704,942
Income before tax	1,204,254	-484	—	—	—
Net income (Loss)	34,448,357	21,553,709	42,707,431	9,203,861	7,704,942
Other comprehensive income (income after tax)	-11,094,653	-10,152,685	22,936,940	-48,730,974	10,367,021
Total comprehensive income	23,353,704	11,401,024	65,644,371	-39,527,113	18,071,963
Net income attributable to shareholders of the parent	29,702,242	19,544,141	38,359,347	7,359,531	8,548,518
Net income attributable to non-controlling interest	4,746,115	2,009,568	4,348,084	1,844,330	-843,576
Comprehensive income attributable to Shareholders of the parent	22,873,505	10,128,238	61,244,278	-36,763,754	18,674,426
Comprehensive income attributable to non-controlling interest	480,199	1,272,786	4,400,093	-2,763,359	-602,463
Earnings per share	4.89	3.34	6.56	1.26	1.46

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

Note 2: A company whose stock is listed on an exchange or trade on OTC shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report: The financial information is audited by CPAs.

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				
	2019	2020	2021	2022	2023
Operating revenue	198,210,058	159,681,997	243,485,062	247,351,121	212,980,107
Gross profit	16,695,712	11,970,330	28,269,068	3,993,735	8,299,052
Income from operations	8,208,079	4,181,251	16,063,719	-6,186,944	628,921
Non-operating income	23,690,459	16,421,938	25,599,913	13,389,569	8,078,256
Non-operating expenses	29,702,242	19,544,141	38,359,347	7,359,531	8,548,518
Income before tax	—	—	—	—	—
Net income (Loss)	29,702,242	19,544,141	38,359,347	7,359,531	8,548,518
Other comprehensive income (income after tax)	-6,828,737	-9,415,903	22,884,931	-44,123,285	10,125,908
Total comprehensive income	22,873,505	10,128,238	61,244,278	-36,763,754	18,674,426
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	5.09	3.34	6.56	1.26	1.46

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

Note 2: A company whose stock is listed on an exchange or trade on OTC shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report: The financial information is audited by CPAs.

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
2023	Price Waterhouse Coopers, Taiwan	Man Yu, Juanlu Han Chi, Wu	Without reservation opinions
2022	Price Waterhouse Coopers, Taiwan	Man Yu, Juanlu Han Chi, Wu	Without reservation opinions
2021	Price Waterhouse Coopers, Taiwan	Han Chi, Wu Chien Hung ,Chou	Without reservation opinions
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

## 6.2 Five-Year Financial Analysis

### A. Consolidated Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	25.66	25.64	25.80	32.79	32.19
	Ratio of long-term capital to property, plant and equipment	365.37	354.95	387.06	302.8	313.47
Solvency (%)	Current ratio	259.58	293.88	290.44	193.32	212.3
	Quick ratio	206.64	236.77	224.63	147.13	161.4
	Interest earned ratio (times)	20.25	18.07	44.36	5.67	2.94
Operating performance	Accounts receivable turnover (times)	8.67	8.20	10.33	11.29	11.43
	Average collection period	42.10	44.51	35.33	32.33	31.92
	Inventory turnover (times)	6.77	6.02	7.79	7.68	6.93
	Accounts payable turnover (times)	14.33	12.47	15.79	18.31	18.95
	Average days in sales	53.91	60.63	46.85	47.53	52.67
	Property, plant and equipment turnover (times)	2.52	1.98	2.79	2.65	2.28
	Total assets turnover (times)	0.57	0.47	0.61	0.68	0.59
Profitability	Return on total assets (%)	6.29	4.17	7.71	1.84	1.85
	Return on stockholders' equity (%)	8.18	5.36	10.18	2.25	2.04
	Pre-tax income to paid-in capital (%)	63.31	42.26	85.58	16.36	12.6
	Profit ratio (%)	10.95	8.54	11.71	2.43	2.32
	Earnings per share (NT\$)	4.89	3.34	6.56	1.26	1.46
Cash flow	Cash flow ratio (%)	67.73	62.91	45.61	27.99	18.14
	Cash flow adequacy ratio (%)	136.66	131.70	115.21	110.27	105.69
	Cash reinvestment ratio (%)	5.69	4.78	1.50	4.05	1.59
Leverage	Operating leverage	2.63	1.87	1.61	-6.86	-7.42
	Financial leverage	1.13	1.09	1.03	0.75	0.48

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

1. The decrease in interest coverage ratio is mainly due to the decrease in pre-tax net profit in 2023 compared with 2022 and the increase in interest expenses in 2023 compared with 2022.
2. Due to the decrease of net income before tax in 2023 compared with 2022, the pre-tax income to paid-in capital ratio decreased.
3. Cash flow ratio (%) decreased due to the decrease cash flow from operating activities in 2023 compared with 2022.
- 4 Cash reinvestment ratio (%) decreased due to the decrease cash flow from operating activities in 2023 compared with 2022.
5. Financial leverage decreased due to the decrease in operating losses in 2023 compared with 2022 and the increase in interest expenses in 2023 compared with 2022.

## 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				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	22.42	22.67	22.35	26.84	25.09
	Ratio of long-term capital to property, plant and equipment	731.05	704.55	773.18	633.60	629.71
Solvency (%)	Current ratio	265.66	281.44	285.09	205.47	236.14
	Quick ratio	230.84	249.55	244.54	173.58	195.97
	Interest earned ratio (times)	35.19	26.47	60.77	8.08	6.44
Operating performance	Accounts receivable turnover (times)	8.84	8.60	11.04	11.38	11.65
	Average collection period	41.29	42.44	33.06	32.07	31.32
	Inventory turnover (times)	9.74	9.15	12.56	12.10	10.58
	Accounts payable turnover (times)	12.95	11.79	14.20	15.30	15.36
	Average days in sales	37.47	39.89	29.06	30.17	34.5
	Property, plant and equipment turnover (times)	3.71	2.92	4.31	4.24	3.54
	Total assets turnover (times)	0.43	0.36	0.48	0.55	0.47
Profitability	Return on total assets (%)	6.52	4.46	8.20	1.72	2.16
	Return on stockholders' equity (%)	8.18	5.58	10.43	2.05	2.57
	Pre-tax income to paid-in capital (%)	54.42	35.15	71.08	12.29	14.86
	Profit ratio (%)	14.99	12.24	15.75	2.98	4.01
	Earnings per share (NT\$)	5.09	3.34	6.56	1.26	1.46
Cash flow	Cash flow ratio (%)	53.97	54.56	32.03	42.44	18.79
	Cash flow adequacy ratio (%)	126.53	119.47	103.63	109.89	102.92
	Cash reinvestment ratio (%)	2.19	2.93	-1.42	4.70	0.81
Leverage	Operating leverage	3.59	4.61	1.93	-2.36	30.17
	Financial leverage	1.13	1.24	1.05	0.86	-0.78

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

1. The decrease in interest coverage ratio is mainly due to the increase in pre-tax net profit in 2023 compared with 2022
2. The increase in return on assets, return on equity, and net profit rate is mainly due to the increase in net profit after tax in 2023 compared with 2022.
3. The increase in the ratio of net profit before tax to paid-in capital is mainly due to the increase in net profit before tax in 2023 compared with 2022.
4. The decrease in cash flow ratio is mainly due to the decrease in net cash flow from operating activities in 2023 compared with 2022.
5. The increase in cash reinvestment ratio is mainly due to the decrease in net cash flow from operating activities in 2023 compared with 2022.
6. The increase in operating leverage is mainly due to the increase in operating profits in 2023 compared with 2022.
7. The decrease in financial leverage is mainly due to the increase in operating profits in 2023 compared with 2022.



- 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 2023**

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 2023, 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 8, 2024

### **6.4 Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 Independent Auditors' Report**

Please refer to page 228 of the annual report.

### **6.5 Individual Financial Statements for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report**

Please refer to page 335 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	2023	2022	Difference	
			Amount	%
Current Assets	214,905,674	226,085,090	-11,179,416	-4.94
Non-Current Assets	350,964,694	329,461,206	21,503,488	6.53
Total Assets	565,870,368	555,546,296	10,324,072	1.86
Current Liabilities	101,225,762	116,950,946	-15,725,184	-13.45
Non-Current Liabilities	80,955,890	65,231,218	15,724,672	24.11
Total Liabilities	182,181,652	182,182,164	-512	0
Capital stock	58,611,863	58,611,863	0	0
Capital surplus	9,272,140	9,246,656	25,484	0.28
Retained Earnings	191,227,565	188,090,723	3,136,842	1.67
Other Equity	80,470,908	70,501,451	9,969,457	14.14
Treasury Stock	-323,952	-323,952	0	0
Equity attributable to shareholders of the parent	339,258,524	326,126,741	13,131,783	4.03
Non-controlling interest	44,430,192	47,237,391	-2,807,199	-5.94
Total Stockholders' Equity	383,688,716	373,364,132	10,324,584	2.77
Analysis of changes in financial ratios: The Non-current Liabilities increased mainly because of an increase of Long-term borrowings.				

- **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.

Effect of changes on the company's future business: Unit: NT\$ thousands

Item \ Year	2023	2022	Difference	
			Amount	%
Gross Sales	332,619,533	379,896,563	-47,277,030	-12.44
Cost of Sales	321,195,091	367,154,202	-45,959,111	-12.52
Gross Profit	11,424,442	12,742,361	-1,317,919	-10.34
Operating Expenses	14,474,686	18,028,435	-3,553,749	-19.71
Operating Income	-3,050,244	-5,286,074	2,235,830	-42.30
Non-operating Income and Losses	10,436,732	14,875,657	-4,438,925	-29.84
Income Before Tax	7,386,488	9,589,583	-2,203,095	-22.97
Tax Benefit (Expense)	-318,454	385,722	-704,176	-182.56
Net Income	7,704,942	9,203,861	-1,498,919	-16.29

Analysis of changes in financial ratios:

1. In 2023, under the influence of inflation and high interest rates, consumer demand and investment confidence continued to weaken. In addition, mainland China's economic activities after the epidemic is lifted performed worse than expected due to the collapse of the housing market and sluggish domestic demand. In addition, mainland petrochemicals and plastics climbed significantly in the launching of new production capacity. Supply and demand on the market was seriously out of balance. There were also the geopolitical risks in the Middle East such as the Kazakhstan conflict that caused instability in the international supply chain and oil price fluctuations. All of which impacted the company's operations.

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

34,374,411	18,363,447	28,866,510	23,871,348	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\$18.4billion, because net cash inflow generated from operations of NT\$13.9 billion, interest received of NT\$0.8 billion, dividends received of NT\$8 billion, interest paid of NT\$2.9 billion and income tax of NT\$1.5 billion.					
2. Cash flow from investing activities: Net cash outflow NT\$28.6 billion in 2023 due to acquire properties expenditure on NT\$20.8 billion and Increase in non-current assets on NT\$3.3 billion.					
3. Cash flow from financing activities: Net cash outflow NT\$0.2 billion in 2023 due to increase in long-term borrowings in NT\$41.7 billion, payment of cash dividends in NT\$7.7 billion, payment of long-term borrowings 24.5 billion, payment of tickets payable 6.1 billion and payment of corporate bonds payable in NT\$4.9 billion.					

### 7.3.2 Remedy for Cash Deficit and Liquidity Analysis

There was no cash deficit in this year.

#### Liquidity analysis in the two most recent fiscal years:

Item \ Year	2023	2022	Variation (%)
Cash flow ratio	18.14%	27.99%	-9.85%
Cash flow adequacy ratio	105.69%	110.27%	-4.58%
Cash reinvestment ratio	1.59%	4.05%	-2.46%

Explanation:

1. Cash flow ratio and cash flow adequacy ratio in 2023 decreased from 2022, because the cash inflow from operating activities in 2023 decreased from 2022.
2. Cash reinvestment ratio in 2023 increased from 2022, because the working capital decreased in 2023 from 2022.

### 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

1,848,039	18,367,032	18,665,857	1,549,214	none	none
-----------	------------	------------	-----------	------	------

Base on individual company

1. Cash flow from operating activities: The Company predicted that net cash inflow in 2024 will be NT\$18.5 billion.
2. Cash flow from investing activities: The Company predicted that the net investment expenditure will be NT\$6 billion for building new plant and acquiring equipment.
3. Cash flow from financing activities: The Company predicted that net cash outflow from financing NT\$12.6 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	138,179	694,732	2 <sup>th</sup> quarter of 2025
Improve facilities' efficiency of SM plant in Hai Feng industrial complex	Loan from banks or use working capital	1,091,830	1,252,703	4 <sup>th</sup> quarter of 2024
Improve facilities' efficiency of SM plant in Mai Liao industrial complex	Loan from banks or use working capital	574,444	642,339	3 <sup>th</sup> quarter of 2024
Improve facilities' efficiency of PP plant in Mai Liao industrial complex	Loan from banks or use working capital	97,971	371,444	4 <sup>th</sup> quarter of 2025

Net cash flow from operating activities NT\$11.6 billion, the total of cash outflow was NT\$21.4 billion together with investing activities NT\$14.2 billion and financing activities NT\$7.2 billion, therefore, the capital expenditure has not changed the financial status. In addition, the opening cash and equivalent cash balance is about 11.6 billion. The short term liquidity ratio was staying strong due to current assets was in NT\$146.1 billion and current liabilities was in NT\$61.9 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\$ thousand

Item \ Remarks	Amount of Investment	Policies	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
Formosa Resources Corporation	US\$ 25 million	Long term investment	The Iron Bridge iron ore mine jointly invested by the reinvestment company Formosa Steel IB Pty Ltd and the Australian iron ore company FMG Group is scheduled to be put into production in September 2023. However, some equipment and production line technical problems in the early stage of production have yet to be solved and optimized. Case output has not yet increased, so it is not yet profitable.	To ensure stable production, we will actively evaluate and improve some sections of the long-distance pipeline of the iron ore project.	None
Formosa Plastics Construction Corporation	NT\$500 million	Long term investment	The Formosa Plastics Building renovation plan has been approved and announced for implementation by the Taipei City Government on August 4, 2023. Construction is scheduled to be completed by the	None	The urban renewal of Formosa Plastics Building is in progress.

			end of June 2024 after obtaining the construction permit.		
Formosa Smart Energy Tech Corp.	NT\$ 600,000	Long-term investment	Formosa Smart Energy Tech Corp. started the construction of the cell plant with 2.1 GWh and the module plant with 1.1 GWh at Changhua Coastal Industrial Park which will commence production in July, 2024.	None	Invest in new energy storage sites and battery-related equipment, and handle capital increases to meet capital needs

## 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 2023 was 2.5%, and the annual growth rate of core consumer prices was 2.58%, both the second highest in 15 years, The increase in raw materials and operating costs affected the Company's profitability but inflation is expected to slow down in the coming year.



**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\$503 million on research & development projects in 2024. One of the main projects is as follow.

NT\$ thousands	
Research Projects	Expected Research Expenditure
Xingang PABS plant increases ASA production	19,700
Development of high rubber powder for ABS	20,000
Added re-granulation system of PP plant	28,000
PLC control panel update of Phenol plant	11,752
Heat exchanger tube bundle purchase requisition update of Phenol plant	29,534

**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 2023 to February 29, 2024, the following changes or developments in governmental policies and regulations may influence the Company's business and financial operations:

1. On October 21, 2021, the Environmental Protection Administration announced the draft amendment to the "Climate Change Response Act", which was passed by the Legislative Yuan in the third reading on January 10, 2023. The Ministry of Environment has also proposed the imposition of carbon fees on manufacturing and electricity industries that have carbon emissions exceeding 25,000 metric tons, starting from 2025. The collection method will be based on the greenhouse gas emissions of the previous year, and the specific rates have not yet been announced. The Company will continue to pay attention to regulatory developments and ensure compliance accordingly. Furthermore, regarding carbon credits, in coordination with the official launch of the Taiwan Carbon Solution Exchange on August 7, 2023, and the commencement of carbon credit trading, the Company will evaluate the demand for trading in a timely manner.
2. Tai-Zheng-Zhi-Li-Zi No. 11200147631 of the Taiwan Stock Exchange Corporation, dated August 23, 2023, has announced the amendment to the "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers", stipulating that the minimum number of independent directors of a TWSE listed company is one-third of the seats in the board. This requirement will be applicable to TWSE listed companies with a paid-in capital reaching NT\$10 billion starting from 2024. However, for directors whose terms do not expire in 2024, this requirement shall apply upon the expiration of their terms. In addition, starting from 2024, more than half of independent directors of TWSE listed companies shall not serve beyond three consecutive terms. However, for directors whose terms do not expire in 2024, this requirement shall apply upon the expiration of their terms. Starting from 2027, all independent directors shall not serve beyond three consecutive terms. However, for directors whose terms do not expire in 2027, this requirement shall apply upon the expiration of their terms. The Company's Directors will be re-elected when their terms expire in 2024, which will be handled in accordance with the 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. Please refer to 5.6 Information Security Risk Assessment on page 193.

#### **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.

**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.
  - (4) Strengthen information security protection to ensure stable production.
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	Production and sales meeting, business performance meeting, Auditing Room, and the Board of Directors

Risk Evaluation Items	Risk Management Unit	Risk Review
	Administration	
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 %
----------------	--------------------	------------------	------------------------	------------

#### 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.			51%
	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)		57.45%
		Formosa Eco Life Technology Co., Ltd.		70%
		IVY LIFE SCIENCES CO., LTD.		51%
		Formosa Biomedical Technology (Somoa) Co., Ltd.		100%
			Formosa Biomedical Trading (Shanghai) Co., Ltd.	100%
	Formosa INEOS Chemicals Corporation			50%
	Formosa Green Power Corporation			100%
	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 (Hong Kong) Co., Ltd		100%
			Formosa Taffeta (Chang Shu) Co., Ltd.	100%
			Formosa Taffeta (Zhong Shan) 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	9F-1,No.388, Sec. 6, Nanjing E. Rd., Taipei, R.O.C	NT220,372	Carpet sale and production businesses
Formosa Idemitsu Petrochemical Corporation	Aug 20,2001	9F,No.388, Sec. 6, Nanjing E. 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. 2, Dianchang Ln., Sec. 3, Batian Rd., Guantian Dist., Tainan ,Taiwan, R.O.C.	NT414,960	Electric power supply
Formosa Green Power Corporation	Aug. 23,2022	10F,No.388, Sec. 6, Nanjing E. Rd., Taipei, R.O.C.	NT5,000	Energy technology services business
Formosa Biomedical Technology Corporation	Nov 10,2003	9F-1,No.380, Sec. 6, Nanjing E. 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
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 BIO and ENERGY Corp. JAPAN	Jan 15,2020	4F., Main Building, Asano Building, 7-10, Kojicho 3-chome, Chiyoda-ku, Tokyo, Japan	JPY125,500	Manufacturing and sales of energy storage battery system related products.
Formosa Eco Life Technology Co., Ltd.	May 17,2022	9F-1,No.380, Sec. 6, Nanjing E. Rd., Taipei, R.O.C	NT12,925.97	Retail of cleaning supplies
IVY LIFE SCIENCES CO., LTD.	Aug. 25,2003	No. 76, 2F, Yuhe Street, Taoyuan District, Taoyuan R.O.C.	NT1,222,200	Biotechnology services



Unit: NT\$ thousands, US\$ thousands

Enterprise's name	Established Date	Address	Amount of capital	Major business or production
Formosa Power (Ningbo) Limited Company	June 24,2002	Ningbo Economic & Technical Development Zone(NETD) Xiapu ,Zhejiang,China	USD145,830	Utilities of sale and production
Formosa Chemicals Industries (Ningbo) Limited Company	January 2,2018	Ningbo Economic & Technical Development Zone(NETD) Xiapu ,Zhejiang,China	USD1,139,880	PTA 、PIA 、PS 、Phenol 、Acetone 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 20,1990	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.	NT2,758,947	Filaments and Fiber 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	NT2,806,938	Produce and sale for processing and dyeing cloth
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 (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 1: All affiliated companies should be disclosed no matter its scales

December 31, 2023

**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

Unit: share, %

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	147,556,136	88.59%
		Thu Hua, Liu, Shin Ru, Shih, Hui Chi, Liu, Chun Yu, Fan	296,858	0.18%
	Supervisor	Tsun Cheng, Li	20,000	0.01%
	President	Hui Chi, Liu	226,858	0.14%
Formosa Waters Technology Co., Ltd.	Director	Representative of Formosa Biomedical Technology Corporation: Ruey Yu, Wang, Hui Chi, Liu, Fu Lung, 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: Sasaki Kiyoo, Hajime Nakamoto, Y. Fujikata, Inoue, Takashi, Hideki Gakumazawa	60,000,000	50%
	Supervisor	Chia Ju, Liu,	0	0%
		Yasuhiro Hirano	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, Wei Te, Chueh	120,150,000	50%
	Supervisor	Kuo Hsien, Huang, Benjamin Yao Chung	0	0%
	President	Wei Te, Chueh	0	0%
Formosa Taffeta Company Ltd.	Director	Representatives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Fu Yuan, Hong, Ching Fen, Lee, Ming Chang, Lee, Chien Kuan, Lee, Kun Yuan, Chen	630,022,431	37.4%
		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, Hui Chi, Liu, Fu Lung, Liu, Chien Hao, Chang	27,336,218	71%
		Representatives of HONG JING Environment Company: Yao Sheng, Wang	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 : Ying Shih, Chen, 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 Green Power Corporation	Director	Representatives of Formosa Chemicals & Fibre Corp.: Wen Chin, Lu, Ching Fen, Lee, Chi Chou, Wang	500,000	100%
	Supervisor	Chia Ju, Liu	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,	—	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, Hui Chi, Liu, Kun Lieh, Yang,	72,105	57.45%
		Chun Hsiung, Chang	12,070	9.62%
		Representatives of Green Smart Energy International Co., Ltd. : Pei Pin , Lien	41,325	32.93%
	Supervisor	Kamiyama Hiroki,Shin Chang Wu	0	0%
Formosa Eco Life Technology Co., Ltd.	Director	Representatives of Formosa Biomedical Technology Corporation: Ruey Yu, Wang, Hui Chi, Liu,	1,292,597	100%
	Director	Yung Chia,Chen	553,903	30%
	Supervisor	Tsun Cheng, Li	0	0%
IVY LIFE SCIENCES CO., LTD	Director	Representatives of Formosa Biomedical Technology Corporation: Ruey Yu, Wang, Hui Chi, Liu, Wei Zhen Li	62,342,000	51%
		Representatives of Yichang Investment Co., Ltd. : Ming Yu, Chen	13,123,475	10.74%
		Ming Gong Yang	635,916	0.52%
	Supervisor	Tsun Cheng, Li, Ming Xiang,Chen	0	0%

Name of enterprises	Title	Name or representative	Shareholdings	
			Number of shares	%
Formosa Development Corporation Ltd.	Director	Representatives of Formosa Taffeta Company Ltd.: Ming Chan, Lee, 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.

## 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	61,816,990	0	61,816,990	0	0	-2,121,575	—
Formosa Chemicals & Fibre (Hong Kong) Ltd.	35,575,404	46,418,680	0	46,418,680	0	0	-3,333,995	—
Formosa FCFC Carpet Inc.	220,372	219,219	36,018	183,201	153,363	-2,966	-2,232	-0.10
Formosa Idemitsu Petrochemical Corporation	1,200,000	3,024,249	723,813	2,300,436	9,988,608	-14,787	6,701	0.06
Formosa INEOS Chemicals Corporation	2,403,000	4,869,498	597,967	4,271,531	4,566,345	23,657	28,637	0.12
Chia Nan Industrial Co., Ltd.	414,960	667,915	18,946	648,969	76,374	-7,169	3,053	0.07
Formosa Green Power Corporation	5,000	4,938	60	4,878	0	-68	-33	-0.07
Formosa Biomedical Technology Corporation	1,665,565	5,972,988	2,842,096	3,130,892	3,131,460	84,458	236,547	1.42
Formosa Biomedical Technology (Somoa) Co., Ltd.	29,610	15,036	0	15,036	0	0	6,815	—
Formosa Biomedical Trading(Shanghai) Co., Ltd.	29,610	33,874	18,838	15,036	86,200	6,868	6,815	—
Hong Jing Resource Co., Ltd.	385,024	1,053,174	268,872	784,302	266,100	63,911	147,306	3.83
Formosa Waters Technology Co., Ltd.	13,421	101,980	44,991	56,989	338,023	29,720	27,708	20.65
Formosa BIO and ENERGY Corp. JAPAN	30,756	13,605	979	12,626	2,391	-8,041	-8,085	-64.42
Formosa Eco Life Technology Co., Ltd.	18,465	37,264	22,798	14,466	13,193	-3,425	-3,691	-2.00
IVY LIFE SCIENCES CO., LTD.	1,222,200	840,295	34,664	805,631	97,447	-12,320	-8,592	-0.07
Formosa Power (Ningbo) Limited Company	4,834,511	15,866,120	402,209	15,463,911	8,137,012	1,348,868	1,212,420	—
Formosa Chemicals Industries (Ningbo) Limited Company	35,575,404	84,171,688	37,753,008	46,418,680	98,961,699	-3,453,115	-3,333,995	—
Formosa Industries Corporation	22,890,683	27,727,271	15,242,077	12,485,194	16,407,699	-2,135,326	-2,566,019	—

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	68,515,082	14,163,110	54,351,972	22,011,079	6,423	444,554	0.26
Formosa Development Corporation Ltd.	161,000	346,967	81,971	264,996	3,173	-1,015	8,658	0.54
Formosa Taffeta (Hong Kong) Co., Ltd.	2,758,947	3,851,256	345,406	3,505,850	2,234,030	122,321	161,901	—
Formosa Taffeta Vietnam Co., Ltd.	2,340,866	2,692,661	372,953	2,319,708	2,239,515	117,601	46,382	—
Formosa Taffeta Dong Nai Co., Ltd.	2,806,938	5,109,567	2,435,008	2,674,559	2,908,008	8,372	-166,985	—
Formosa Taffeta (Zhong Shan) Co., Ltd.	1,402,085	2,417,131	133,851	2,283,280	1,419,135	114,585	135,070	—
Formosa Taffeta (Chang Shu) Co., Ltd.	1,302,019	1,296,105	210,459	1,085,646	808,553	13,818	25,632	—
Public More International Company Ltd.	5,000	21,427	4,812	16,615	38,024	7,504	6,129	—

December 31, 2023

Exchange rates:

	Total assets, Total liabilities	Operating revenue, Operating income, Net income
1.	1USD=NT\$30.705	1USD=NT\$31.1548
2.	1CNY=NT\$4.327	1 CNY =NT\$4.3954
3.	1JPY=NT\$0.2172	1JPY=NT\$0.2221
4	1VND=NT\$0.001268	1VND=NT\$0.001308

**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	The most recent year and as of the publication date of the annual report	—	—	—	12,169,610	—	—	—
								\$758,167			

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.

**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, 2023 AND 2022**

---

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



**FORMOSA CHEMICALS & FIBRE CORPORATION  
AND SUBSIDIARIES**

**INDEX**

Items	Pages
Index	
Independent Auditors' Review Report	230-236
Consolidated Balance Sheets	237-238
Consolidated Statements of Comprehensive Income	239-240
Consolidated Statements of Changes in Equity	241-242
Consolidated Statements of Cash Flows	243-244
Notes to Consolidated Financial Statements	245-334

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000512

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, 2023 and 2022, 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 material accounting policies

In our opinion, based on our audits and the reports of other auditors (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, 2023 and 2022, 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 that came into effect as endorsed by the Financial Supervisory Commission.

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

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of 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 Group's 2023 consolidated financial statements. 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.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

### ***Assessment of loss allowance for accounts receivable***

#### Description

Refer to Note 4(12) 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, 2023, the Group's accounts receivable amounted to NT\$24,242,888 thousand, net of loss allowance in the amount of NT\$130,989 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 considered 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 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 indicators that would show that 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(14) 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, 2023, the inventory and allowance for inventory valuation losses were NT\$46,113,019 thousand and NT\$1,859,315 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. Obtained an understanding of 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\$153,545,065 thousand and NT\$147,331,920 thousand, both constituting 27% of the consolidated total assets as at December 31, 2023 and 2022, respectively, and operating revenue amounted to NT\$19,942,215 thousand and NT\$29,764,732 thousand, constituting 6% and 8% of the consolidated total operating revenue for the years then ended, respectively. The comprehensive income (loss) recognised from these associates and joint ventures accounted for under the equity method amounted to NT\$11,145,442 thousand and (NT\$3,973,017) thousand, constituting 62% and 10% of the consolidated total comprehensive income for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, and have expressed an unqualified opinion on those 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 that came into effect 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and 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.

Juanlu, Man-Yu

Wu, Han-Chi

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 8, 2024

-----  
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**  
**DECEMBER 31, 2023, DECEMBER 31, 2022 AND JANUARY 1, 2022**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		(As amended) December 31, 2022		January 1, 2022				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Current assets											
1100	Cash and cash equivalents	4(4) and 6(1)	\$	23,871,348	4	\$	34,374,411	6	\$	24,286,594	4
1110	Financial assets at fair value	6(2)									
	through profit or loss - current			1,641,598	-		1,797,262	-		3,903,900	1
1120	Current financial assets at fair	6(3)									
	value through other										
	comprehensive income			95,446,870	17		92,125,314	17		116,451,723	20
1136	Current financial assets at	6(4)									
	amortised cost			2,990,071	-		4,565,618	1		1,953,235	-
1150	Notes receivable, net	6(5)		3,728,103	1		6,550,164	1		8,173,238	1
1160	Notes receivable - related	6(5) and 7									
	parties			5,930	-		8,147	-		8,505	-
1170	Accounts receivable, net	6(5)		15,892,243	3		16,355,474	3		20,204,508	3
1180	Accounts receivable - related	6(5) and 7									
	parties			8,350,645	1		7,145,791	1		8,719,009	2
1200	Other receivables	7		3,861,995	1		4,483,253	1		2,742,096	-
1210	Other receivables - related	7									
	parties			5,247,127	1		2,429,252	1		2,698,693	-
130X	Inventory	6(6) and 8		44,253,704	8		48,437,390	9		47,200,475	8
1470	Other current assets			9,616,040	2		7,813,014	1		11,513,548	2
11XX	Total current assets			214,905,674	38		226,085,090	41		247,855,524	41
Non-current assets											
1517	Non-current financial assets at	6(3)									
	fair value through other										
	comprehensive income			55,926,042	10		51,954,437	9		72,999,266	12
1535	Non-current financial assets at	6(4) and 8									
	amortised cost			3,937,378	1		2,250,169	1		2,390,179	1
1550	Investments accounted for	6(7)									
	under equity method			127,554,371	22		117,661,397	21		129,632,702	22
1600	Property, plant and equipment	6(8)(28), 7 and 8		148,226,306	26		142,861,143	26		130,897,801	22
1755	Right-of-use assets	6(9)		1,625,153	-		1,650,577	-		1,577,555	-
1780	Intangible assets	6(28)		346,018	-		340,914	-		5,884	-
1840	Deferred income tax assets	6(26)		3,541,259	1		2,139,083	-		2,240,322	-
1900	Other non-current assets	4(4) and 6(1)		9,808,167	2		10,603,486	2		10,746,038	2
15XX	Total non-current assets			350,964,694	62		329,461,206	59		350,489,747	59
1XXX	Total assets		\$	565,870,368	100	\$	555,546,296	100	\$	598,345,271	100

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023, DECEMBER 31, 2022 AND JANUARY 1, 2022**  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023		(As amended) December 31, 2022		January 1, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>							
2100	Short-term borrowings	6(10)	\$ 36,266,613	6	\$ 35,117,887	6	\$ 17,512,874	3
2110	Short-term notes and bills payable	6(10)	26,780,338	5	32,892,666	6	17,796,625	3
2120	Financial liabilities at fair value through profit or loss - current	6(11)	479	-	2,826	-	-	-
2150	Notes payable		129,325	-	164,722	-	246,102	-
2170	Accounts payable		4,613,840	1	4,801,464	1	3,888,771	-
2180	Accounts payable - related parties	7	10,595,837	2	13,884,528	3	17,527,128	3
2200	Other payables	7	11,015,004	2	12,432,106	2	12,762,681	2
2220	Other payables - related parties	7	1,720,591	-	1,472,658	-	542,013	-
2230	Current income tax liabilities		265,793	-	903,787	-	5,732,381	1
2280	Current lease liabilities		174,276	-	165,804	-	110,520	-
2320	Long-term liabilities, current portion	6(12)(13)	6,875,105	1	11,045,140	2	4,550,000	1
2399	Other current liabilities		2,788,561	1	4,067,358	1	4,247,942	1
21XX	<b>Total current liabilities</b>		<u>101,225,762</u>	<u>18</u>	<u>116,950,946</u>	<u>21</u>	<u>84,917,037</u>	<u>14</u>
	<b>Non-current liabilities</b>							
2530	Corporate bonds payable	6(12)	36,850,000	6	40,650,000	7	45,500,000	8
2540	Long-term borrowings	6(13)	38,852,036	7	18,568,279	4	17,177,183	3
2570	Deferred income tax liabilities	6(26)	341,653	-	383,054	-	382,012	-
2580	Non-current lease liabilities		808,978	-	804,249	-	793,472	-
2600	Other non-current liabilities	6(14)	4,103,223	1	4,825,636	1	5,594,613	1
25XX	<b>Total non-current liabilities</b>		<u>80,955,890</u>	<u>14</u>	<u>65,231,218</u>	<u>12</u>	<u>69,447,280</u>	<u>12</u>
2XXX	<b>Total liabilities</b>		<u>182,181,652</u>	<u>32</u>	<u>182,182,164</u>	<u>33</u>	<u>154,364,317</u>	<u>26</u>
	<b>Equity attributable to owners of parent</b>							
	Share capital	6(15)						
3110	Common stock		58,611,863	10	58,611,863	11	58,611,863	10
	Capital surplus	6(16)						
3200	Capital surplus		9,272,140	1	9,246,656	2	9,192,999	1
	Retained earnings	6(17)						
3310	Legal reserve		70,997,369	13	70,224,189	13	66,313,982	11
3320	Special reserve		76,602,492	14	76,461,277	14	70,032,921	12
3350	Unappropriated retained earnings		43,627,704	8	41,405,257	7	72,145,718	12
	Other equity interest	6(18)						
3400	Other equity interest		80,470,908	14	70,501,451	12	114,997,001	19
3500	Treasury stocks	6(15)	( 323,952)	-	( 323,952)	-	( 323,952)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>339,258,524</u>	<u>60</u>	<u>326,126,741</u>	<u>59</u>	<u>390,970,532</u>	<u>65</u>
36XX	Non-controlling interest	6(28)	44,430,192	8	47,237,391	8	53,010,422	9
3XXX	<b>Total equity</b>		<u>383,688,716</u>	<u>68</u>	<u>373,364,132</u>	<u>67</u>	<u>443,980,954</u>	<u>74</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 565,870,368</u>	<u>100</u>	<u>\$ 555,546,296</u>	<u>100</u>	<u>\$ 598,345,271</u>	<u>100</u>

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

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

			Year ended December 31				
Items		Notes	2023		2022 (As amended)		
			AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19) and 7	\$ 332,619,533	100	\$ 379,896,563	100	
5000	Operating costs	6(6)(14)(24)(25) and 7	( 321,195,091 )	( 97 )	( 367,154,202 )	( 96 )	
5900	Net operating margin		11,424,442	3	12,742,361	4	
	Operating expenses	6(14)(24)(25) and 7					
6100	Selling expenses		( 8,650,446 )	( 2 )	( 12,003,638 )	( 3 )	
6200	General and administrative expenses		( 5,824,240 )	( 2 )	( 6,024,797 )	( 2 )	
6000	Total operating expenses		( 14,474,686 )	( 4 )	( 18,028,435 )	( 5 )	
6900	Operating loss		( 3,050,244 )	( 1 )	( 5,286,074 )	( 1 )	
	Non-operating income and expenses						
7100	Interest income	6(20)	925,014	-	662,259	-	
7010	Other income	6(21) and 7	6,141,185	2	11,769,663	3	
7020	Other gains and losses	6(22)	( 531,406 )	-	1,973,842	-	
7050	Finance costs	6(8)(23) and 7	( 3,019,054 )	( 1 )	( 1,797,644 )	-	
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	6,920,993	2	2,267,537	1	
7000	Total non-operating income and expenses		10,436,732	3	14,875,657	4	
7900	Profit before income tax		7,386,488	2	9,589,583	3	
7950	Income tax benefit (expense)	6(26)	318,454	-	( 385,722 )	-	
8200	Profit for the year		\$ 7,704,942	2	\$ 9,203,861	3	
	Other comprehensive income (loss) (net)	6(18)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311	Actuarial gains on defined benefit plans		\$ 24,079	-	\$ 294,190	-	
8316	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income (loss)		7,269,614	2	( 45,626,887 )	( 12 )	
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		4,333,584	1	( 7,746,313 )	( 2 )	
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		11,627,277	3	( 53,079,010 )	( 14 )	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations		( 1,431,782 )	-	2,835,651	1	
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method		( 65,221 )	-	1,872,011	-	
8399	Income tax relating to the components of other comprehensive income	6(26)	236,747	-	( 359,626 )	-	
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		( 1,260,256 )	-	4,348,036	1	
8300	Total other comprehensive income (loss) for the year		\$ 10,367,021	3	( \$ 48,730,974 )	( 13 )	
8500	Total comprehensive income (loss) for the year		\$ 18,071,963	5	( \$ 39,527,113 )	( 10 )	
	Net income (loss) attributable to:						
8610	Owners of the parent		\$ 8,548,518	2	\$ 7,359,531	3	
8620	Non-controlling interest		( 843,576 )	-	1,844,330	-	
			\$ 7,704,942	2	\$ 9,203,861	3	
	Total comprehensive income (loss) attributable to:						
8710	Owners of the parent		\$ 18,674,426	5	( \$ 36,763,754 )	( 9 )	
8720	Non-controlling interest		( 602,463 )	-	( 2,763,359 )	( 1 )	
			\$ 18,071,963	5	( \$ 39,527,113 )	( 10 )	
Basic earnings per share (in dollars)			6(27)	Before Tax	After Tax	Before Tax	After Tax
9710	Profit for the year from continuing operations		\$ 1.26	\$ 1.32	\$ 1.64	\$ 1.57	
9720	Non-controlling interest		( 0.23 )	( 0.14 )	0.41	0.31	
Profit attributable to common shareholders of the parent				\$ 1.49	\$ 1.46	\$ 1.23	\$ 1.26
Assuming shares held by subsidiary are not deemed as treasury stock:							
9710	Profit for the year from continuing operations		\$ 1.26	\$ 1.31	\$ 1.64	\$ 1.57	
	Non-controlling interest		( 0.23 )	( 0.15 )	0.41	0.31	
9750	Profit attributable to common shareholders of the parent		\$ 1.49	\$ 1.46	\$ 1.23	\$ 1.26	

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

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(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	Revaluation surplus	Treasury stocks	Total	Non-controlling interest	Total equity	
	Notes	Common stock												
Year ended December 31, 2022 (As amended)														
Balance at January 1, 2022		\$ 58,611,863	\$ 9,192,999	\$ 66,313,982	\$ 70,032,921	\$ 72,145,718	(\$ 6,240,670)	\$ 121,228,401	\$ 9,270	\$ -	(\$ 323,952)	\$ 390,970,532	\$ 53,010,422	\$ 443,980,954
Profit for the year		-	-	-	-	7,359,531	-	-	-	-	-	7,359,531	1,844,330	9,203,861
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	412,469	3,310,023	( 48,839,050)	( 9,110)	1,002,383	-	( 44,123,285)	( 4,607,689)	( 48,730,974)
Total comprehensive income (loss)		-	-	-	-	7,772,000	3,310,023	( 48,839,050)	( 9,110)	1,002,383	-	( 36,763,754)	( 2,763,359)	( 39,527,113)
Appropriations of 2021 earnings	6(17)													
Legal reserve		-	-	3,910,207	-	( 3,910,207)	-	-	-	-	-	-	-	-
Special reserve		-	-	-	6,428,356	( 6,428,356)	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 28,133,694)	-	-	-	-	-	( 28,133,694)	-	( 28,133,694)
Changes in the net interest of associates recognised under the equity method	6(16)(18)	-	145	-	-	2,428	-	( 2,428)	-	-	-	145	-	145
Expired cash dividends reclassified to capital surplus		-	18,555	-	-	-	-	-	-	-	-	18,555	-	18,555
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	21,847	-	-	-	-	-	-	-	-	21,847	-	21,847
Expired dividends paid from capital surplus	6(16)	-	( 715)	-	-	-	-	-	-	-	( 715)	-	( 715)	-
Changes in ownership interests in subsidiaries	6(16)	-	13,825	-	-	-	-	-	-	-	-	13,825	23,097	36,922
Disposal of equity instruments measured at fair value through other comprehensive income	6(18)	-	-	-	-	( 42,632)	-	42,632	-	-	-	-	( 5,321)	( 5,321)
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	( 3,439,586)	( 3,439,586)
Increase in non-controlling interest-disposal of ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	412,138	412,138
Balance at December 31, 2022		\$ 58,611,863	\$ 9,246,656	\$ 70,224,189	\$ 76,461,277	\$ 41,405,257	(\$ 2,930,647)	\$ 72,429,555	\$ 160	\$ 1,002,383	(\$ 323,952)	\$ 326,126,741	\$ 47,237,391	\$ 373,364,132

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent													
	Notes	Retained Earnings					Other Equity Interest					Total	Non-controlling interest
		Common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Revaluation surplus	Treasury stocks		
<b>Year ended December 31, 2023 (As amended)</b>													
Balance at January 1, 2023		\$ 58,611,863	\$ 9,246,656	\$ 70,224,189	\$ 76,461,277	\$ 41,405,257	(\$ 2,930,647)	\$ 72,429,555	\$ 160	\$ 1,002,383	(\$ 323,952)	\$ 326,126,741	\$ 47,229,723
Effects of retrospective restatement	6(28)	-	-	-	-	-	-	-	-	-	-	-	7,668
Balance at January 1 after adjustments		<u>58,611,863</u>	<u>9,246,656</u>	<u>70,224,189</u>	<u>76,461,277</u>	<u>41,405,257</u>	<u>( 2,930,647 )</u>	<u>72,429,555</u>	<u>160</u>	<u>1,002,383</u>	<u>( 323,952 )</u>	<u>326,126,741</u>	<u>47,237,391</u>
Profit (loss) for the year		-	-	-	-	8,548,518	-	-	-	-	-	8,548,518	( 843,576 )
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	134,088	( 1,033,854 )	11,017,399	8,275	-	-	10,125,908	241,113
Total comprehensive income (loss)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,682,606</u>	<u>( 1,033,854 )</u>	<u>11,017,399</u>	<u>8,275</u>	<u>-</u>	<u>-</u>	<u>18,674,426</u>	<u>( 602,463 )</u>
Appropriations of 2022 earnings	6(17)												
Legal reserve		-	-	773,180	-	( 773,180 )	-	-	-	-	-	-	-
Special reserve		-	-	-	141,215	( 141,215 )	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 5,568,127 )	-	-	-	-	-	( 5,568,127 )	( 5,568,127 )
Changes in the net interest of associates recognised under the equity method	6(16)(18)	-	180	-	-	22,725	( 22,725 )	-	-	-	-	180	-
Cash dividends reclassified to capital surplus	6(16)	-	22,168	-	-	-	-	-	-	-	-	22,168	-
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	4,324	-	-	-	-	-	-	-	-	4,324	-
Expired cash dividends reclassified to capital surplus	6(16)	-	( 1,873 )	-	-	-	-	-	-	-	-	( 1,873 )	( 1,873 )
Changes in ownership interests in subsidiaries	6(16)	-	685	-	-	-	-	-	-	-	-	685	984
Disposal of equity instruments measured at fair value through other comprehensive income (loss)	6(18)	-	-	-	-	( 362 )	-	362	-	-	-	-	( 1,413 )
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	( 2,209,846 )
Increase in non-controlling interest-disposal of ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	5,539
Balance at December 31, 2023		<u>\$ 58,611,863</u>	<u>\$ 9,272,140</u>	<u>\$ 70,997,369</u>	<u>\$ 76,602,492</u>	<u>\$ 43,627,704</u>	<u>(\$ 3,964,501 )</u>	<u>\$ 83,424,591</u>	<u>\$ 8,435</u>	<u>\$ 1,002,383</u>	<u>(\$ 323,952)</u>	<u>\$ 339,258,524</u>	<u>\$ 44,430,192</u>

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

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2023	2022 (As amended)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 7,386,488	\$ 9,589,583
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(24)	13,162,707	13,865,040
Amortisation	6(24)	4,300,989	4,599,170
Net gain on financial assets and liabilities at fair value	6(22)		
through profit or loss		( 149,426 )	( 312,866 )
Interest expense	6(23)	3,019,054	1,797,644
Interest income	6(20)	( 925,014 )	( 662,259 )
Dividend income	6(21)	( 4,938,169 )	( 10,448,254 )
Share of profit or loss of associates accounted for under the equity method		( 6,920,993 )	( 2,267,537 )
Gain on reversal of impairment loss on property, plant and equipment	6(22)	( 86,002 )	-
Loss on disposal and scrap of property, plant and equipment	6(22)	53,632	71,483
Loss (gain) on disposal of investments	6(22)	3,187	( 6,267 )
Impairment loss	6(22)	-	175,492
Gains on lease modification	6(22)	( 354 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,822,061	1,623,074
Notes receivable-related parties		2,217	358
Accounts receivable		463,231	3,853,080
Accounts receivable-related parties		( 1,204,854 )	( 1,573,218 )
Other receivables		725,266	( 1,525,148 )
Inventories		4,183,686	( 1,231,762 )
Other current assets		( 1,803,026 )	3,704,570
Changes in operating liabilities			
Notes payable		( 35,397 )	( 82,960 )
Accounts payable		( 187,624 )	912,693
Accounts payable-related parties		( 3,288,691 )	( 3,642,600 )
Other payables		( 637,985 )	( 988,064 )
Other current liabilities		( 1,278,797 )	( 206,562 )
Accrued pension liabilities		( 755,256 )	( 770,690 )
Cash inflow generated from operations		13,910,930	19,620,436
Interest received		821,006	557,087
Dividends received		8,065,897	19,808,214
Interest paid		( 2,928,994 )	( 1,677,612 )
Income tax paid		( 1,505,392 )	( 5,575,870 )
Net cash flows from operating activities		18,363,447	32,732,255

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2023	2022 (As amended)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
(Increase) decrease in other receivables-related parties		( \$ 2,817,875 )	\$ 269,441
Proceeds from disposal of financial assets at fair value through profit or loss		302,743	2,422,330
Acquisition of financial assets at fair value through other comprehensive income		( 25,560 )	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		808	1,114
Shares returned from reduction in financial assets at fair value through other comprehensive income		6,848	4,250
Acquisition of financial assets at amortised cost		( 1,687,209 )	( 2,472,373 )
Disposal of financial assets at amortised cost		1,575,547	-
Acquisition of investments accounted for under the equity method		( 2,049,625 )	( 1,311,331 )
Proceeds from disposal of Investments accounted for under equity method	6(7)	40,490	-
Net cash flows provided by acquisition of ownership interests in subsidiaries	6(28)	-	16,563
Proceeds from disposal of subsidiaries		-	1,000
Shares returned from liquidation of investment accounted for under equity method	6(7)	-	27,857
Acquisition of property, plant and equipment	6(29)	( 20,780,694 )	( 22,971,096 )
Proceeds from disposal of property, plant and equipment		147,902	43,551
Acquisition of intangible assets		( 6,186 )	-
Increase in non-current assets		( 3,324,261 )	( 4,749,531 )
Net cash flows used in investing activities		( 28,617,072 )	( 28,718,225 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		1,148,726	17,605,013
(Decrease) increase in short-term notes and bills payable		( 6,112,328 )	15,096,041
Increase in other payables-related parties		247,933	930,645
Payment of corporate bonds payable		( 4,850,000 )	( 4,550,000 )
Increase in long-term borrowings		41,739,972	19,267,631
Payment of long-term borrowings		( 24,516,039 )	( 11,152,000 )
Payment of lease liabilities		( 190,101 )	( 189,171 )
Increase (decrease) in other non-current liabilities		32,843	( 7,867 )
Payment of cash dividends	6(29)	( 5,585,436 )	( 28,130,157 )
Payment of expired cash dividends reclassified to capital surplus		( 1,873 )	( 715 )
Payment of cash dividends - non-controlling interest		( 2,152,019 )	( 3,400,920 )
Net cash flows (used in) from financing activities		( 238,322 )	5,468,500
Effect of foreign exchange translations		( 11,116 )	605,287
Net (decrease) increase in cash and cash equivalents		( 10,503,063 )	10,087,817
Cash and cash equivalents at beginning of year		34,374,411	24,286,594
Cash and cash equivalents at end of year		\$ 23,871,348	\$ 34,374,411

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

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

1. History and Organisation

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 8, 2024.

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<sup>®</sup>”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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 IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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 Material 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, 2023	December 31, 2022	
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	Formosa Green Power Corp.	Renewable-energy-based electricity retailing corporation	100.00	100.00	The Company holds more than 50% of voting rights. (Note 2)
The Company	Formosa Biomedical Technology Corp.	Manufacturing and sales of cleaner and cosmetics	88.59	88.59	The Company holds more than 50% of voting rights.
The Company	Formosa Idemitsu Petrochemical Corp.	Wholesale and retail of petrochemical and plastic raw materials	50.00	50.00	The Company has substantial control and thus regards Formosa Idemitsu Petrochemical Corp. as a subsidiary.
The Company	Formosa INEOS Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	50.00	The Company has substantial control and thus regards Formosa INEOS Chemicals Corp. as a subsidiary.

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	Chia-Nan Enterprise Corp.	Hydropower	51.00	51.00	The Company holds more than 50% of voting rights.
The Company	Formosa Industries Corp.	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.
FCFC Investment Corp. (Cayman)	Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman).
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Investing	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman).
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Producing and marketing of PTA、PS、ABS、Phenol	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong).

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
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)	Manufacturing and sale of battery energy storage systems and related products	57.45	57.45	Formosa Biochemical Technology holds more than 50% of voting rights.
Formosa Biomedical Technology Corp.	Ivy Life Sciences Co.,Ltd	Research and development and clinical application of cell therapy technologies	51.00	51.00	Formosa Biochemical Technology holds more than 50% of voting rights. (Note 1)
Formosa Biomedical Technology Corp.	Formosa Eco Life Technology Co., Ltd.	Sales of cleaning supplies	70.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights. (Note 2)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
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.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Production, processing, sales of yarn spinning, weaving, dyeing and finishing, carpets, curtains and cleaning supplies	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Handling urban land consolidation, housing and building development and rental, new county and community construction and investment, and specific area development	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sales of Nylon and Polyamine fabric	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and 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 Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	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 February 25, 2022, the Board of Directors of the Group's subsidiary, Formosa Biomedical Technology Corp., resolved to acquire 51% equity interest in Ivy Life Sciences Co., Ltd. in several stages. The total amount of investments in March and May 2022 was \$755,032 with a shareholding ratio of 51%.

Note 2: On August 23, 2022 and May 17, 2022, the Company and the subsidiary, Formosa Biomedical Technology Corp., were approved by the authority to establish Formosa Green Power Corp. and Formosa Eco Life Technology Co., Ltd., respectively. In addition, Formosa Eco Life Technology Co., Ltd. increased capital in May 2023. However, the subsidiary, Formosa Biomedical Technology Corp., did not participate in the capital increase and accordingly, its shareholding ratio decreased to 70%.

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, 2023 and 2022, the non-controlling interest amounted to \$44,430,187 and \$47,237,391, 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, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
Formosa Taffeta Co., Ltd.	Taiwan	<u>\$ 33,924,622</u>	62.60	<u>\$ 34,810,054</u>	62.60

Summarised financial information of the subsidiary:

Balance sheets

	Formosa Taffeta Co., Ltd.	
	December 31, 2023	December 31, 2022 (Reclassified)(Note)
Current assets	\$ 16,479,420	\$ 20,209,605
Non-current assets	55,185,362	55,200,230
Current liabilities	( 5,675,993)	( 8,633,765)
Non-current liabilities	( 11,636,817)	( 11,008,855)
Total net assets	<u>\$ 54,351,972</u>	<u>\$ 55,767,215</u>

Statements of comprehensive income

	Formosa Taffeta Co., Ltd.	
	Year ended December 31, 2023	Year ended December 31, 2022
Revenue	\$ 28,501,509	\$ 34,722,655
Profit before income tax	550,957	3,706,214
Income tax expense	( 106,403)	( 301,233)
Profit for the year	444,554	3,404,981
Other comprehensive income (loss), net of tax	665,729	( 8,233,849)
Total comprehensive income (loss) for the year	<u>\$ 1,110,283</u>	<u>(\$ 4,828,868)</u>



## Statements of cash flows

Formosa Taffeta Co., Ltd.		
	Year ended December 31, 2023	Year ended December 31, 2022 (Reclassified)(Note)
Net cash provided by operating activities	\$ 4,092,706	\$ 3,624,078
Net cash used in investing activities	( 1,364,064)	( 881,236)
Net cash used in financing activities	( 3,916,306)	( 1,035,608)
Effect of exchange rates on cash and cash equivalents	( 48,979)	66,094
(Decrease) increase in cash and cash equivalents	( 1,236,643)	1,773,328
Cash and cash equivalents, beginning of year	5,477,800	3,704,472
Cash and cash equivalents, end of year	<u>\$ 4,241,157</u>	<u>\$ 5,477,800</u>

Note: For the reasons for reclassification and the effect, refer to Note 4(4).

### (4) The reason and effect of financial statements reclassifications

#### A. The nature and reason of reclassifications

On December 31, 2022 and January 1, 2022, the capital originally repatriated by the Group and deposited into a special account as a result of applying “The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act” amounting to US \$44,221 thousand (equivalent to NT \$1,371,540 thousand) and US \$44,221 thousand (equivalent to NT \$1,224,497 thousand), respectively, which failed to meet the definition of cash and cash equivalents under IAS 7, ‘Statement of Cash Flows’ due to the restrictions under “The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act” were classified as other financial assets. However, according to IFRS Q&A amended by the competent authority on January 5, 2024, the restriction from the Act did not change the nature of deposits, and entities can ask to withdraw the deposit, therefore, the deposit should be listed in cash and cash equivalents. Accordingly, the Group reclassified the undrawn amount of the special account which was repatriated in accordance with “The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act” as cash and cash equivalent.

B. The reclassified amount for each item or item category:

CONSOLIDATED BALANCE SHEETS

December 31, 2022			
Affected accounts	Before reclassification	Reclassified amount	After reclassification
Cash and cash equivalents	\$ 33,002,871	\$ 1,371,540	\$ 34,374,411
Other non-current assets, others (Note)	12,314,889 (	1,371,540) (339,863)	10,603,486
January 1, 2022			
Affected accounts	Before reclassification	Reclassified amount	After reclassification
Cash and cash equivalents	\$ 23,062,097	\$ 1,224,497	\$ 24,286,594
Other non-current assets, others	11,970,535 (	1,224,497)	10,746,038

CONSOLIDATED STATEMENTS OF CASH FLOWS  
2022

Affected accounts	Before reclassification	Reclassified amount	After reclassification
Increase in non-current assets	(\$ 4,896,574)	(\$ 147,043)	(\$ 4,749,531)
Increase in Cash and cash equivalents	9,940,774	147,043	10,087,817
Cash and cash equivalents at beginning of year	23,062,097	1,224,497	24,286,594
Cash and cash equivalents at end of year	33,002,871	1,371,540	34,374,411

Note: For the reason for adjustment (\$339,863) in other non-current assets, refer to Note 6 (28).

(5) 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

- 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.
- 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.
- 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.

**(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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 labour, 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.

(15) 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.

(16) 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

(17) 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.

(18) Intangible assets

- A. Computer software

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



## B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

### (19) Impairment of non-financial assets

- A. 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.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

### (20) 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.

### (21) 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.

### (22) 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.

(23) 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'.

(24) 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.

(25) 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.

(26) 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.

(27) 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.

(28) 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.

(29) 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.

(30) 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.

For the shareholders' dividends that should be distributed in cash, the Company's Board of Directors would be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and then reported to the shareholders. The provisions of the preceding paragraph that must be resolved by the shareholders' meeting shall not apply.

(31) Revenue recognition

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.

**(32) Business combinations**

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

**(33) 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, 2023, the carrying amount of inventories was \$44,253,704.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 104,929	\$ 101,106
Checking accounts and demand deposits	10,932,095	11,758,531
Cash equivalents		
Time deposits	9,803,030	11,632,545
Bonds repurchased and commercial paper	3,031,294	10,882,229
	<u>\$ 23,871,348</u>	<u>\$ 34,374,411</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, 2023 and 2022, the Group did not recognise any loss allowance.

B. The Group repatriated the capital in the amount of US \$44,221 thousand in accordance with "The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act" in June 2021. As of December 31, 2023, the undrawn capital amounted to NT \$819,424 thousand, which was restricted

under the “The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act”. However, according to IFRS Q&A amended by the competent authority on January 5, 2024, the restriction from the Act did not change the nature of deposits, therefore, the capital was still listed in ‘cash and cash equivalent’. On December 31, 2022 and January 1, 2022, the comparable amount prepared due to the reclassification in accordance with the related regulations is provided in Note 4(4).

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

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

Items	December 31, 2023	December 31, 2022
Financial assets mandatorily measured at fair value through profit or loss		
Fund	\$ 1,491,063	\$ 1,597,661
Valuation adjustments	150,535	199,601
	<u>\$ 1,641,598</u>	<u>\$ 1,797,262</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, 2023	For the year ended December 31, 2022
Financial assets mandatorily measured at fair value through profit or loss		
Fund	<u>\$ 147,079</u>	<u>\$ 315,692</u>

B. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

	December 31, 2023	December 31, 2022
Current items:		
Equity instruments		
Listed stocks	\$ 24,450,527	\$ 24,450,527
Unlisted stocks	825,839	825,839
Valuation adjustment	70,170,504	66,848,948
	<u>\$ 95,446,870</u>	<u>\$ 92,125,314</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 8,410,475	\$ 8,410,475
Unlisted stocks	26,999,276	26,980,781
Valuation adjustment	20,516,291	16,563,181
	<u>\$ 55,926,042</u>	<u>\$ 51,954,437</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 \$151,372,912 and \$144,079,751 as at December 31, 2023 and 2022, 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, 2023</u>	<u>For the year ended December 31, 2022</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income (loss)	\$ <u>7,269,614</u>	(\$ <u>45,626,887</u> )
Cumulative losses reclassified to retained earnings due to derecognition (including loss included in non-controlling interest)	(\$ <u>24,500</u> )	(\$ <u>50,381</u> )

C. As of December 31, 2023 and 2022, 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 \$151,372,912 and \$ 144,079,751, respectively.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits with original maturity date of more than three months	\$ <u>2,990,071</u>	\$ <u>4,565,618</u>
Non-current items:		
Time deposits with original maturity date of more than three months	\$ <u>3,937,378</u>	\$ <u>2,250,169</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Interest income	\$ <u>266,043</u>	\$ <u>278,218</u>



B. As of December 31, 2023 and 2022, 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 \$6,927,449 and \$6,815,787, 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(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 3,728,103	\$ 6,550,164
Less: Allowance for uncollectible accounts	<u>-</u>	<u>-</u>
	<u>\$ 3,728,103</u>	<u>\$ 6,550,164</u>
Notes receivable-related parties	<u>\$ 5,930</u>	<u>\$ 8,147</u>
Accounts receivable	\$ 16,023,232	\$ 16,507,016
Less: Allowance for uncollectible accounts	<u>( 130,989)</u>	<u>( 151,542)</u>
	<u>\$ 15,892,243</u>	<u>\$ 16,355,474</u>
Accounts receivable -related parties	<u>\$ 8,350,645</u>	<u>\$ 7,145,791</u>

A. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$37,260,786.

B. As of December 31, 2023 and 2022, 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 \$3,734,033 and \$6,558,311, and accounts receivable were \$24,242,888 and \$23,501,265, respectively.

C. Information relating to credit risk is provided in Note 12(2).

(6) Inventories

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 14,036,207	(\$ 178,018)	\$ 13,858,189
Materials	9,027,576	( 648,286)	8,379,290
Work in progress	7,163,833	( 82,326)	7,081,507
Finished goods	15,546,041	( 950,685)	14,595,356
Others	339,362	-	339,362
	<u>\$ 46,113,019</u>	<u>(\$ 1,859,315)</u>	<u>\$ 44,253,704</u>
December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 17,155,365	(\$ 362,170)	\$ 16,793,195
Materials	8,631,008	( 602,177)	8,028,831
Work in progress	7,849,984	( 149,410)	7,700,574
Finished goods	16,857,066	( 1,266,134)	15,590,932
Others	323,858	-	323,858
	<u>\$ 50,817,281</u>	<u>(\$ 2,379,891)</u>	<u>\$ 48,437,390</u>

A. Expense and loss incurred on inventories for the years ended December 31, 2023 and 2022 were as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Cost of inventories sold	\$ 318,555,980	\$ 363,791,341
(Gain) loss on inventory valuation (Note)	( 518,674)	621,259
Idle capacity (including annual survey and work stoppage)	2,972,899	2,515,184
Others	184,886	226,418
	<u>\$ 321,195,091</u>	<u>\$ 367,154,202</u>

Note: For the year ended December 31, 2023, the disposal of excess inventory resulted in gain from price recovery of inventory.

B. As of December 31, 2023 and 2022, inventories pledged are described in Note 8.

(7) Investments accounted for using equity method

	December 31, 2023	December 31, 2022
Formosa Heavy Industries Corp.	\$ 6,775,494	\$ 7,262,143
Formosa Fairway Corp.	5,572	23,479
Formosa Plastics Transport Corp.	1,278,023	1,251,101
Formosa Petrochemical Corp.	81,037,549	75,322,255
Mai Liao Power Corp.	13,803,883	9,767,776
Hwa Ya Science Park		
Management Consulting Co., Ltd.	4,299	4,140
Formosa Environmental Technology Corp.	234,986	231,886
Formosa Synthetic Rubber Corp. (Hong Kong)	1,656,499	1,851,242
Formosa Resources Corp.	7,714,129	7,703,818
Formosa Group (Cayman) Corp.	835,318	766,965
Formosa Plastics Construction Corp.	1,051,551	565,507
Guo Su Plastic Industry Co., Ltd.	55,584	71,371
FG INC.	3,847,435	3,654,792
Formosa Smart Energy Tech Corp.	1,534,277	1,000,799
Beyoung International Corp.	93,958	96,117
Formosa Lithium Iron Oxide Corp.	-	92,603
Formosa Advanced Technologies Co., Ltd.	5,000,582	5,278,947
Nan Ya Optical Corp.	176,689	190,818
Kuang Yueh Co., Ltd.	1,414,563	1,429,538
Schoeller Textil AG	1,033,980	1,096,100
	<u>\$ 127,554,371</u>	<u>\$ 117,661,397</u>

A. Associates

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2023	December 31, 2022		
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, 2023	December 31, 2022
Current assets	\$ 252,790,537	\$ 262,757,723
Non-current assets	153,763,295	148,710,566
Current liabilities	( 43,165,010)	( 68,174,244)
Non-current liabilities	( 27,054,537)	( 30,805,611)
Total net assets	<u>\$ 336,334,285</u>	<u>\$ 312,488,434</u>
Share in associate's net assets	\$ 81,224,730	\$ 75,465,956
Unrealised gain from sale of upstream transactions eliminations	( 76,462)	( 32,982)
Net differences in share capital	( 110,719)	( 110,719)
Carrying amount of the associate	<u>\$ 81,037,549</u>	<u>\$ 75,322,255</u>

Statements of comprehensive income

	Formosa Petrochemical Corp.	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 710,310,293	\$ 845,450,311
Profit for the year from continuing operations	\$ 21,888,842	\$ 14,421,560
Other comprehensive income (loss), net of tax	12,434,821	( 23,143,116)
Total comprehensive income	<u>\$ 34,323,663</u>	<u>(\$ 8,721,556)</u>
Dividends received from associates	<u>\$ 2,530,880</u>	<u>\$ 8,743,039</u>

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

As of December 31, 2023 and 2022, the carrying amount of the Group's individually immaterial associates amounted to \$46,516,822 and \$42,339,142, respectively.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Profit (loss) for the year from continuing operations	\$ 8,352,868	(\$ 4,302,174)
Other comprehensive income (loss), net of tax	3,319,556	( 6,606,435)
Total comprehensive income (loss)	<u>\$ 11,672,424</u>	<u>(\$ 10,908,609)</u>

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

	December 31, 2023	December 31, 2022
Formosa Petrochemical Corp.	\$ 185,674,544	\$ 184,754,224
Kuang Yueh Co., Ltd.	2,093,665	2,233,242
Formosa Advanced Technologies Co., Ltd.	5,310,083	5,214,774
	<u>\$ 193,078,292</u>	<u>\$ 192,202,240</u>

- B. On June 8, 2022, the Group's subsidiary, Formosa Biomedical Technology Corp., increased its investment in Formosa Lithium Iron Oxide Corp. in the amount of \$3,797, and the shareholding ratio increased from 15.14% to 29.61%. Accordingly, financial assets at fair value through other comprehensive income were transferred to investments accounted for using equity method. In addition, Formosa Biomedical Technology Corp., participated in its cash capital increase in proportion to its original ownership on December 23, 2022. The investment amounting to \$260,480. In order to improve working capital, the Board of Directors of Formosa Biomedical Technology Corp., resolved to transfer its 26,049 thousand shares of Formosa Lithium Iron Oxide Corp. to the related party, Formosa Smart Energy Tech Corp. on May 31, 2023. The difference of \$3,187 between the proceeds from disposal amounting to \$40,490 and the book value of \$43,677 (net of accumulated impairment losses of \$175,492) was recognized as loss on disposal of investments.
- C. On May 5, 2022, the Board of Directors of the Group resolved to invest \$1,000,000 and \$750,000 in Formosa Smart Energy Tech Corp. in May 2022 and August 2023, respectively, and the shareholding ratio was 25%.
- D. On December 8, 2021, the competent authority of the Group resolved to invest in Guo Su Plastic Industry Co., Ltd. As of March 31, 2022, December 31, 2021 and December 27, 2021, the Group has invested \$46,531, \$27,788 and \$20,680 in Guo Su Plastic Industry Co., Ltd., respectively, and the shareholding ratio was 49%. Accordingly, the Group is the single largest shareholder of Guo Su Plastic Industry Co., Ltd. Since the Group has no intention and no current ability to direct the relevant activities of Guo Su Plastic Industry Co., Ltd., the Group has no control, but only has significant influence, over the investee.

- E. On November 3, 2023, the Board of Directors of the Group resolved to increase its investment in Formosa Plastics Construction Corp. amounting to \$500,000 in proportion to its original ownership of 33.33%.
- F. Chang Shu Yu Yuan Development Co., Ltd. has implemented the liquidation procedure, and the dissolution and liquidation were completed on December 1, 2022. In addition, Chang Shu Yu Yuan Development Co., Ltd. returned the capital amounting to HK \$7,315 thousand, equivalent to \$27,857 thousand, including the amount of HK \$4,153 thousand, which reduced the book value of the investment, and another part recognised gain on investment with balance of other equity interest.
- G. On August 4, 2023, the Board of Directors of the Group resolved to increase its investment in Formosa Resources Corp. amounting to US\$25,000 thousand, equivalent to NT\$799,625 thousand, in proportion to its original ownership of 25%.
- H. As of December 31, 2023 and 2022, no equity investments held by the Group were pledged to others.

(8) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2023</u>						
<u>(As amended)</u>						
Cost	\$ 12,086,989	\$ 50,808,233	\$ 321,597,950	\$ 12,234,305	\$ 36,911,841	\$ 433,639,318
Accumulated depreciation and impairment	( 166,727)	( 30,867,088)	( 249,693,537)	( 10,050,823)	-	( 290,778,175)
	<u>\$ 11,920,262</u>	<u>\$ 19,941,145</u>	<u>\$ 71,904,413</u>	<u>\$ 2,183,482</u>	<u>\$ 36,911,841</u>	<u>\$ 142,861,143</u>
<u>2023</u>						
Opening net book amount	\$ 11,920,262	\$ 19,941,145	\$ 71,904,413	\$ 2,183,482	\$ 36,911,841	\$ 142,861,143
Additions	-	17,712	615,462	192,943	19,057,667	19,883,784
Disposals	( 5,701)	( 27,628)	( 162,654)	( 5,551)	-	( 201,534)
Reclassifications	105,221	2,617,669	10,956,319	121,229	( 13,971,196)	( 170,758)
Depreciation charge	-	( 1,540,760)	( 10,939,191)	( 476,017)	-	( 12,955,968)
Reversal of impairment loss	-	19,095	66,907	-	-	86,002
Net exchange differences	( 20)	( 262,860)	( 565,676)	( 10,629)	( 437,178)	( 1,276,363)
Closing net book amount	<u>\$ 12,019,762</u>	<u>\$ 20,764,373</u>	<u>\$ 71,875,580</u>	<u>\$ 2,005,457</u>	<u>\$ 41,561,134</u>	<u>\$ 148,226,306</u>
<u>At December 31, 2023</u>						
Cost	\$ 12,186,316	\$ 52,726,832	\$ 323,994,942	\$ 12,071,134	\$ 41,561,134	\$ 442,540,358
Accumulated depreciation and impairment	( 166,554)	( 31,962,459)	( 252,119,362)	( 10,065,677)	-	( 294,314,052)
	<u>\$ 12,019,762</u>	<u>\$ 20,764,373</u>	<u>\$ 71,875,580</u>	<u>\$ 2,005,457</u>	<u>\$ 41,561,134</u>	<u>\$ 148,226,306</u>

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2022</u>						
Cost	\$ 11,997,565	\$ 48,940,796	\$ 311,142,989	\$ 11,818,294	\$ 23,632,259	\$ 407,531,903
Accumulated depreciation and impairment	( 166,562)	( 28,992,646)	( 237,899,215)	( 9,575,679)	-	( 276,634,102)
	<u>\$ 11,831,003</u>	<u>\$ 19,948,150</u>	<u>\$ 73,243,774</u>	<u>\$ 2,242,615</u>	<u>\$ 23,632,259</u>	<u>\$ 130,897,801</u>
<u>2022</u>						
Opening net book amount	\$ 11,831,003	\$ 19,948,150	\$ 73,243,774	\$ 2,242,615	\$ 23,632,259	\$ 130,897,801
Additions	-	379,908	1,596,482	188,774	21,292,280	23,457,444
Effect of consolidated entity's movement	96,672	5,730	11,365	27,490	-	141,257
Disposals	- (	19,694)	( 92,837)	( 2,503)	- (	115,034)
Reclassifications	( 7,432)	671,737	7,499,397	176,321	( 8,345,402)	( 5,379)
Depreciation charge	- (	1,618,583)	( 11,565,687)	( 474,659)	- (	13,658,929)
Net exchange differences	19	573,897	1,211,919	25,444	332,704	2,143,983
Closing net book amount (As amended)	<u>\$ 11,920,262</u>	<u>\$ 19,941,145</u>	<u>\$ 71,904,413</u>	<u>\$ 2,183,482</u>	<u>\$ 36,911,841</u>	<u>\$ 142,861,143</u>
<u>At December 31, 2022</u> <u>(As amended)</u>						
Cost	\$ 12,086,989	\$ 50,808,233	\$ 321,597,950	\$ 12,234,305	\$ 36,911,841	\$ 433,639,318
Accumulated depreciation and impairment	( 166,727)	( 30,867,088)	( 249,693,537)	( 10,050,823)	-	( 290,778,175)
	<u>\$ 11,920,262</u>	<u>\$ 19,941,145</u>	<u>\$ 71,904,413</u>	<u>\$ 2,183,482</u>	<u>\$ 36,911,841</u>	<u>\$ 142,861,143</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,	
	2023	2022
Amount capitalised	\$ 317,167	\$ 211,589
Interest rate	1.29%~5.37%	0.66%~3.84%

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, 2023 and 2022, the pledged amounts were \$817,918 and \$820,894, respectively.

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 1 to 56 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 1,464,923	\$ 1,597,049
Buildings	158,970	52,906
Transportation equipment	1,260	622
	<u>\$ 1,625,153</u>	<u>\$ 1,650,577</u>
	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 181,286	\$ 174,614
Buildings	25,082	31,335
Transportation equipment	371	162
	<u>\$ 206,739</u>	<u>\$ 206,111</u>

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$209,073 and \$264,400, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Items affecting profit or loss		
Interest expense on lease liabilities	\$ 12,132	\$ 12,341
Expense on short-term lease contracts	65,564	45,984
Expense on variable lease payments	43,638	9,002
Gain on lease modification	354	-

E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$311,435 and \$256,498, respectively.

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

Type of loans	December 31, 2023	Interest rate range	Collateral
Bank overdrafts	\$ 613,742	2.65%	None
Bank loans			
Secured loans	80,000	1.83%~1.95%	Note 8
Unsecured loans	<u>35,572,871</u>	1.62%~6.70%	None
Total short-term loans	<u>\$ 36,266,613</u>		
Short-term notes and bills payable	\$ 26,850,000	1.40%~1.56%	None
Short-term notes and bills payable discount	( <u>69,662</u> )		
Net short-term notes and bills payable	<u>\$ 26,780,338</u>		
Type of loans	December 31, 2022	Interest rate range	Collateral
Bank loans			
OA loans	\$ 14,035	3.35%	None
Secured loans	50,000	1.20%~1.83%	Note 8
Unsecured loans	<u>35,053,852</u>	1.26%~5.75%	None
Total short-term loans	<u>\$ 35,117,887</u>		
Short-term notes and bills payable	\$ 32,950,000	0.28%~1.51%	None
Short-term notes and bills payable discount	( <u>57,334</u> )		
Net short-term notes and bills payable	<u>\$ 32,892,666</u>		

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

Items	December 31, 2023	December 31, 2022
Derivatives	<u>\$ 479</u>	<u>\$ 2,826</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, 2023	For the year ended December 31, 2022
Derivatives	<u>\$ 2,347</u>	<u>(\$ 2,826)</u>

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

	December 31, 2023	
Derivative Instruments	Contract Amount (Notional Principal)	
Liabilities	(in thousands)	Contract period
Current items:		
Forward foreign exchange contracts:		
Taipei Fubon	JPY 94,010	December 2023 - January 2024

December 31, 2022		
Derivative Instruments	Contract Amount	
Liabilities	(Notional Principal)	Contract period
	(in thousands)	
Current items:		
Forward foreign exchange contracts:		
Taipei Fubon	JPY 40,660	October 2022 - January 2023
Taipei Fubon	JPY 40,000	October 2022 - January 2023
Taipei Fubon	JPY 15,170	November 2022 - January 2023
Taipei Fubon	JPY 69,830	November 2022 - February 2023

The forward exchange contracts are buy and sell JYP to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

(12) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable		
Domestic unsecured nonconvertible corporate bonds	\$ 40,650,000	\$ 45,500,000
Less: Current portion	( 3,800,000)	( 4,850,000)
	<u>\$ 36,850,000</u>	<u>\$ 40,650,000</u>

The terms of nonconvertible corporate bonds were as follows:

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2023	December 31, 2022	Note
<u>2012</u>							
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22 ~ 2023.1.22	1.50	\$ 2,200,000	\$ -	\$ 1,100,000	Serial bonds, to be settled 50%, 50%
<u>2013</u>							
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8 ~ 2023.7.8	1.52	2,800,000	-	1,400,000	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%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2023	December 31, 2022	Note
<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	\$ 700,000	\$ 1,400,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	4,600,000	4,600,000	4,600,000	Serial bonds, to be settled 50%, 50%
<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	1,650,000	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	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	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	1,900,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2023	December 31, 2022	Note
<u>2021</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2021.5.10	2025.5.10 ~ 2026.5.10	0.48	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2021.5.10	2027.5.10 ~ 2028.5.10	0.56	4,000,000	4,000,000	4,000,000	Serial bonds, to be settled 50%, 50%
					40,650,000	45,500,000	
Less: Current portion of bonds payable					( 3,800,000)	( 4,850,000)	
					<u>\$ 36,850,000</u>	<u>\$ 40,650,000</u>	

(13) Long-term bank loans and notes payable

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2023
Long-term bank loans				
Unsecured loans				
Taipei Fubon Bank	Jul. 14, 2023 ~ Jul. 14, 2028, 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	\$ 6,192,912
First Commercial Bank	Jul. 15, 2020 ~ Jul. 15, 2025, the first payment (2023) is 4 years after the first drawdown and principal is payable semi-annually in 5 installments	1 to 5 years (including 5 years) rate of LPR-0.8125%	"	1,322,941
Mega International Commercial Bank	Dec. 13, 2021 ~ Dec. 13, 2026, the first payment (2024) is 4 years after the first drawdown and principal is payable semi-annually in 5 installments	1 to 5 years (including 5 years) rate of LPR-1.35%	"	4,568,172
The Export-Import Bank of China	May. 25, 2022 ~ Oct. 16, 2026, principal payable at maturity date	2.80%~2.90%	"	6,943,116
Bank of Taiwan	Jul. 28, 2023 ~ Jul. 26, 2025, principal payable at maturity date	1.63%	"	2,000,000
Taiwan Cooperative Bank	Jul. 26, 2023 ~ Jul. 26, 2025, principal payable at maturity date	1.79%	"	9,000,000
Mizuho Corporate Bank	Jul. 28, 2022 ~ Dec. 15, 2024, principal payable at maturity date	1.77%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2023
Hua Nan Commercial Bank	Nov. 13, 2023 ~ Jan. 13, 2025, principal payable at maturity date	1.88%	None	\$ 1,500,000
First Commercial Bank	Dec. 5, 2023 ~ Dec. 5, 2024, principal payable at maturity date	1.84%	"	2,000,000
Mizuho Corporate Bank	Aug. 11, 2023 ~ Aug. 11, 2025, principal payable at maturity date	1.97%	"	800,000
Sino Pac Bank	Sep. 12, 2023 ~ Sep. 12, 2025, payable in full at maturity	1.90%	"	300,000
E.SUN Bank	Dec. 15, 2022 ~ Dec. 15, 2025, payable in full at maturity	1.93%	"	200,000
China Trust Bank	Sep. 8, 2023 ~ Sep. 8, 2025, payable in full at maturity	1.85%	"	400,000
Taipei Fubon Bank	Dec. 12, 2023 ~ Jan. 12, 2025, payable in full at maturity	1.93%	"	1,000,000
MUFG Bank	Nov. 13, 2023 ~ Nov. 13 2025, payable in full at maturity	1.96%	"	600,000
KGI Bank	Aug. 10, 2023 ~ Aug. 10, 2025, payable in full at maturity	1.88%	"	1,000,000
Bangkok Bank	Dec. 4, 2023 ~ Dec. 2, 2024, payable in full at maturity	1.93%	"	500,000
Mega International Commercial Bank	Aug. 21, 2023 ~ Jun. 21, 2025, payable in full at maturity	1.93%	"	900,000
Far Eastern International Bank	Sep. 20, 2022 ~ Sep. 15, 2025, payable in full at maturity	1.93%	"	1,200,000
				41,927,141
Less: Current portion of long-term loans				( 3,075,105)
				<u>\$ 38,852,036</u>

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2022
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	\$ 6,174,546
First Commercial Bank	Jul. 15, 2020 ~ Jul. 15, 2025, the first payment (2023) is 4 years after the first drawdown and principal is payable semi-annually in 5 installments	1 to 5 years (including 5 years) rate of LPR-0.8125%	"	1,680,241
Mega International Commercial Bank	Dec. 13, 2021 ~ Dec. 13, 2026, the first payment (2024) is 4 years after the first drawdown and principal is payable semi-annually in 5 installments	1 to 5 years (including 5 years) rate of LPR-1.35%	"	2,808,632
Bank of Taiwan	Jul. 28, 2022 ~ Aug. 10, 2023, principal is payable at maturity date	1.375%~1.5%	"	2,000,000
Mizuho Corporate Bank	Jul. 28, 2022 ~ Dec. 15, 2024, principal is payable at maturity date	1.515%~1.672%	"	2,500,000
Hua Nan Commercial Bank	Sep. 20, 2022 ~ Jan. 14, 2024, principal is payable at maturity date	1.36%	"	300,000
First Commercial Bank	Dec. 5, 2022 ~ Dec. 5, 2024, principal is payable at maturity date	1.73%	"	1,000,000



Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2022
Mizuho Corporate Bank	Sep. 20, 2022 ~ Aug. 12, 2024, principal is payable at maturity date	1.88%	None	\$ 800,000
Sino Pac Bank	Aug. 12, 2022 ~ Aug. 12, 2024, payable in full at maturity	1.55%	"	300,000
E.SUN Bank	Dec. 15, 2022 ~ Dec. 15, 2025, payable in full at maturity	1.90%	"	200,000
China Trust Bank	Sep. 8, 2022 ~ Sep. 8, 2024, payable in full at maturity	1.45%	"	400,000
Taipei Fubon Bank	Jan. 12, 2022 ~ Jan. 12, 2024, payable in full at maturity	1.49%	"	1,500,000
MUFG Bank	Jun. 13, 2022 ~ Jun. 13, 2024, payable in full at maturity	1.72%	"	1,500,000
HSBC	Aug. 10, 2022 ~ Aug. 10, 2024, payable in full at maturity	1.90%	"	1,200,000
Bangkok Bank	Dec. 2, 2022 ~ Dec. 2, 2024, payable in full at maturity	1.75%	"	500,000
Mega International Commercial Bank	Oct. 21, 2022 ~ Jun. 21, 2024, payable in full at maturity	2.05%	"	700,000
Far Eastern International Bank	Sep. 20, 2022 ~ Sep. 15, 2025, payable in full at maturity	2.10%	"	1,200,000
				<u>24,763,419</u>
Less: Current portion of long-term loans				( <u>6,195,140</u> )
				<u>\$ 18,568,279</u>

(14) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. 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, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 8,249,516	\$ 9,046,037
Fair value of plan assets	( 4,466,003)	( 4,500,627)
Net defined benefit liability	<u>\$ 3,783,513</u>	<u>\$ 4,545,410</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, 2023</u>			
Balance at January 1	\$ 9,046,037	(\$ 4,500,627)	\$ 4,545,410
Current service cost	55,357	-	55,357
Interest expense (income)	<u>113,075</u>	<u>( 56,880)</u>	<u>56,195</u>
	<u>9,214,469</u>	<u>( 4,557,507)</u>	<u>4,656,962</u>
Remeasurements:			
Return on plan assets	-	( 43,281)	( 43,281)
Experience adjustments	<u>( 255,282)</u>	<u>-</u>	<u>( 255,282)</u>
	<u>( 255,282)</u>	<u>( 43,281)</u>	<u>( 298,563)</u>
Pension fund contribution	-	( 92,090)	( 92,090)
Paid pension	<u>( 709,671)</u>	<u>226,875</u>	<u>( 482,796)</u>
Balance at December 31	<u>\$ 8,249,516</u>	<u>(\$ 4,466,003)</u>	<u>\$ 3,783,513</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2022</u>			
Balance at January 1	\$ 9,750,242	(\$ 4,434,142)	\$ 5,316,100
Current service cost	68,186	-	68,186
Interest expense (income)	48,743	( 22,435)	26,308
	<u>9,867,171</u>	<u>( 4,456,577)</u>	<u>5,410,594</u>
Remeasurements:			
Return on plan assets	-	( 357,121)	( 357,121)
Change in financial assumptions	241,205	-	241,205
Experience adjustments	( 234,832)	-	( 234,832)
	<u>6,373</u>	<u>( 357,121)</u>	<u>( 350,748)</u>
Pension fund contribution	-	( 98,089)	( 98,089)
Paid pension	( 827,507)	411,160	( 416,347)
Balance at December 31	<u>\$ 9,046,037</u>	<u>(\$ 4,500,627)</u>	<u>\$ 4,545,410</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 two year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 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, 2023	Year ended December 31, 2022
Discount rate	<u>1.25%</u>	<u>1.25%</u>
Future salary increases	<u>2.85%</u>	<u>2.85%</u>

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.35%	0.35%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 79,705)	\$ 82,054	\$ 119,509	(\$ 114,757)

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.35%	0.35%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 101,883)	\$ 105,062	\$ 151,662	(\$ 144,952)

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, 2024 amount to \$93,465.
- 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, 2023 and 2022. 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, 2023 and 2022 were \$475,706 and \$469,987, respectively.

(15) Capital stock

A. As of December 31, 2023, 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, 2023 and 2022 are set forth below:

Reason for reacquisition	Subsidiary	For the year ended December 31, 2023			
		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, 2022			
		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

C. The market value of treasury stocks was \$62.3 and \$70.5 (in dollars) per share at December 31, 2023 and 2022, respectively.

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

(16) Capital surplus

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

For the year ended December 31, 2023

	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 or acquisition of subsidiaries	Others
At January 1, 2023	\$ 2,710,554	\$ 5,514,032	\$ 370,900	\$ 392,782	\$ 163	\$ 258,225
Dividends allocated to subsidiaries	-	-	4,324	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	180	-	-
Changes in ownership interests in subsidiaries	-	-	1,230	( 685)	140	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	( 1,873)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	22,168
At December 31, 2023	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 376,454</u>	<u>\$ 392,277</u>	<u>\$ 303</u>	<u>\$ 278,520</u>

For the year ended December 31, 2022

	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 or acquisition of subsidiaries	Others
At January 1, 2022	\$ 2,710,554	\$ 5,514,032	\$ 348,233	\$ 379,632	\$ 163	\$ 240,385
Dividends allocated to subsidiaries	-	-	21,847	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	145	-	-
Changes in ownership interests in subsidiaries	-	-	820	13,005	-	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	( 715)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	18,555
At December 31, 2022	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 370,900</u>	<u>\$ 392,782</u>	<u>\$ 163</u>	<u>\$ 258,225</u>

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remaining balance is to be set aside as special reserve if necessary; and distributed to shareholders as interest on capital. The remaining balance for current year, after allocating for interest on capital, shall be accumulated with remaining balance of previous year and to be distributed as shareholders' bonus proposed by the Board of Directors. For the distribution of cash dividends which was authorised to the Board of Directors would be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and then reported to the shareholders. The distribution of stock dividends should be reported to the shareholders for resolution.

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 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 bonus 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 2022 and 2021 earnings had been resolved at the stockholders' meeting on May 26, 2023 and June 8, 2022, respectively. Details are as follows:

For the years ended December 31,				
2022			2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 773,180		\$ 3,910,207	
Special reserve	141,215		6,428,356	
Cash dividends	5,568,127	\$ 0.95	28,133,694	\$ 4.80
	<u>\$ 6,482,522</u>		<u>\$ 38,472,257</u>	

Information about the appropriation 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.

E. The appropriations of 2023 net income was approved by Board of Directors during its meeting on March 8, 2024 as follows:

For the year ended December 31, 2023		
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 870,497	
Special reserve	142,568	
Cash dividends	7,326,483	\$ 1.25
	<u>\$ 8,339,548</u>	



(18) Other equity items

	<u>Hedging reserve</u>	<u>Unrealised gain</u>	<u>Currency translation</u>	<u>Revaluation surplus</u>	<u>Total</u>
At January 1, 2023	\$ 160	\$ 72,429,555	(\$ 2,930,647)	\$ 1,002,383	\$ 70,501,451
Revaluation:					
–Group	-	6,967,113	-	-	6,967,113
–Associates	-	4,050,286	-	-	4,050,286
Revaluation transferred to retained earnings:					
–Group	-	362	-	-	362
–Associates	-	( 22,725)	-	-	( 22,725)
Cash flow hedges:					
–Associates	8,275	-	-	-	8,275
Currency translation differences:					
–Group	-	-	( 1,197,104)	-	( 1,197,104)
–Tax of Group	-	-	236,747	-	236,747
–Associates	-	-	( 73,497)	-	( 73,497)
At December 31, 2023	<u>\$ 8,435</u>	<u>\$ 83,424,591</u>	<u>(\$ 3,964,501)</u>	<u>\$ 1,002,383</u>	<u>\$ 80,470,908</u>

	<u>Hedging reserve</u>	<u>Unrealised gain (loss)</u>	<u>Currency translation</u>	<u>Revaluation surplus</u>	<u>Total</u>
At January 1, 2022	\$ 9,270	\$ 121,228,401	(\$ 6,240,670)	\$ -	\$ 114,997,001
Revaluation:					
–Group	-	( 39,972,075)	-	-	( 39,972,075)
–Associates	-	( 8,866,975)	-	-	( 8,866,975)
Revaluation transferred to retained earnings:					
–Group	-	42,632	-	-	42,632
–Associates	-	( 2,428)	-	-	( 2,428)
Cash flow hedges:					
–Associates	( 9,110)	-	-	-	( 9,110)
Currency translation differences:					
–Group	-	-	1,788,528	-	1,788,528
–Tax of Group	-	-	( 359,626)	-	( 359,626)
–Associates	-	-	1,881,121	1,002,383	2,883,504
At December 31, 2022	<u>\$ 160</u>	<u>\$ 72,429,555</u>	<u>(\$ 2,930,647)</u>	<u>\$ 1,002,383</u>	<u>\$ 70,501,451</u>

(19) Operating revenue

	For the years ended December 31,	
	2023	2022
Sales revenue	\$ 331,797,718	\$ 379,010,979
Service revenue	516,515	534,344
Other operating revenue	305,300	351,240
	<u>\$ 332,619,533</u>	<u>\$ 379,896,563</u>

The Group derives revenue from the transfer of goods and services over time and at a point in time.

(20) Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 817,053	\$ 573,863
Interest from current account with others	48,330	40,380
Other interest income	59,631	48,016
	<u>\$ 925,014</u>	<u>\$ 662,259</u>

(21) Other income

	For the years ended December 31,	
	2023	2022
Rent income	\$ 141,485	\$ 135,627
Dividend income	4,938,169	10,448,254
Other income	1,061,531	1,185,782
	<u>\$ 6,141,185</u>	<u>\$ 11,769,663</u>

(22) Other gains and losses

	For the years ended December 31,	
	2023	2022
Loss on disposal of property, plant and equipment	(\$ 53,632)	(\$ 71,483)
Net currency exchange (loss) gain	( 295,756)	2,203,087
Net gain on financial assets and liabilities at fair value through profit or loss	149,426	312,866
(Loss) gain on disposals of investments	( 3,187)	6,267
Impairment loss	-	( 175,492)
Reversal of impairment loss recognised in profit, property, plant and equipment	86,002	-
Gain on lease modification	354	-
Other losses	( 414,613)	( 301,403)
	<u>(\$ 531,406)</u>	<u>\$ 1,973,842</u>

(23) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense:		
Bank loans	\$ 2,526,634	\$ 1,204,872
Corporate bonds	485,623	566,257
Current account with others	44,800	31,867
Discount	243,297	177,189
Other interest expenses	35,867	29,048
	3,336,221	2,009,233
Less: Capitalisation of qualifying assets	( 317,167)	( 211,589)
	\$ 3,019,054	\$ 1,797,644

(24) Expenses by nature

	For the years ended December 31,	
	2023	2022
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 13,162,707	\$ 13,865,040
Employee benefit expense	13,786,239	14,679,885
Amortisation	4,300,989	4,599,170
	\$ 31,249,935	\$ 33,144,095

(25) Employee benefit expense

	For the years ended December 31,	
	2023	2022
Wages and salaries	\$ 11,563,189	\$ 12,469,085
Labor and health insurance fees	1,006,794	1,008,303
Pension costs	587,258	564,481
Other personnel expenses	628,998	638,016
	\$ 13,786,239	\$ 14,679,885

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, 2023 and 2022, employees' remuneration (bonuses) was accrued at \$8,716 and \$7,210, respectively. The aforementioned amount was recognised in salary expenses.

For the years ended December 31, 2023 and 2022, the employees' compensation was estimated and accrued based on approximately 0.1% of the distributable profit.

Employees' compensation for 2022 as resolved by the Board of Directors was in agreement with the amount of \$7,210 recognised in profit or loss for 2022. Employees' compensation for 2022 had 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.

(26) Income tax

A. Income tax (benefit) expense

(a) Components of income tax (benefit) expense:

	For the years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 787,456	\$ 1,086,180
Tax on undistributed surplus earnings	45,532	209,174
Adjustments in respect of prior years	37,193	(658,745)
Total current tax	870,181	636,609
Deferred tax:		
Origination and reversal of temporary differences	(1,206,830)	(257,345)
Effect of exchange rate	18,195	6,458
Total deferred tax	(1,188,635)	(250,887)
Income tax (benefit) expense	(\$ 318,454)	\$ 385,722

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

	For the years ended December 31,	
	2023	2022
Currency translation differences	(\$ 236,747)	\$ 359,626

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 750,171	\$ 1,936,180
Expenses disallowed by tax regulation	( 1,133,007)	( 1,546,029)
Effect from loss deduction	371	-
Effect from net operating loss carryforward	( 292,243)	39,893
Realizable changes from defferd tax assets	( 1,952)	-
Effect from investment tax credits	- (	24,051)
Effect from changes in tax regulation of overseas subsidiaries	242,179	194,333
Additional tax on undistributed earnings	45,532	209,174
Non-deductible withholding income tax for offshore income	33,302	234,967
Adjustments in respect of prior years	37,193 (	658,745)
Income tax expense	<u>(\$ 318,454)</u>	<u>\$ 385,722</u>

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

	For the year ended December 31, 2023			
		Recognised in profit or loss	Recognised in other comprehensive income	
	January 1			December 31
Deferred tax assets:				
Temporary differences:				
Currency translation differences	\$ 605,539	\$ -	\$ 236,747	\$ 842,286
Unrealised gain from downstream transactions	-	15,830	-	15,830
Loss on inventory	333,370	( 64,342)	-	269,028
Accrued pension liabilities	555,674	( 82,358)	-	473,316
Impairment loss	153,109	( 68,292)	-	84,817
Others	491,391	1,364,591	-	1,855,982
	<u>\$ 2,139,083</u>	<u>\$ 1,165,429</u>	<u>\$ 236,747</u>	<u>\$ 3,541,259</u>

For the year ended December 31, 2023				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax liabilities:				
Temporary differences:				
Investment income accounted for using equity method	(\$ 325,309)	\$ -	\$ -	(\$ 325,309)
Depreciation useful life difference	( 23,444)	7,581	-	( 15,863)
Unrealised gains on financial assets	( 25,589)	25,120	-	( 469)
Unrealised exchange gain	( 123)	123	-	-
Others	( 8,589)	8,577	-	( 12)
	<u>(\$ 383,054)</u>	<u>\$ 41,401</u>	<u>\$ -</u>	<u>(\$ 341,653)</u>
	<u>\$ 1,756,029</u>	<u>\$ 1,206,830</u>	<u>\$ 236,747</u>	<u>\$ 3,199,606</u>
For the year ended December 31, 2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Currency translation differences	\$ 965,165	\$ -	(\$ 359,626)	\$ 605,539
Unrealised gain from downstream transactions	65,009	( 65,009)	-	-
Loss on inventory	265,056	68,314	-	333,370
Accrued pension liabilities	629,497	( 73,823)	-	555,674
Impairment loss	140,863	12,246	-	153,109
Others	174,732	316,659	-	491,391
	<u>\$ 2,240,322</u>	<u>\$ 258,387</u>	<u>(\$ 359,626)</u>	<u>\$ 2,139,083</u>
Deferred tax liabilities:				
Temporary differences:				
Investment income accounted for using equity method	(\$ 349,420)	\$ 24,111	\$ -	(\$ 325,309)
Depreciation useful life difference	( 31,739)	8,295	-	( 23,444)
Unrealised gains on financial assets	( 853)	( 24,736)	-	( 25,589)
Unrealised exchange gain	-	( 123)	-	( 123)
Others	-	( 8,589)	-	( 8,589)
	<u>(\$ 382,012)</u>	<u>(\$ 1,042)</u>	<u>\$ -</u>	<u>(\$ 383,054)</u>
	<u>\$ 1,858,310</u>	<u>\$ 257,345</u>	<u>(\$ 359,626)</u>	<u>\$ 1,756,029</u>

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

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Tax assets	Expiry year
2014	Assessed	\$ 3,876	\$ 3,876	2024
2015	Assessed	1,584	1,584	2025
2017	Assessed	5,105	5,105	2027
2018	Assessed	2,815	2,815	2028
2019	Assessed	953	953	2029
2020	Assessed	6,548	6,548	2030
2021	Assessed	10,618	10,618	2031
2022	Amount filed	515,399	8,224	2027&2032
2023	Amount filed	631,025	1,853	2028&2033
		<u>\$ 1,177,923</u>	<u>\$ 41,576</u>	
December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Tax assets	Expiry year
2014	Assessed	\$ 3,876	\$ 3,876	2024
2015	Assessed	1,584	1,584	2025
2017	Assessed	5,105	5,105	2027
2018	Assessed	2,815	2,815	2028
2019	Assessed	953	953	2029
2020	Assessed	6,548	6,548	2030
2021	Amount filed	10,618	10,618	2031
2022	Amount filed	653,960	8,224	2027&2032
		<u>\$ 685,459</u>	<u>\$ 39,723</u>	

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

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 15,911</u>	<u>\$ 92,843</u>

F. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(27) 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 year ended December 31, 2023					
	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 profit	\$ 7,386,488	\$ 7,704,942		\$ 1.26	\$ 1.32
Net loss of non- controlling interest	( 1,320,689)	( 843,576)		( 0.23)	( 0.14)
Profit attributable to ordinary shareholders of the parent	<u>\$ 8,707,177</u>	<u>\$ 8,548,518</u>	<u>5,849,017</u>	<u>\$ 1.49</u>	<u>\$ 1.46</u>
For the year ended December 31, 2022					
	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 profit	\$ 9,589,583	\$ 9,203,861		\$ 1.64	\$ 1.57
Net profit of non- controlling interest	<u>2,386,958</u>	<u>1,844,330</u>		<u>0.41</u>	<u>0.31</u>
Profit attributable to ordinary shareholders of the parent	<u>\$ 7,202,625</u>	<u>\$ 7,359,531</u>	<u>5,849,017</u>	<u>\$ 1.23</u>	<u>\$ 1.26</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, 2023					
	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 profit	\$ 7,386,488	\$ 7,704,942		\$ 1.26	\$ 1.31
Net loss of non- controlling interest	( 1,320,689)	( 843,576)		( 0.23)	( 0.15)
Profit attributable to ordinary shareholders of the parent	<u>\$ 8,707,177</u>	<u>\$ 8,548,518</u>	<u>5,861,186</u>	<u>\$ 1.49</u>	<u>\$ 1.46</u>
For the year ended December 31, 2022					
	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 profit	\$ 9,589,583	\$ 9,203,861		\$ 1.64	\$ 1.57
Net profit of non- controlling interest	<u>2,386,958</u>	<u>1,844,330</u>		<u>0.41</u>	<u>0.31</u>
Profit attributable to ordinary shareholders of the parent	<u>\$ 7,202,625</u>	<u>\$ 7,359,531</u>	<u>5,861,186</u>	<u>\$ 1.23</u>	<u>\$ 1.26</u>

(28) Business combinations

A. The Group has acquired Ivy Life Sciences Co., Ltd. by cash amounting to \$182,232 and \$572,800 on March 9, 2022 and May 31, 2022, respectively, equivalent to 51% equity interest and has obtained control over it.

- B. The following table summarises the consideration paid for Ivy Life Sciences Co., Ltd. and the fair values of the temporary assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>May 31, 2022</u>
Purchase consideration	
Cash paid	\$ 755,032
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>403,115</u>
	<u>1,158,147</u>
Fair value of the temporary identifiable assets acquired and liabilities assumed	
Cash	771,595
Accounts receivable	4,046
Other current assets	4,351
Inventories	5,153
Property, plant and equipment	141,257
Intangible assets	395
Other non-current assets	8,945
Notes payable	( 1,580)
Other payables	( 21,247)
Other current liabilities	( 29,125)
Long-term borrowings	( 48,853)
Other non-current liabilities	( 12,119)
Total identifiable net assets	<u>822,818</u>
Goodwill	<u>\$ 335,329</u>

- C. For the abovementioned acquisition, the acquisition price allocation report had been obtained in May 2023. Consequently, the tentative amount from the acquisition date had been adjusted and the consolidated financial statements for the comparative periods had been restated. Movements in relation to each account are as follows:

	<u>December 31, 2022</u>		
<u>Affected items</u>	<u>As reported</u>	<u>Adjustments</u>	<u>As restated</u>
Property, plant and equipment	\$ 142,848,941	\$ 12,202	\$ 142,861,143
Intangible assets	5,585	335,329	340,914
Other non-current assets (Note)	12,314,889	( 339,863)	10,603,486
		( 1,371,540)	
Non-controlling interest	47,229,723	7,668	47,237,391

Note: The reason for adjustment (\$1,371,540) in other non-current assets please refer to Note 4(4).

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2023	2022
Purchase of fixed assets	\$ 19,883,784	\$ 23,457,444
Add: Opening balance of payable on equipment	3,543,908	3,057,560
Less: Ending balance of payable on equipment	( 2,646,998)	( 3,543,908)
Cash paid during the year	<u>\$ 20,780,694</u>	<u>\$ 22,971,096</u>

B. Financing activities with partial cash payments

	For the years ended December 31,	
	2023	2022
Cash dividends distributed	\$ 5,568,127	\$ 28,133,694
Add: Opening balance of cash dividends payable	75,964	72,427
Less: Ending balance of cash dividends payable	( 58,655)	( 75,964)
Cash dividends paid	<u>\$ 5,585,436</u>	<u>\$ 28,130,157</u>

(30) 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 financing activities-gross
At January 1, 2023	\$ 35,117,887	\$ 32,892,666	\$ 45,500,000	\$ 24,763,419	\$ 138,273,972
Changes in cash flow from financing activities	1,148,726	( 6,112,328)	( 4,850,000)	17,223,933	7,410,331
Impact of changes in foreign exchange rate	-	-	-	( 60,211)	( 60,211)
At December 31, 2023	<u>\$ 36,266,613</u>	<u>\$ 26,780,338</u>	<u>\$ 40,650,000</u>	<u>\$ 41,927,141</u>	<u>\$ 145,624,092</u>

	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowing (including current portion)	Liabilities from financing activities-gross
At January 1, 2022	\$ 17,512,874	\$ 17,796,625	\$ 50,050,000	\$ 17,177,183	\$ 102,536,682
Changes in cash flow from financing activities	17,605,013	15,096,041	( 4,550,000)	7,115,631	35,266,685
Impact of changes in foreign exchange rate	-	-	-	418,605	418,605
Changes in acquisition of subsidiaries	-	-	-	52,000	52,000
At December 31, 2022	<u>\$ 35,117,887</u>	<u>\$ 32,892,666</u>	<u>\$ 45,500,000</u>	<u>\$ 24,763,419</u>	<u>\$ 138,273,972</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 (Ningbo) Corp.	"
Mai Liao Power Corp.	"
Formosa Environmental Technology Corp.	"
Hwa Ya Science Park Management Consulting Corp.	"
Formosa Resources Corp.	"
Formosa Steel IB Pty Ltd	"
Formosa Plastics Construction Corp.	"
Formosa Fairway Corporation	"
Kuang Yueh Co., Ltd.	"
Formosa Group (Cayman) Corp.	"
Guo Su Plastic Industry Co., Ltd.	"
FG Inc.	"
Formosa Advanced Technologies Co., Ltd.	"
Schoeller Textil AG	"
Nan Ya Optical Corp.	"
Formosa Smart Energy Tech Corp.	"
Formosa AdvEnergy Technology Corp.	"
CH algae CO., Ltd.	"
InnoGT CO., Ltd	"
Beyoung International Corp.	"

Names of related parties	Relationship with the Group
Changshu Yu Yuan Co., Ltd.	Associate
Formosa Lithium Iron Oxide 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	"
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.	"
Formosa Daikin Advanced Chemicals Co., Ltd.	"
Formosa Sumco Technology Corporation	"
Formosa Asahi Spandex Co., Ltd.	"
Formosa Plastics Logistics Corp.	"
Formosa Plastics Transport (Ningbo) Co., Ltd.	"
Formosa Electronic (Ningbo) Co., Ltd.	"
Inteplast Taiwan Corporation	"
Formosa Oil (Asia Pacific) Corporation	"
Asia Pacific Development Corp.	"
Ya Tai Development Co., Ltd.	"
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.	"
INEOS Acetyls (Malaysia) SDN Bhd	"
Idemitsu Kosan Co., Ltd.	"
Idemitsu Chemicals (Hong Kong) Co., Ltd.	"

Names of related parties	Relationship with the Group
Idemitsu Chemicals U.S.A. Corp.	Other related party
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.	"
Kong You Industrial Co., Ltd.	"
Hong Jing Metal Corp.	"
Formosa Industries (Ningbo) Co., Ltd.	"
Nan Ya Plastics Industry (Anshan) Co., Ltd.	"
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	"
Nan Ya Plastics Film (Nantong) Co., Ltd.	"
Nan Ya Plastics Film (Hui Zhou) Co., Ltd.	"
Nan Ya Chemical Fiber (Kunshan) Co., Ltd.	"
Nan Ya Draw-Textured Yarn (Kunshan) Co., Ltd.	"
Nan Ya Plastics (Xiamen) Co., Ltd.	"
Formosa Heavy Industries (Guangzhou) Co., Ltd.	"
Asia Pacific Investment 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,	
	2023	2022
Sales of goods:		
— Associates	\$ 36,032,382	\$ 41,563,432
— Other related parties	41,666,986	48,727,058
	<u>\$ 77,699,368</u>	<u>\$ 90,290,490</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,	
	2023	2022
Purchases of goods:		
— Associates		
Formosa Petrochemical Corp.	\$ 152,576,758	\$ 183,369,442
Others	5,057	10,359
— Other related parties	12,577,734	19,560,134
	<u>\$ 165,159,549</u>	<u>\$ 202,939,935</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, 2023	December 31, 2022
Receivables from related parties:		
— Associates	\$ 3,887,091	\$ 3,313,185
— Other related parties	4,469,484	3,840,753
	<u>\$ 8,356,575</u>	<u>\$ 7,153,938</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:

	December 31, 2023	December 31, 2022
Payables to related parties:		
— Associates		
Formosa Petrochemical Corp.	\$ 9,315,531	\$ 12,574,263
Others	796	468
— Other related parties	1,279,510	1,309,797
	<u>\$ 10,595,837</u>	<u>\$ 13,884,528</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,	
	2023	2022
Expansion and repair works of factory sites		
— Associates	\$ 803,658	\$ 125,295
— Other related parties	352,343	260,796
	<u>\$ 1,156,001</u>	<u>\$ 386,091</u>

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

	December 31, 2023	December 31, 2022
Payables to related parties:		
— Associates	\$ -	\$ 7,818
— Other related parties	31,612	8,477
	<u>\$ 31,612</u>	<u>\$ 16,295</u>

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

## F. Financing

### (a) Loans to related parties:

#### i. Ending balance of accounts receivable - related parties

	December 31, 2023	December 31, 2022
— Associates		
Formosa Steel IB PTY LTD	\$ 1,622,500	\$ -
— Other related parties		
Formosa Industries (Ningbo) Co., Ltd.	2,169,700	-
Formosa Plastics Marine Co., Ltd.	1,454,927	2,429,252
	<u>\$ 5,247,127</u>	<u>\$ 2,429,252</u>

#### ii. Interest income

	For the years ended December 31,	
	2023	2022
— Associates		
Formosa Heavy Industries Corp.	\$ 7,847	\$ 8,141
Formosa Steel IB PTY LTD	5,849	-
— Other related parties		
Formosa Industries (Ningbo) Co., Ltd.	8,320	-
Formosa Plastics Marine Co., Ltd.	26,155	32,201
	<u>\$ 48,171</u>	<u>\$ 40,342</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 1.86%~2.92% and 0.98%~1.79% per annum for the years ended December 31, 2023 and 2022, respectively.

(b) Loans from related parties:

i. Ending balance of accounts payable - related parties

	December 31, 2023	December 31, 2022
— Associates	\$ -	\$ 1,472,658
— Other related parties	1,720,591	-
	<u>\$ 1,720,591</u>	<u>\$ 1,472,658</u>

ii. Interest expense

	For the years ended December 31,	
	2023	2022
— Associates	\$ -	\$ 28,063
— Other related parties	41,631	416
	<u>\$ 41,631</u>	<u>\$ 28,479</u>

The loan terms from related parties are in accordance with the contract's repayment schedule after the loan is made; interest is paid at a rate of 2.76% and 3.08% per annum for the years ended December 31, 2023 and 2022, respectively.

G. Operating expenses

	For the years ended December 31,	
	2023	2022
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	\$ 1,518,963	\$ 1,123,689
Formosa Plastics Transport (Ningbo) Corp.	1,341,784	1,262,620
Others	85,671	160,075
	<u>\$ 2,946,418</u>	<u>\$ 2,546,384</u>

## H. Rental revenue

	For the years ended December 31,	
	2023	2022
— Associates		
Formosa Petrochemical Corp.	\$ 17,946	\$ 21,215
Others	10,180	11,798
	<u>28,126</u>	<u>33,013</u>
— Other related parties		
Nan Ya Plastics Corp.	26,004	28,461
Formosa Plastics Building Parking Lot	13,736	15,116
Formosa Network Technology Corp.	15,400	15,400
Others	25,779	24,923
	<u>80,919</u>	<u>83,900</u>
	<u>\$ 109,045</u>	<u>\$ 116,913</u>

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

## I. Property transactions:

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

	For the years ended December 31,	
	2023	2022
Purchase of property, plant and equipment		
— Associates	\$ 758,898	\$ 278,856
— Other related parties	90,241	725
	<u>\$ 849,139</u>	<u>\$ 279,581</u>

(b) Acquisition of financial assets

				For the year ended December 31, 2023
	Accounts	No. of shares	Objects	Consideration
Formosa Smart Energy Tech Corp.	Investments accounted for using equity method	75,000,000	Formosa Smart Energy Tech Corp.	\$ 750,000
Formosa Plastics Construction Corp.	Investments accounted for using equity method	50,000,000	Formosa Plastics Construction Corp.	500,000
Formosa Resources Corp.	Investments accounted for using equity method	79,680,000	Formosa Resources Corp.	799,625
				<u>\$ 2,049,625</u>
				For the year ended December 31, 2022
	Accounts	No. of shares	Objects	Consideration
Guo Su Plastic Industry Co., Ltd.	Investments accounted for using equity method	1,800,000	Guo Su Plastic Industry Co., Ltd.	\$ 46,531
Formosa Smart Energy Tech Corp.	Investments accounted for using equity method	100,000,000	Formosa Smart Energy Tech Corp.	1,000,000
Formosa Lithium Iron Oxide Corp.	Investments accounted for using equity method	5,063,128	Formosa Lithium Iron Oxide Corp.	3,797
				<u>\$ 1,050,328</u>

(c) Disposal of financial assets:

				For the year ended December 31, 2023	
	Accounts	No. of shares	Objects	Proceeds	Gain/(loss)
Formosa Smart Energy Tech Corp.	Long-term equity investment accounted for using equity method	26,049,036	Formosa Lithium Iron Oxide Corp.	\$ 40,490	(\$ 3,187)
				For the year ended December 31, 2022	
	Accounts	No. of shares	Objects	Proceeds	Gain/(loss)
Formosa Smart Energy Tech Corp.	Long-term equity investment accounted for using equity method	100,000	Formosa AdvEnergy Technology Corporation	\$ 1,000	\$ 71

J. Donation:

			For the years ended December 31,	
			2023	2022
— Other related parties			\$ -	\$ 4,853

K. 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,	
			2023	2022
Salaries			\$ 158,255	\$ 116,212
Post-employment benefits			1,520	1,644
			\$ 159,775	\$ 117,856

## 8. Pledged Assets

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

Pledged assets	Book value		Purpose
	December 31, 2023	December 31, 2022	
Property, plant and equipment	\$ 5,872,127	\$ 5,872,827	Collateral for bank loans
Inventory	17,625	17,610	Collateral for bank loans
Non-current financial assets at amortised cost - Time deposits	1,500	1,500	Guarantee deposits for natural gas
	<u>\$ 5,891,252</u>	<u>\$ 5,891,937</u>	

## 9. Significant Contingent Liabilities and Unrecognised Contract Commitments

The details of commitments and contingencies as of December 31, 2023 were as follows:

- (1) Capital expenditures of property, plant and equipment that were contracted but not yet paid amounted to NTD 5,766,880 thousand, RMB 597,933 thousand and VND 378,140,523 thousand.
- (2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 41,949 thousand, JPY 391,714 thousand, EUR 607 thousand.
- (3) The provision of endorsements and guarantees to others are as follows:

	December 31, 2023	December 31, 2022
Formosa Group (Cayman) Corp.	\$ 7,683,750	\$ 7,677,000
Formosa Taffeta (Zhong Shan) Co., Ltd.	-	15,355
Formosa Taffeta (Vietnam) Co., Ltd.	99,540	358,557
Formosa Taffeta (Changshu) Co., Ltd.	97,237	160,731
Formosa Taffeta (Dong Nai) Co., Ltd.	1,957,634	2,418,137
	<u>\$ 9,838,161</u>	<u>\$ 10,629,780</u>

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

- A. The Group's indirect investees, Formosa Ha Tinh (Cayman) Limited Co. and Formosa Ha Tinh Steel Corporation, were provided with a bank loan facility of USD 4,848,500 thousand and USD 2,453,500 thousand to meet the operation needs, respectively. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower will fulfill its obligation for repayment.
- B. The Group's consolidated entity, Formosa Industries Corp., was provided with a bank loan facility of USD 250,000 thousand 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 will fulfill its obligation for repayment.

C. The Group's indirect investees, Formosa Resources Corp., Formosa Steel IB Pty Ltd. and Formosa Resources Australia Pty Ltd., were provided with a bank loan facility of USD 430,000 thousand, USD 695,000 thousand and USD 550,000 thousand to meet the operation needs, respectively. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower will fulfill its obligation for repayment.

(5) Contingencies - litigation

A. Taiwan Cooperative Bank Co., Ltd. (hereinafter referred to as TCB) filed a civil lawsuit against the Group's subsidiary, Formosa Taffeta Co., Ltd. ("Formosa Taffeta") with the Taipei District Court in September 2019. TCB claimed that the former employees of Formosa Taffeta colluded with New Site Industries Inc. (hereinafter referred to as New Site) and New Brite Industries Inc. (hereinafter referred to as New Brite) to make false statements. TCB was misled with the fact that New Site and New Brite have accounts receivable due from Formosa Taffeta, causing damage to TCB. Therefore, TCB claimed that Formosa Taffeta should be liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. In its adjudication dated April 20, 2023, the Taipei District Court has rendered that New Site, New Brite, Formosa Taffeta and personnel involved in the case shall jointly compensate the plaintiff in the amount of NT\$290,657 thousand plus related interest. However, it should be noted that the first instance ruling did not fully consider several vital defenses raised by Formosa Taffeta and the case remains appealable. Formosa Taffeta will file an appeal within the legal period after receiving the judgement. The ultimate outcome and amount of the lawsuit cannot presently be determined. Formosa Taffeta has received a judgement on April 27, 2023. Consequently, Formosa Taffeta has filed an appeal within the legal timeframe and engaged a lawyer to submit a strong defense to protect its rights and interests.

B. DBS (Taiwan) Commercial Bank Co., Ltd. ("DBS") filed a civil lawsuit against the Group's subsidiaries, Formosa Taffeta Co., Ltd. ("Formosa Taffeta") and Formosa Taffeta Dong Nai Co., Ltd. ("Formosa Taffeta Dong Nai") with the Taipei District Court in September 2019. The former employees of Formosa Taffeta and Formosa Taffeta Dong Nai colluded with New Site Industries Inc. ("New Site") to make false statements. DBS was misled with the fact that New Site has accounts receivable due from Formosa Taffeta and Formosa Taffeta Dong Nai, causing damage to DBS. Therefore, DBS claimed that Formosa Taffeta and Formosa Taffeta Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. In its adjudication dated December 30, 2022, the Taipei District Court has rejected the claims filed by DBS. Consequently, DBS filed an appeal in January 2023. The ultimate outcome of the appeal and amount of the lawsuit cannot presently be determined. However, Formosa Taffeta and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect their rights and interests.

- C. O-Bank Co., Ltd. (“O-Bank”) filed a civil lawsuit against the Group’s subsidiaries, Formosa Taffeta Co., Ltd. (“Formosa Taffeta”) and Formosa Taffeta Dong Nai Co., Ltd. (“Formosa Taffeta Dong Nai”) with the Taipei District Court in February 2020. The former employees of Formosa Taffeta and Formosa Taffeta Dong Nai colluded with I Chin Young Inc. (“I Chin Young”) to make false statements. O-Bank was misled with the fact that I Chin Young has accounts receivable due from Formosa Taffeta and Formosa Taffeta Dong Nai, causing damage to O-Bank. Therefore, O-Bank claimed that Formosa Taffeta and Formosa Taffeta Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. In its adjudication dated February 10, 2023, the Taipei District Court has rejected the claims filed by O-Bank. O-bank has filed an appeal in accordance with related laws. The ultimate outcome of the appeal and amount of the lawsuit cannot presently be determined. However, Formosa Taffeta and Formosa Dong Nai have engaged lawyers to submit a strong defense to protect their rights and interests.
- D. Yuanta Commercial Bank Co., Ltd. (“YCB”) filed a criminal lawsuit with a supplementary civil action against the Group’s subsidiary, Formosa Taffeta Co., Ltd. (“Formosa Taffeta”) with the Taipei District Court in October 2020. The former employees of Formosa Taffeta colluded with Loomtech Industries Inc. (“Loomtech”) to make false statements. YCB was misled with the fact that Loomtech has accounts receivable due from Formosa Taffeta, causing damage to YCB. Therefore, YCB claimed that Formosa Taffeta should be liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. In its adjudication dated May 17, 2023, the Taipei District Court has rejected the claims filed by YCB. The said judgment became final on August 24, 2023.
- E. Taiwan Business Bank, Ltd. (“TBB”) filed criminal lawsuit with a supplementary civil action against the Group’s subsidiaries, Formosa Taffeta Co., Ltd. (“Formosa Taffeta”) and Formosa Taffeta Dong Nai Co., Ltd. (“Formosa Taffeta Dong Nai”). The former employees of Formosa Taffeta and Formosa Taffeta Dong Nai colluded with New Site Industries Inc. (“New Site”), New Brite Industries Inc. (“New Brite”) and I Chin Young Inc. (“I Chin Young”) to make false statements. TBB was misled with the fact that New Site, New Brite and I Chin Young has accounts receivable due from Formosa Taffeta and Formosa Taffeta Dong Nai, causing damage to TBB. Therefore, TBB claimed that Formosa Taffeta and Formosa Taffeta Dong Nai should be jointly and severally liable with the obligation of indemnity. However, this case arose purely as a result of the personal behavior of the former employee. As the case is still under trial proceedings, the ultimate outcome and amount of the lawsuit cannot presently be determined. However, Formosa Taffeta and Formosa Taffeta Dong Nai have engaged lawyers to submit a strong defense to protect their rights and interests.

10. Significant Disaster Loss

None.

# 11. Significant Events after the Balance Sheet Date

The Board of Directors has resolved the appropriations of 2023 earnings on March 8, 2024. Details are provided in Note 6(17)F.

# 12. Others

## (1) 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, 2023 is the same as that for the year ended December 31, 2022. As of December 31, 2023 and 2022, the Group's debt-to-capital ratio was 24% and 22%, respectively.

## (2) Financial instruments

### A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 1,641,598	\$ 1,797,262
Financial assets at fair value through other comprehensive income	151,372,912	144,079,751
Financial assets at amortised cost	<u>68,058,543</u>	<u>78,378,847</u>
	<u>\$ 221,073,053</u>	<u>\$ 224,255,860</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ 479	\$ 2,826
Financial liabilities at amortised cost	173,944,690	170,218,543
Lease liability	<u>983,254</u>	<u>970,053</u>
	<u>\$ 174,928,423</u>	<u>\$ 171,191,422</u>



Note: Financial assets measured at amortised cost include cash and cash equivalents, financial assets measured at amortised cost, accounts and notes receivable (including related parties), other receivables(including related parties), and refundable deposits. Financial liabilities measured at amortised cost include short-term borrowings, notes payable, accounts payable (including related parties), 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 (11).

**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 (11).

- 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, 2023				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 410,070		30.74	\$ 12,605,552
EUR : NTD	624,554		0.22	137,402
JPY : NTD	23,785		30.74	731,151
USD : VND	20,507		30.74	630,385
<u>Non-monetary items</u>				
RMB : NTD	\$ 14,260,478		4.34	\$ 61,890,475
USD : NTD	165,179		30.74	5,077,602
VND : NTD	5,169,342,905		0.0013	6,720,146
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 68,663		30.74	\$ 2,110,701
USD : VND	360,623		30.74	11,085,551
December 31, 2022				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 542,462		30.71	\$ 16,659,008
JPY : NTD	435,017		0.23	100,054
USD : RMB	23,785		30.71	730,437
USD : VND	26,173		30.71	803,773
EUR : NTD	4,211		32.70	137,700
<u>Non-monetary items</u>				
RMB : NTD	\$ 15,110,044		4.41	\$ 66,635,294
USD : NTD	168,160		30.71	5,164,194
VND : NTD	6,199,281,723		0.0013	8,059,066
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 31,784		30.71	\$ 976,087
USD : RMB	3,405		30.71	104,568
USD : VND	482,645		30.71	14,822,028

- v. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to (\$295,756) and \$2,203,087, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the year ended December 31, 2023				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	126,056	\$ -
EUR : NTD	1%		1,374	-
JPY : NTD	1%		7,312	-
USD : VND	1%		6,304	-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$	-	\$ 618,905
USD : NTD	1%		-	50,776
VND : NTD	1%		-	67,201
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	21,107	\$ -
USD : VND	1%		110,856	-
For the year ended December 31, 2022				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	166,590	\$ -
JPY : NTD	1%		1,001	-
USD : RMB	1%		7,304	-
USD : VND	1%		8,038	-
EUR : NTD	1%		1,377	-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$	-	\$ 666,353
USD : NTD	1%		-	51,642
VND : NTD	1%		-	80,591
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	9,761	\$ -
USD : RMB	1%		1,046	-
USD : VND	1%		148,220	-

### 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, 2023 and 2022 would have increased/decreased by \$13,133 and \$14,378, 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 \$1,513,729 and \$1,440,798, 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, 2023 and 2022, 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, 2023 and 2022, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years then ended would have been \$335,417 and \$198,107 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, 2023 and 2022, the Group's written-off financial assets that are still under recourse procedures amounted to \$4,924 and \$4,924, 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. As of December 31, 2023 and 2022, 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, 2023</u>				
Expected loss rate	0.03%~1.00%	0.03%~10.00%	0.03%~72.00%	51.19%~100.00%
Total book value	\$ 27,682,855	\$ 184,298	\$ 110,148	\$ 130,609
Loss allowance	\$ 38,851	\$ 3,368	\$ 4,205	\$ 84,565
<u>At December 31, 2022</u>				
Expected loss rate	0.14%~1.00%	0.10%~13.00%	0.09%~47.00%	100%
Total book value	\$ 29,695,671	\$ 414,021	\$ 43,932	\$ 57,494
Loss allowance	\$ 73,388	\$ 8,807	\$ 11,853	\$ 57,494

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 27,682,855	\$ 29,695,671
Up to 30 days	184,298	414,021
31 to 90 days	110,148	43,932
91 to 180 days	130,609	57,494
Over 181 days	-	-
	<u>\$ 28,107,910</u>	<u>\$ 30,211,118</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, 2023			
	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 151,542	\$ -	\$ -
Reversal of impairment loss	( 20,391)	-	-
Effect of exchange rate changes	314	-	-
At December 31	<u>\$ 131,465</u>	<u>\$ -</u>	<u>\$ -</u>
For the year ended December 31, 2022			
	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 155,526	\$ -	\$ -
Write-offs	( 4,924)	-	-
Effect of exchange rate changes	940	-	-
At December 31	<u>\$ 151,542</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, 2023</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	\$ 214,477	\$ 198,426	\$ 486,612	\$ 516,450
Bonds payable	3,800,000	10,950,000	21,350,000	4,550,000
Long-term borrowings	3,075,105	26,496,747	9,258,833	3,096,456

Non-derivative financial liabilities:

<u>December 31, 2022</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	\$ 183,105	\$ 158,662	\$ 386,184	\$ 408,013
Bonds payable	4,850,000	3,800,000	27,650,000	9,200,000
Long-term borrowings	6,195,140	15,649,277	1,795,549	1,123,453

Except for the aforementioned liabilities, the Group's non-derivative financial liabilities will mature within one year.

Derivative financial liabilities:

<u>December 31, 2023</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	\$ 479	\$ -	\$ -	\$ -

Derivative financial liabilities:

<u>December 31, 2022</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	\$ 2,826	\$ -	\$ -	\$ -

- 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.

(3) 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, 2023</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	\$ -	\$ 1,641,598	\$ -	\$ 1,641,598
Financial assets at fair value through other comprehensive income				
Equity securities	<u>123,496,168</u>	<u>2,484,122</u>	<u>25,392,622</u>	<u>151,372,912</u>
	<u>\$ 123,496,168</u>	<u>\$ 4,125,720</u>	<u>\$ 25,392,622</u>	<u>\$ 153,014,510</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 479</u>	<u>\$ -</u>	<u>\$ 479</u>



<u>December 31, 2022</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				
Fund	\$ -	\$ 1,797,262	\$ -	\$ 1,797,262
Financial assets at fair value through other comprehensive income				
Equity securities	<u>119,848,002</u>	<u>2,451,596</u>	<u>21,780,153</u>	<u>144,079,751</u>
	<u>\$ 119,848,002</u>	<u>\$ 4,248,858</u>	<u>\$ 21,780,153</u>	<u>\$ 145,877,013</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
	<u>\$ -</u>	<u>\$ 2,826</u>	<u>\$ -</u>	<u>\$ 2,826</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, 2023 and 2022, 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, 2023 and 2022:

	For the year ended December 31, 2023	
	Non-derivative equity instrument	
At January 1	\$	21,780,153
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		3,596,870
Acquired during the year		25,560
Sold during the year	(	3,113)
Proceeds from capital reduction	(	6,848)
At December 31	\$	<u>25,392,622</u>

	For the year ended December 31, 2022	
	Non-derivative equity instrument	
At January 1	\$	36,813,499
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	(	15,028,594)
Sold during the year	(	502)
Proceeds from capital reduction	(	4,250)
At December 31	\$	21,780,153

G. For the years ended December 31, 2023 and 2022, 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, 2023	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non- derivative equity instrument:						
Unlisted shares	\$	14,864,421	\$ 11,909,013	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
		1,338,551	1,712,563	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
		9,189,650	8,158,577	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, 2023	
			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%	\$ 148,644	\$ 148,644
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%	\$ 13,386	\$ 13,386
			December 31, 2022	
			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%	\$ 119,090	\$ 119,090
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%	\$ 17,126	\$ 17,126

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): 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: Refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Notes 6(2), and (11); 12(2) and (3).
- J. Significant intragroup transactions during the reporting periods: Refer to table 7.

#### (2) Information on investees

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

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

- A. Basic information: Refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 10.

#### (4) Major shareholders information

Major shareholders information: Refer to table 11.

#### 14. Segment Information

##### (1) General information

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

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

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

3rd Petrochemical Div: 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.

Green Energy Division: responsible for solar energy and small hydropower generation.

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

The Group has not yet amortised tax expenses or non-recurring gains and losses to reportable segments. Further, 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, 2023									
	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div	Plastics Division	Formosa Taffeta Co., Ltd.	Green Energy Division	Other divisions	Reconciliation and offset	Total
External revenue	\$ 61,480,584	\$ 62,904,854	\$ 61,698,136	\$ 85,179,719	\$ 21,788,427	\$ 126,918	\$ 39,440,895	\$ -	\$ 332,619,533
Internal revenue	78,472,929	19,474,539	2,576,848	10,152,221	222,652	50,544	16,208,261	( 127,157,994)	-
Total revenue	<u>\$ 139,953,513</u>	<u>\$ 82,379,393</u>	<u>\$ 64,274,984</u>	<u>\$ 95,331,940</u>	<u>\$ 22,011,079</u>	<u>\$ 177,462</u>	<u>\$ 55,649,156</u>	<u>(\$ 127,157,994)</u>	<u>\$ 332,619,533</u>
Segment profit (loss)	<u>\$ 5,430,461</u>	<u>(\$ 2,788,933)</u>	<u>(\$ 1,955,609)</u>	<u>(\$ 2,749,051)</u>	<u>\$ 486,507</u>	<u>\$ 31,573</u>	<u>\$ 5,967,944</u>	<u>\$ 2,963,596</u>	<u>\$ 7,386,488</u>
Segment profit (loss):									
Total depreciation and amortisation	<u>\$ 3,381,998</u>	<u>\$ 2,471,663</u>	<u>\$ 3,520,143</u>	<u>\$ 2,285,627</u>	<u>\$ 797,060</u>	<u>\$ 16,764</u>	<u>\$ 4,990,441</u>	<u>\$ -</u>	<u>\$ 17,463,696</u>
Interest expense	<u>\$ 289,884</u>	<u>\$ 267,880</u>	<u>\$ 344,737</u>	<u>\$ 423,704</u>	<u>\$ 199,493</u>	<u>\$ 63</u>	<u>\$ 1,493,293</u>	<u>\$ -</u>	<u>\$ 3,019,054</u>
Investment income accounted for using equity method									<u>\$ 6,920,993</u>
Not included in segments' income measurement, but regularly provided to operating decision-maker:									
Income tax expense									<u>(\$ 318,454)</u>
Total assets of segments	<u>\$ 42,169,183</u>	<u>\$ 32,567,747</u>	<u>\$ 43,647,821</u>	<u>\$ 56,540,508</u>	<u>\$ 68,515,082</u>	<u>\$ 212,612</u>	<u>\$ 425,352,372</u>	<u>(\$ 103,134,957)</u>	<u>\$ 565,870,368</u>



For the year ended December 31, 2022

	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div	Plastics Division	Formosa Taffeta Co., Ltd.	Other divisions	Reconciliation and offset	Total
External revenue	\$ 63,770,358	\$ 61,024,864	\$ 73,410,749	\$ 101,312,630	\$ 25,977,787	\$ 54,400,175	\$ -	\$ 379,896,563
Internal revenue	95,434,785	27,163,750	3,581,984	18,222,673	204,781	18,344,531	( 162,952,504)	-
Total revenue	<u>\$ 159,205,143</u>	<u>\$ 88,188,614</u>	<u>\$ 76,992,733</u>	<u>\$ 119,535,303</u>	<u>\$ 26,182,568</u>	<u>\$ 72,744,706</u>	<u>(\$ 162,952,504)</u>	<u>\$ 379,896,563</u>
Segment profit (loss)	<u>\$ 417,199</u>	<u>(\$ 2,187,215)</u>	<u>\$ 286,032</u>	<u>(\$ 661,373)</u>	<u>\$ 3,643,302</u>	<u>\$ 8,582,536</u>	<u>(\$ 490,898)</u>	<u>\$ 9,589,583</u>
Segment profit (loss):								
Total depreciation and amortisation	<u>\$ 4,284,436</u>	<u>\$ 3,315,171</u>	<u>\$ 3,268,576</u>	<u>\$ 2,489,879</u>	<u>\$ 787,276</u>	<u>\$ 4,318,872</u>	<u>\$ -</u>	<u>\$ 18,464,210</u>
Interest expense	<u>\$ 226,944</u>	<u>\$ 165,829</u>	<u>\$ 107,959</u>	<u>\$ 248,733</u>	<u>\$ 123,143</u>	<u>\$ 925,036</u>	<u>\$ -</u>	<u>\$ 1,797,644</u>
Investment income accounted for using equity method								<u>\$ 2,267,537</u>
Not included in segments' income measurement, but regularly provided to operating decision-maker:								
Income tax expense								<u>\$ 385,722</u>
Total assets of segments	<u>\$ 36,804,840</u>	<u>\$ 31,598,482</u>	<u>\$ 47,374,534</u>	<u>\$ 49,841,854</u>	<u>\$ 71,398,953</u>	<u>\$ 429,498,685</u>	<u>(\$ 110,971,052)</u>	<u>\$ 555,546,296</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,	
	2023	2022
Sales revenue	\$ 331,797,718	\$ 379,010,979
Service revenue	516,515	534,344
Other operating income	305,300	351,240
	<u>\$ 332,619,533</u>	<u>\$ 379,896,563</u>

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 119,157,401	\$ 80,347,185	\$ 133,152,762	\$ 78,314,097
China	160,814,966	56,425,302	179,427,122	54,357,655
Others	52,647,166	23,233,157	67,316,679	22,784,368
	<u>\$ 332,619,533</u>	<u>\$ 160,005,644</u>	<u>\$ 379,896,563</u>	<u>\$ 155,456,120</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, 2023 and 2022: None.

**FORMOSA CHEMICALS & FIBRE  
CORPORATION**  
**PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS’  
REPORT**  
**DECEMBER 31, 2023 AND 2022**

---

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

### INDEX

Items	Pages
Index	
Independent Auditors' Report	337-342
Parent Company Only Balance Sheets	343-344
Parent Company Only Statements of Comprehensive Income	345-346
Parent Company Only Statements of Changes in Equity	347
Parent Company Only Statements of Cash Flows	348-349
Notes to Parent Company Only Financial Statements	350-413

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000449

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 (the “Company”) as at December 31, 2023 and 2022, 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 material 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 the Company as at December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company 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 Company's 2023 parent company only financial statements. 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.

Key audit matters for the Company's 2023 parent company only financial statements are stated as follows:

#### **Assessment of loss allowance for accounts receivable**

##### Description

Refer to Note 4(10) 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, 2023, the Company's accounts receivable amounted to NT\$18,517,986 thousand, net of loss allowance in the amount of NT\$66,840 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 considered 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 indicators that would show that 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(12) 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, 2023, the inventory and allowance for inventory valuation losses were NT\$20,417,319 thousand and NT\$881,660 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. Obtained an understanding of 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. These investments accounted for under the equity method amounted to NT\$121,180,477 thousand and NT\$112,548,005 thousand, constituting 27% and 25% of total assets as of December 31, 2023 and 2022, respectively, and comprehensive income (loss) was NT\$9,800,832 thousand and (NT\$4,470,574) thousand, constituting 52% and 12% of total comprehensive income (loss) 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and 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.

Juanlu, Man-Yu

Wu, Han-Chi

for and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2024

-----  
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**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	4(2) and 6(1)	\$	1,848,039	-	\$	11,634,474	3
1110	Financial assets at fair value through profit or loss - current	6(2)		1,641,598	-		1,562,719	
1120	Current financial assets at fair value through other comprehensive income	6(3)		94,639,552	21		91,204,762	21
1150	Notes receivable, net	6(4)		150,012	-		198,376	-
1160	Notes receivable - related parties	6(4) and 7		122,578	-		186,163	-
1170	Accounts receivable, net	6(4)		7,278,874	2		6,517,260	1
1180	Accounts receivable - related parties	6(4) and 7		11,239,112	3		10,853,824	2
1200	Other receivables	7		1,211,760	-		1,332,436	-
1210	Other receivables - related parties	7		3,077,427	1		2,758,252	1
130X	Inventory	6(5)		19,535,659	4		19,172,462	4
1470	Other current assets			5,312,327	1		3,820,291	1
11XX	Total current assets			146,056,938	32		149,241,019	33
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		23,244,057	5		19,828,417	5
1550	Investments accounted for under equity method	6(6)		212,740,157	47		209,725,866	47
1600	Property, plant and equipment	6(7) and 8		62,096,791	14		58,282,675	13
1755	Right-of-use assets	6(8)		14,817	-		23,502	-
1840	Deferred income tax assets	6(24)		1,911,776	-		1,585,212	-
1900	Other non-current assets	4(2) and 6(1)		6,819,918	2		7,096,790	2
15XX	Total non-current assets			306,827,516	68		296,542,462	67
1XXX	Total assets		\$	452,884,454	100	\$	445,783,481	100

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 10,404,900	2	\$ 10,300,000	2
2110	Short-term notes and bills payable	6(9)	26,780,338	6	31,596,955	7
2170	Accounts payable		2,565,099	1	1,481,060	-
2180	Accounts payable - related parties	7	9,674,925	2	12,934,223	3
2200	Other payables	7	5,185,834	1	6,640,301	2
2230	Current income tax liabilities		67,451	-	100,396	-
2280	Current lease liabilities		1,922	-	5,732	-
2320	Long-term liabilities, current portion	6(10)(11)	5,300,000	1	6,850,000	2
2399	Other current liabilities		1,871,309	1	2,185,430	-
21XX	Total current liabilities		61,851,778	14	72,094,097	16
Non-current liabilities						
2530	Corporate bonds payable	6(10)	36,850,000	8	40,650,000	9
2540	Long-term borrowings	6(11)	11,000,000	2	2,500,000	1
2570	Deferred income tax liabilities	6(24)	15,863	-	32,029	-
2580	Non-current lease liabilities		13,412	-	18,247	-
2600	Other non-current liabilities	6(12)	3,894,877	1	4,362,367	1
25XX	Total non-current liabilities		51,774,152	11	47,562,643	11
2XXX	Total liabilities		113,625,930	25	119,656,740	27
Equity						
	Share capital	6(13)				
3110	Common stock		58,611,863	13	58,611,863	13
	Capital surplus	6(14)				
3200	Capital surplus		9,272,140	2	9,246,656	2
	Retained earnings	6(15)				
3310	Legal reserve		70,997,369	16	70,224,189	16
3320	Special reserve		76,602,492	17	76,461,277	17
3350	Unappropriated retained earnings		43,627,704	10	41,405,257	9
	Other equity interest	6(16)				
3400	Other equity interest		80,470,908	17	70,501,451	16
3500	Treasury stocks	6(13)	( 323,952)	-	( 323,952)	-
3XXX	Total equity		339,258,524	75	326,126,741	73
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 452,884,454	100	\$ 445,783,481	100

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

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

			Years ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7		\$ 212,980,107	100	\$ 247,351,121	100
5000 Operating costs	6(5)(22)(23) and 7		( 204,681,055)	( 96)	( 243,357,386)	( 98)
5900 Net operating margin			8,299,052	4	3,993,735	2
5910 Unrealized profit from sales			( 79,152)	-	( 42,925)	-
5920 Realized profit from sales			42,925	-	325,044	-
5950 Net operating margin			8,262,825	4	4,275,854	2
Operating expenses	6(12)(22)(23) and 7					
6100 Selling expenses			( 4,118,667)	( 2)	( 6,750,734)	( 3)
6200 General and administrative expenses			( 3,515,237)	( 2)	( 3,712,064)	( 1)
6000 Total operating expenses			( 7,633,904)	( 4)	( 10,462,798)	( 4)
6900 Operating profit (loss)			628,921	-	( 6,186,944)	( 2)
Non-operating income and expenses						
7100 Interest income	6(18) and 7		155,356	-	88,113	-
7010 Other income	6(19) and 7		5,017,528	2	9,659,746	4
7020 Other gains and losses	6(20)		180,477	-	2,602,241	1
7050 Finance costs	6(7)(21) and 7		( 1,303,800)	-	( 1,017,942)	( 1)
7070 Share of profit of associates and joint ventures accounted for under equity method	6(6)		4,028,695	2	2,057,411	1
7000 Total non-operating income and expenses			8,078,256	4	13,389,569	5
7900 Profit before income tax			8,707,177	4	7,202,625	3
7950 Income tax (expense) benefit	6(24)		( 158,659)	-	156,906	-
8200 Profit for the year			\$ 8,548,518	4	\$ 7,359,531	3

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

	Items	Notes	Years ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
	<b>Other comprehensive income (loss) (net)</b>					
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311	Actuarial gains on defined benefit plan	6(12)	\$ 24,079	-	\$ 294,190	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(16)	6,857,278	3	( 36,116,309)	( 14)
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		4,270,130	2	( 11,602,079)	( 5)
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		11,151,487	5	( 47,424,198)	( 19)
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Exchange differences on translation	6(16)	( 1,156,093)	-	1,549,826	-
8380	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(16)	( 106,233)	-	2,110,713	1
8399	Income tax relating to the components of other comprehensive income	6(16)(24)	236,747	-	( 359,626)	-
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		( 1,025,579)	-	3,300,913	1
8300	<b>Other comprehensive income (loss) for the year</b>		\$ 10,125,908	5	( \$ 44,123,285)	( 18)
8500	<b>Total comprehensive income (loss) for the year</b>		\$ 18,674,426	9	( \$ 36,763,754)	( 15)
	<b>Basic earnings per share (in dollars)</b>	6(25)	Before Tax	After Tax	Before Tax	After Tax
9750	<b>Net income</b>		\$ 1.49	\$ 1.46	\$ 1.23	\$ 1.26
	<b>Assuming shares held by subsidiary are not deemed as treasury stock:</b>					
	Basic earnings per share (in dollars)					
	<b>Net income</b>		\$ 1.49	\$ 1.46	\$ 1.23	\$ 1.26

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  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

		Retained Earnings					Other Equity Interest						
		Share capital - common stock	Capital surplus	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	Revaluation surplus	Treasury stocks	Total	
Notes													
<u>Year ended December 31, 2022</u>													
Balance at January 1, 2022		\$ 58,611,863	\$ 9,192,999	\$ 66,313,982	\$ 70,032,921	\$ 72,145,718	(\$ 6,240,670 )	\$ 121,228,401	\$ 9,270	\$ -	(\$ 323,952 )	\$ 390,970,532	
Profit for the year		-	-	-	-	7,359,531	-	-	-	-	-	7,359,531	
Other comprehensive income (loss) for the year		6(16)	-	-	-	412,469	3,310,023	( 48,839,050 )	( 9,110 )	1,002,383	-	( 44,123,285 )	
Total comprehensive income (loss)			-	-	-	7,772,000	3,310,023	( 48,839,050 )	( 9,110 )	1,002,383	-	( 36,763,754 )	
Appropriations of 2021 earnings		6(15)											
Legal reserve			-	3,910,207	-	( 3,910,207 )	-	-	-	-	-	-	
Special reserve			-	-	6,428,356	( 6,428,356 )	-	-	-	-	-	-	
Cash dividends			-	-	-	( 28,133,694 )	-	-	-	-	-	( 28,133,694 )	
Dividends paid to subsidiaries to adjust capital surplus		6(14)	-	21,847	-	-	-	-	-	-	-	21,847	
Changes in the net interest of associates recognised under the equity method		6(14)	-	145	-	2,428	-	( 2,428 )	-	-	-	145	
Expired cash dividends reclassified to capital surplus		6(14)	-	18,555	-	-	-	-	-	-	-	18,555	
Expired dividends paid from capital surplus		6(14)	-	( 715 )	-	-	-	-	-	-	-	( 715 )	
Changes in ownership interests in subsidiaries		6(14)	-	13,825	-	-	-	-	-	-	-	13,825	
Disposal of investments in equity instruments designated at fair value through other comprehensive income		6(16)	-	-	-	( 42,632 )	-	42,632	-	-	-	-	
Balance at December 31, 2022			\$ 58,611,863	\$ 9,246,656	\$ 70,224,189	\$ 76,461,277	(\$ 2,930,647 )	\$ 72,429,555	\$ 160	\$ 1,002,383	(\$ 323,952 )	\$ 326,126,741	
<u>Year ended December 31, 2023</u>													
Balance at January 1, 2023			\$ 58,611,863	\$ 9,246,656	\$ 70,224,189	\$ 76,461,277	(\$ 2,930,647 )	\$ 72,429,555	\$ 160	\$ 1,002,383	(\$ 323,952 )	\$ 326,126,741	
Profit for the year			-	-	-	8,548,518	-	-	-	-	-	8,548,518	
Other comprehensive income (loss) for the year		6(16)	-	-	-	134,088	( 1,033,854 )	11,017,399	8,275	-	-	10,125,908	
Total comprehensive income (loss)			-	-	-	8,682,606	( 1,033,854 )	11,017,399	8,275	-	-	18,674,426	
Appropriations of 2022 earnings		6(15)											
Legal reserve			-	773,180	-	( 773,180 )	-	-	-	-	-	-	
Special reserve			-	-	141,215	( 141,215 )	-	-	-	-	-	-	
Cash dividends			-	-	-	( 5,568,127 )	-	-	-	-	-	( 5,568,127 )	
Dividends paid to subsidiaries to adjust capital surplus		6(14)	-	4,324	-	-	-	-	-	-	-	4,324	
Changes in the net interest of associates recognised under the equity method		6(14)	-	180	-	22,725	-	( 22,725 )	-	-	-	180	
Expired cash dividends reclassified to capital surplus		6(14)	-	22,168	-	-	-	-	-	-	-	22,168	
Expired dividends paid from capital surplus		6(14)	-	( 1,873 )	-	-	-	-	-	-	-	( 1,873 )	
Changes in ownership interests in subsidiaries		6(14)	-	685	-	-	-	-	-	-	-	685	
Disposal of investments in equity instruments designated at fair value through other comprehensive income		6(16)	-	-	-	( 362 )	-	362	-	-	-	-	
Balance at December 31, 2023			\$ 58,611,863	\$ 9,272,140	\$ 70,997,369	\$ 76,602,492	(\$ 3,964,501 )	\$ 83,424,591	\$ 8,435	\$ 1,002,383	(\$ 323,952 )	\$ 339,258,524	

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

**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 8,707,177	\$ 7,202,625
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(22)	5,586,348	6,368,522
Amortization	6(22)	3,300,506	3,406,195
Net gain on financial assets and liabilities at fair value through profit or loss	6(20)	( 78,879 )	( 192,014 )
Interest expense	6(21)	1,303,800	1,017,942
Interest income	6(18)	( 155,356 )	( 88,113 )
Dividend income	6(19)	( 4,479,258 )	( 8,958,243 )
Share of profit or loss of associates accounted for under the equity method	6(6)	( 4,028,695 )	( 2,057,411 )
Gain on reversal of impairment loss on property, plant and equipment	6(7)(20)	( 86,002 )	-
Loss on disposal and scrap of property, plant and equipment	6(20)	27,904	59,283
Realised (unrealised) gain from sales		36,227	( 282,119 )
Gain on lease modification	6(20)	( 353 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		48,364	59,772
Notes receivable-related parties		63,585	132,230
Accounts receivable		( 761,614 )	987,656
Accounts receivable-related parties		( 385,288 )	6,764,105
Other receivables		118,871	( 70,781 )
Inventory		( 363,197 )	1,866,839
Other current assets		( 1,492,036 )	263,900
Changes in operating liabilities			
Accounts payable		1,084,039	103,584
Accounts payable-related parties		( 3,259,298 )	( 3,088,064 )
Other payables		( 1,737,391 )	( 651,920 )
Other current liabilities		( 314,121 )	( 410,714 )
Accrued pension liabilities		( 419,235 )	( 368,841 )
Cash inflow generated from operations		2,716,098	12,064,433
Interest received		155,361	82,807
Dividends received		10,371,855	23,014,316
Interest paid		( 1,324,001 )	( 1,021,203 )
Income tax paid		( 297,587 )	( 3,547,411 )
Net cash flows from operating activities		<u>11,621,726</u>	<u>30,592,942</u>

(Continued)



**FORMOSA CHEMICALS & FIBRE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2023	2022
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in other receivables-related parties		(\$ 319,175 )	(\$ 59,559 )
Proceeds from disposal of financial assets at fair value through profit or loss		-	2,422,330
Shares returned from reduction in financial assets at fair value through other comprehensive income		6,848	4,250
Acquisition of investments accounted for under the equity method		( 1,899,625 )	( 851,531 )
Acquisition of property, plant and equipment	6(26)	( 9,184,334 )	( 8,017,299 )
Proceeds from disposal of property, plant and equipment		122,926	31,012
Increase in other non-current assets		( 2,994,038 )	( 3,590,809 )
Decrease (increase) in guarantee deposits paid		37,202	( 15,663 )
Net cash flows used in investing activities		( 14,230,196 )	( 10,077,269 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		104,900	1,415,700
(Decrease) increase in short-term notes and bills payable		( 4,816,617 )	14,100,271
Increase in long-term borrowings		11,000,000	5,500,000
Payment of long-term borrowings		( 3,000,000 )	( 1,000,000 )
Payment of corporate bonds payable		( 4,850,000 )	( 4,550,000 )
Payment of lease liabilities		( 4,763 )	( 5,735 )
(Decrease) increase in other non-current liabilities		( 24,176 )	7,105
Payment of cash dividends	6(26)	( 5,585,436 )	( 28,130,157 )
Expired dividends paid from capital surplus	6(14)	( 1,873 )	( 715 )
Net cash flows used in financing activities		( 7,177,965 )	( 12,663,531 )
Net (decrease) increase in cash and cash equivalents		( 9,786,435 )	7,852,142
Cash and cash equivalents at beginning of year		11,634,474	3,782,332
Cash and cash equivalents at end of year		<u>\$ 1,848,039</u>	<u>\$ 11,634,474</u>

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

FORMOSA CHEMICALS & FIBRE CORPORATION  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

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 8, 2024.

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<sup>®</sup>") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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 IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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 Material 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 have been prepared by the Company in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) The reason and effect of financial statements reclassifications

A. The nature and reason of reclassifications

On December 31, 2022 and January 1, 2022, the capital originally repatriated by the Company and deposited into a special account as a result of applying “The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act” amounting to US \$35,795 thousand (equivalent to NT \$1,110,280 thousand) and US \$35,795 thousand (equivalent to NT \$991,166 thousand), respectively, which failed to meet the definition of cash and cash equivalents under IAS 7, ‘Statement of Cash Flows’ due to the restrictions under “The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act” were classified as other financial assets. However, according to IFRS Q&A amended by the competent authority on January 5, 2024, the restriction from the Act did not change the nature of deposits, and entities can ask to withdraw the deposit, therefore, the deposit should be listed in cash and cash equivalents. Accordingly, the Company reclassified the undrawn amount of the special account which was repatriated in accordance with “The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act” as cash and cash equivalent.

B. The reclassified amount for each item or item category:

The parent company only balance sheet

Affected items	December 31, 2022		
	Before reclassification	Reclassified amount	After reclassification
Cash and cash equivalents	\$ 10,524,194	\$ 1,110,280	\$ 11,634,474
Other non-current assets, others	8,207,070	( 1,110,280)	7,096,790
Affected items	January 1, 2022		
	Before reclassification	Reclassified amount	After reclassification
Cash and cash equivalents	\$ 2,791,166	\$ 991,166	\$ 3,782,332
Other non-current assets, others	7,888,369	( 991,166)	6,897,203

The parent company only statement of cash flows

Affected items	For the year ended December 31, 2022		
	Before reclassification	Reclassified amount	After reclassification
Increase in other non-current assets	(\$ 3,709,923)	\$ 119,114	(\$ 3,590,809)
Increase in cash and cash equivalents for the year	7,733,028	119,114	7,852,142
Cash and cash equivalents at beginning of the year	2,791,166	991,166	3,782,332
Cash and cash equivalents at end of the year	10,524,194	1,110,280	11,634,474

(3) 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.

(4) 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.

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

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

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

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

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the 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.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the 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.

(9) 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.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income including accounts receivable or contract assets that have a significant financing component, at each reporting date, the 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.

(11) 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.



(12) Inventories

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

(13) Investments accounted for using equity method/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.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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:

Land Improvements	10 years
Buildings	15 ~ 50 years
Machinery and equipment	5 ~ 15 years
Transportation equipment	3 ~ 15 years
Other equipment	3 ~ 15 years

(15) 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.

#### (16) 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.

(17) Borrowings

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

(18) Notes and accounts payable

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

(19) 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.

(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

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, 2023, the carrying amount of inventories was \$19,535,659.



## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 179	\$ 315
Checking accounts and demand deposits	1,847,860	4,275,782
Cash equivalents		
Commercial papers	-	4,733,977
Bonds with resale agreement	-	2,624,400
	<u>\$ 1,848,039</u>	<u>\$ 11,634,474</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, 2023 and 2022, the Company did not recognise any loss allowance.

B. The Company repatriated the capital in the amount of USD 35,795 thousand in accordance with “The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act” in June 2021. As of December 31, 2023, the undrawn capital amounted to NTD 652,930 thousand, which was restricted under the “The Management, Utilisation, and Taxation of Repatriated Offshore Funds Act”. However, according to IFRS Q&A amended by the competent authority on January 5, 2024, the restriction from the Act did not change the nature of deposits, therefore, the capital was still listed in ‘cash and cash equivalent’. As of December 31, 2022 and January 1, 2022, the comparable amount prepared due to the reclassification in accordance with the related regulations is provided in Note 4(2).

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current item:		
Financial assets mandatorily measured at fair value through profit or loss		
Fund	\$ 1,491,063	\$ 1,491,063
Valuation adjustment	150,535	71,656
Total	<u>\$ 1,641,598</u>	<u>\$ 1,562,719</u>

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Fund	<u>\$ 78,879</u>	<u>\$ 192,014</u>

- 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(2).

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Equity instruments		
Listed stocks	\$ 23,864,654	\$ 23,864,654
Unlisted stocks	725,839	725,839
Valuation adjustment	70,049,059	66,614,269
	<u>\$ 94,639,552</u>	<u>\$ 91,204,762</u>
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 20,177,405	\$ 20,184,253
Valuation adjustment	3,066,652	(355,836)
	<u>\$ 23,244,057</u>	<u>\$ 19,828,417</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:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 6,857,278</u>	<u>(\$ 36,116,309)</u>

- B. As at December 31, 2023 and 2022, 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 \$117,883,609 and \$111,033,179, 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(2).

(4) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 150,012	\$ 198,376
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 150,012</u>	<u>\$ 198,376</u>
Notes receivable - related parties	<u>\$ 122,578</u>	<u>\$ 186,163</u>
Accounts receivable	\$ 7,345,714	\$ 6,584,412
Less: Allowance for uncollectible accounts	( 66,840)	( 67,152)
	<u>\$ 7,278,874</u>	<u>\$ 6,517,260</u>
Accounts receivable - related parties	<u>\$ 11,239,112</u>	<u>\$ 10,853,824</u>

A. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$25,771,462.

B. As at December 31, 2023 and 2022, 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 \$272,590 and \$384,539 and accounts receivable were \$18,517,986 and \$17,371,084, respectively.

C. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 7,549,112	(\$ 45,470)	\$ 7,503,642
Supplies	3,573,669	( 644,231)	2,929,438
Work in progress	2,642,197	( 82,326)	2,559,871
Finished goods	6,646,875	( 109,633)	6,537,242
Other inventory	5,466	-	5,466
	<u>\$ 20,417,319</u>	<u>(\$ 881,660)</u>	<u>\$ 19,535,659</u>
December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 7,799,563	(\$ 218,780)	\$ 7,580,783
Supplies	3,626,399	( 596,417)	3,029,982
Work in progress	2,675,454	( 149,410)	2,526,044
Finished goods	6,291,849	( 276,707)	6,015,142
Other inventory	20,511	-	20,511
	<u>\$ 20,413,776</u>	<u>(\$ 1,241,314)</u>	<u>\$ 19,172,462</u>

Expense and loss incurred on inventories for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Cost of inventories sold	\$ 202,364,181	\$ 240,893,193
(Gain) loss on inventory valuation (Note)	( 359,654)	265,496
Idle capacity (including annual survey and work stoppage)	2,662,609	2,171,631
Others	13,919	27,066
	<u>\$ 204,681,055</u>	<u>\$ 243,357,386</u>

Note: For the year ended December 31, 2023, disposal of excess inventory resulted in gain from price recovery of inventory.

(6) Investments accounted for using equity method

	December 31, 2023	December 31, 2022
<b>Subsidiaries</b>		
FCFC Investment Corp. (Cayman)	\$ 61,816,990	\$ 66,631,431
Formosa Taffeta Co., Ltd.	19,896,366	20,429,118
Formosa Industries Corp., Vietnam	5,312,398	6,495,225
Formosa Idemitsu Petrochemical Corp.	1,148,552	1,147,046
Formosa INEOS Chemicals Corp.	2,135,486	2,645,680
Formosa Biomedical Technology Corp.	2,770,766	2,903,755
Formosa Carpet Corp.	180,484	180,575
Chia-Nan Enterprise Corp.	330,975	352,189
Formosa Green Power Corp.	4,878	4,911
<b>Associates</b>		
Formosa Petrochemical Corp.	81,037,549	75,322,255
Mai Liao Power Corp.	13,803,883	9,767,776
Formosa Heavy Industries Corp.	6,775,494	7,262,143
Formosa Resource Corp.	7,714,129	7,703,818
Formosa Synthetic Rubber Corp. (Hong Kong)	1,656,499	1,851,242
FG INC.	3,306,098	3,313,454
Formosa Plastics Transport Corp.	1,278,023	1,251,101
Formosa Group (CAYMAN) Corp.	835,318	766,965
Formosa Environmental Technology Corp.	234,986	231,886
Formosa Fairway Corp.	5,572	23,479
Formosa Plastics Construction Corp.	1,051,551	565,507
Formosa Smart Energy Tech Corp.	1,384,277	800,799
Hwa Ya Science Park Management Consulting Co., Ltd.	4,299	4,140
Guo Su Plastic Industry Co., Ltd.	55,584	71,371
	<u>\$ 212,740,157</u>	<u>\$ 209,725,866</u>

- A. The related information on subsidiaries is provided in Note 4(3) of consolidated financial statements for 2023.
- B. The investments accounted for using equity method were based on the investees' audited financial statements for the corresponding periods. The share of profit of subsidiaries and associates accounted for under equity method amounted to \$4,028,695 and \$2,057,411 for the years ended December 31, 2023 and 2022, respectively.
- C. The financial information of the associate that is material to the Company is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2023	December 31, 2022		
Formosa Petrochemical Corp.	Taiwan	24.15%	24.15%	Investments accounted for using equity method	Equity method

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

Balance Sheet

	Formosa Petrochemical Corp.	
	December 31, 2023	December 31, 2022
Current assets	\$ 252,790,537	\$ 262,757,723
Non-current assets	153,763,295	148,710,566
Current liabilities	( 43,165,010)	( 68,174,244)
Non-current liabilities	( 27,054,537)	( 30,805,611)
Total net assets	<u>\$ 336,334,285</u>	<u>\$ 312,488,434</u>
Share in associate's net assets	\$ 81,224,730	\$ 75,465,956
Unrealised gain from sales of upstream transactions eliminations	( 76,462)	( 32,982)
Net differences in share capital	( 110,719)	( 110,719)
Carrying amount of the associate	<u>\$ 81,037,549</u>	<u>\$ 75,322,255</u>

Statement of comprehensive income

	Formosa Petrochemical Corp.	
	For the years ended December 31,	
	2023	2022
Revenue	\$ 710,310,293	\$ 845,450,311
Profit for the year from continuing operations	\$ 21,888,842	\$ 14,421,560
Other comprehensive income (loss), net of tax	12,434,821	( 23,143,116)
Total comprehensive income (loss)	<u>\$ 34,323,663</u>	<u>(\$ 8,721,556)</u>
Dividends received from associates	<u>\$ 2,530,880</u>	<u>\$ 8,743,039</u>

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

As of December 31, 2023 and 2022, the carrying amount of the Company's individually immaterial associates amounted to \$38,105,713 and \$33,613,681, respectively.

	For the years ended December 31,	
	2023	2022
Profit (loss) for the year from continuing operations	\$ 7,549,639	(\$ 7,392,808)
Other comprehensive income (loss), net of tax	3,976,969	( 5,416,798)
Total comprehensive income (loss)	<u>\$ 11,526,608</u>	<u>(\$ 12,809,606)</u>

F. The fair value of the Company's associate which has quoted market price is as follows:

	December 31, 2023	December 31, 2022
Formosa Petrochemical Corp.	<u>\$ 185,674,544</u>	<u>\$ 184,754,224</u>

G. On August 4, 2023, the Board of Directors of the Company resolved to increase its investment in Formosa Resources Corp. amounting to US\$25,000 thousand, equivalent to NT\$799,625 thousand, in proportion to its original ownership of 25%.

H. On December 8, 2021, the Board of Directors of the Company resolved to invest in Guo Su Plastic Industry Co., Ltd. As of March 31, 2022, December 31, 2021 and December 27, 2021, the Company has invested \$46,531, \$27,788 and \$20,680 in Guo Su Plastic Industry Co., Ltd., respectively, and the shareholding ratio was 49%. Accordingly, the Company is the single largest shareholder of Guo Su Plastic Industry Co., Ltd. Since the Company has no intention and no current ability to direct the relevant activities of Guo Su Plastic Industry Co., Ltd., the Company has no control, but only has significant influence, over the investee.

I. On May 5, 2022, the Board of Directors resolved to invest in \$800,000 and \$500,000 in Formosa Smart Energy Tech Corp. in May 2022 and August 2023, respectively, and the shareholding ratio was 20%.

J. On November 3, 2023, the Board of Directors of the Company resolved to increase its investment in Formosa Plastics Construction Corp. amounting to NT\$500,000 thousand, in proportion to its original ownership of 33.3%.

K. The Company received cash dividends of \$5,892,597 and \$14,056,073 for the years ended December 31, 2023 and 2022, 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.

L. As of December 31, 2023 and 2022, 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, 2023</u>						
Cost	\$ 9,520,205	\$ 20,729,024	\$ 191,639,240	\$ 4,717,954	\$ 9,911,909	\$ 236,518,332
Accumulated depreciation and impairment	-	( 15,819,823)	( 158,627,689)	( 3,788,145)	-	( 178,235,657)
	<u>\$ 9,520,205</u>	<u>\$ 4,909,201</u>	<u>\$ 33,011,551</u>	<u>\$ 929,809</u>	<u>\$ 9,911,909</u>	<u>\$ 58,282,675</u>
<u>2023</u>						
Opening net book amount	\$ 9,520,205	\$ 4,909,201	\$ 33,011,551	\$ 929,809	\$ 9,911,909	\$ 58,282,675
Additions	-	-	161,329	44,187	9,321,418	9,526,934
Disposals	( 2,976)	( 19,095)	( 128,748)	( 11)	-	( 150,830)
Reclassifications	99,893	864,872	7,017,406	119,682	( 8,168,651)	( 66,798)
Depreciation charge	-	( 609,239)	( 4,732,669)	( 239,284)	-	( 5,581,192)
Reversal of impairment loss	-	19,095	66,907	-	-	86,002
Closing net book amount	<u>\$ 9,617,122</u>	<u>\$ 5,164,834</u>	<u>\$ 35,395,776</u>	<u>\$ 854,383</u>	<u>\$ 11,064,676</u>	<u>\$ 62,096,791</u>
<u>At December 31, 2023</u>						
Cost	\$ 9,617,122	\$ 21,347,638	\$ 192,325,624	\$ 4,804,591	\$ 11,064,676	\$ 239,159,651
Accumulated depreciation and impairment	-	( 16,182,804)	( 156,929,848)	( 3,950,208)	-	( 177,062,860)
	<u>\$ 9,617,122</u>	<u>\$ 5,164,834</u>	<u>\$ 35,395,776</u>	<u>\$ 854,383</u>	<u>\$ 11,064,676</u>	<u>\$ 62,096,791</u>

	Land	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2022</u>						
Cost	\$ 9,520,205	\$ 19,919,650	\$ 186,091,564	\$ 4,522,676	\$ 9,713,056	\$ 229,767,151
Accumulated depreciation and impairment	- ( 15,135,728)	( 154,606,052)	( 3,573,765)	- ( 173,315,545)		
	<u>\$ 9,520,205</u>	<u>\$ 4,783,922</u>	<u>\$ 31,485,512</u>	<u>\$ 948,911</u>	<u>\$ 9,713,056</u>	<u>\$ 56,451,606</u>
<u>2022</u>						
Opening net book amount	\$ 9,520,205	\$ 4,783,922	\$ 31,485,512	\$ 948,911	\$ 9,713,056	\$ 56,451,606
Additions	- 379,360	1,469,422	90,911	6,343,701	8,283,394	
Disposals	- ( 14,770)	( 75,525)	-	- ( 90,295)		
Reclassifications	- 452,973	5,572,915	119,651	( 6,144,848)	691	
Depreciation charge	- ( 692,284)	( 5,440,773)	( 229,664)	- ( 6,362,721)		
Closing net book amount	<u>\$ 9,520,205</u>	<u>\$ 4,909,201</u>	<u>\$ 33,011,551</u>	<u>\$ 929,809</u>	<u>\$ 9,911,909</u>	<u>\$ 58,282,675</u>
<u>At December 31, 2022</u>						
Cost	\$ 9,520,205	\$ 20,729,024	\$ 191,639,240	\$ 4,717,954	\$ 9,911,909	\$ 236,518,332
Accumulated depreciation and impairment	- ( 15,819,823)	( 158,627,689)	( 3,788,145)	- ( 178,235,657)		
	<u>\$ 9,520,205</u>	<u>\$ 4,909,201</u>	<u>\$ 33,011,551</u>	<u>\$ 929,809</u>	<u>\$ 9,911,909</u>	<u>\$ 58,282,675</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,	
	2023	2022
Amount capitalised	\$ 135,735	\$ 91,503
Interest rate	1.29%~1.40%	0.92%~1.32%

- 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, 2023 and 2022, the pledged amount were \$9,618 and \$12,594, respectively.
- 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, 2023	December 31, 2022
	Carrying amount	Carrying amount
Land	\$ 14,817	\$ 16,764
Buildings	-	6,738
	<u>\$ 14,817</u>	<u>\$ 23,502</u>

	For the years ended December 31,	
	2023	2022
	Depreciation charge	Depreciation charge
Land	\$ 1,947	\$ 1,947
Buildings	3,209	3,854
	<u>\$ 5,156</u>	<u>\$ 5,801</u>

- C. For the years ended December 31, 2023 and 2022, the additions to right-of use assets were \$0 and \$7,835, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 297	\$ 302
Expense on short-term lease contracts	7,197	19,174
Expense on variable lease payments	3,859	3,342
Gain on lease modification	353	-

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$16,116 and \$28,553, respectively.

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

Type of loans	December 31, 2023	Interest rate range	Collateral
Unsecured loans	\$ 10,404,900	1.62%~1.69%	None
Short-term notes and bills payable	\$ 26,850,000	1.40%~1.56%	None
Short-term notes and bills payable discount	( 69,662)		
Net short-term notes and bills payable	\$ 26,780,338		
Type of loans	December 31, 2022	Interest rate range	Collateral
Unsecured loans	\$ 10,300,000	1.26%~1.62%	None
Short-term notes and bills payable	\$ 31,650,000	1.35%~1.60%	None
Short-term notes and bills payable discount	( 53,045)		
Net short-term notes and bills payable	\$ 31,596,955		

(10) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable		
Domestic unsecured nonconvertible corporate bonds	\$ 40,650,000	\$ 45,500,000
Less: Current portion	( 3,800,000)	( 4,850,000)
	\$ 36,850,000	\$ 40,650,000

The terms of domestic unsecured nonconvertible corporate bonds were as follows:

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2023	December 31, 2022	Note
<u>2012</u>							
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22 ~ 2023.1.22	1.5	\$ 2,200,000	\$ -	\$ 1,100,000	Serial bonds, to be settled 50%, 50%
<u>2013</u>							
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8 ~ 2023.7.8	1.52	2,800,000	-	1,400,000	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	700,000	1,400,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	4,600,000	4,600,000	4,600,000	Serial bonds, to be settled 50%, 50%
<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	1,650,000	3,300,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2023	December 31, 2022	Note
<u>2019</u>							
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	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	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	1,900,000	Serial bonds, to be settled 50%, 50%
<u>2021</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2021.5.10	2025.5.10 ~ 2026.5.10	0.48	6,000,000	6,000,000	6,000,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2021.5.10	2027.5.10 ~ 2028.5.10	0.56	4,000,000	4,000,000	4,000,000	Serial bonds, to be settled 50%, 50%
					40,650,000	45,500,000	
Less: Current portion of bonds payable					(3,800,000)	(4,850,000)	
					<u>\$ 36,850,000</u>	<u>\$ 40,650,000</u>	

(11) Long-term bank loans and notes payable

Type of loans	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2023
Long-term bank loan				
Unsecured loans				
Bank of Taiwan	Jul. 26, 2023~Jul. 26, 2025, the borrowings are repayable in full upon maturity	1.63%	None	\$ 2,000,000
Taiwan Cooperative Bank	Jul. 26, 2023 ~ Jul. 26, 2025, principal payable at maturity date	1.79%	None	9,000,000
Mizuho Bank, Ltd.	Jul. 28, 2022~Dec. 15, 2024, the borrowings are repayable in full upon maturity	1.77%	None	1,500,000
				12,500,000
Less: Current portion of long-term loans				( 1,500,000)
				\$ 11,000,000

Type of loans	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank loan				
Unsecured loans				
Bank of Taiwan	Jul. 28, 2022~Aug. 10, 2023, the borrowings are repayable in full upon maturity	1.38%~1.50%	None	\$ 2,000,000
Mizuho Bank, Ltd.	Jul. 28, 2022~Dec. 15, 2024, the borrowings are repayable in full upon maturity	1.52%~1.67%	None	2,500,000
				4,500,000
Less: Current portion of long-term loans				( 2,000,000)
				\$ 2,500,000

(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, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 6,754,340	\$ 7,159,101
Fair value of plan assets	( 2,982,221)	( 2,943,674)
Net defined benefit liability	<u>\$ 3,772,119</u>	<u>\$ 4,215,427</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>For the year ended December 31, 2023</u>			
Balance at January 1	\$ 7,159,101	(\$ 2,943,674)	\$ 4,215,427
Current service cost	48,184	-	48,184
Interest expense (income)	89,489	( 37,111)	52,378
	<u>7,296,774</u>	<u>( 2,980,785)</u>	<u>4,315,989</u>
Remeasurements:			
Return on plan assets	-	( 29,040)	( 29,040)
Experience adjustments	4,961	-	4,961
	<u>4,961</u>	<u>( 29,040)</u>	<u>( 24,079)</u>
Pension fund contribution	-	( 48,198)	( 48,198)
Paid pension	( 547,395)	75,802	( 471,593)
	<u>( 547,395)</u>	<u>27,604</u>	<u>( 519,791)</u>
Balance at December 31	<u>\$ 6,754,340</u>	<u>(\$ 2,982,221)</u>	<u>\$ 3,772,119</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2022</u>			
Balance at January 1	\$ 7,646,565	(\$ 2,768,109)	\$ 4,878,456
Current service cost	58,410	-	58,410
Interest expense (income)	38,233	( 13,968)	24,265
	<u>7,743,208</u>	<u>( 2,782,077)</u>	<u>4,961,131</u>
Remeasurements:			
Return on plan assets	-	( 220,120)	( 220,120)
Change in financial assumptions	191,829	-	191,829
Experience adjustments	( 265,899)	-	( 265,899)
	<u>( 74,070)</u>	<u>( 220,120)</u>	<u>( 294,190)</u>
Pension fund contribution	-	( 49,048)	( 49,048)
Paid pension	( 510,037)	107,571	( 402,466)
	<u>( 510,037)</u>	<u>58,523</u>	<u>( 451,514)</u>
Balance at December 31	<u>\$ 7,159,101</u>	<u>(\$ 2,943,674)</u>	<u>\$ 4,215,427</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, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2023	2022
Discount rate	1.25%	1.25%
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, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 69,014)	\$ 71,051	\$ 103,002	(\$ 99,695)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 85,952)	\$ 88,633	\$ 127,623	(\$ 123,223)

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, 2024 are \$49,527.

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, 2023 and 2022 were \$170,003 and \$165,804, respectively.

(13) Capital stock

A. As of December 31, 2023, 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, 2023 and 2022 are set forth below:

For the year ended December 31, 2023					
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, 2022					
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

C. The market value of treasury stocks were \$62.3 and \$70.5 (in dollars) per share at December 31, 2023 and 2022, 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, 2023						
	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, 2023	\$2,710,554	\$ 5,514,032	\$ 370,900	\$ 392,782	\$ 163	\$ 258,225
Dividends allocated to subsidiaries	-	-	4,324	-	-	-
Effect from disposal of net stockholding of associates recognised under the equity method	-	-	-	180	-	-
Changes in ownership interests in subsidiaries	-	-	1,230	( 685)	140	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	- (	1,873)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	22,168
At December 31, 2023	<u>\$2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 376,454</u>	<u>\$ 392,277</u>	<u>\$ 303</u>	<u>\$ 278,520</u>

For the year ended December 31, 2022

	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, 2022	\$2,710,554	\$ 5,514,032	\$ 348,233	\$ 379,632	\$ 163	\$ 240,385
Dividends allocated to subsidiaries	-	-	21,847	-	-	-
Effect from disposal of net stockholding of associates recognised under the equity method	-	-	-	145	-	-
Changes in ownership interests in subsidiaries	-	-	820	13,005	-	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	- (	715)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	18,555
At December 31, 2022	<u>\$2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 370,900</u>	<u>\$ 392,782</u>	<u>\$ 163</u>	<u>\$ 258,225</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 2022 and 2021 earnings had been resolved at the stockholders' meeting on May 26, 2023 and June 8, 2022, respectively. The appropriations of 2021 earnings had been resolved after meeting the statutory voting threshold before June 8, 2022 via the electronic voting platform for the stockholders' meeting and had been resolved at the stockholders' meeting on June 30, 2021. Details are as follows:

	For the years ended December 31,			
	2022		2021	
	Amount	Dividends per share (in dollar)	Amount	Dividends per share (in dollar)
Legal reserve	\$ 773,180		\$ 3,910,207	
Special reserve	141,215		6,428,356	
Cash dividends	5,568,127	\$ 0.95	28,133,694	\$ 4.80
	<u>\$ 6,482,522</u>		<u>\$ 38,472,257</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 appropriations of the 2023 net income was approved during the Board of Directors' meeting on March 8, 2024 as follows:

	For the year ended December 31, 2023	
	Amount	Dividends per share (in dollar)
Legal reserve	\$ 870,497	
Special reserve	142,568	
Cash dividends	7,326,483	\$ 1.25
	<u>8,339,548</u>	

(16) Other equity items

	Hedging reserve	Unrealised gain (loss)	Currency translation	Revaluation surplus	Total
At January 1, 2023	\$ 160	\$ 72,429,555	(\$ 2,930,647)	\$ 1,002,383	\$ 70,501,451
Revaluation:					
–Parent company	-	6,857,278	-	-	6,857,278
–Subsidiaries	-	109,835	-	-	109,835
–Associates	-	4,050,286	-	-	4,050,286
Revaluation transferred to retained earnings:					
–Subsidiaries	-	362	-	-	362
–Associates	-	( 22,725)	-	-	( 22,725)
Cash flow hedges:					
–Associates	8,275	-	-	-	8,275
Currency translation differences:					
–Parent company	-	-	( 1,156,093)	-	( 1,156,093)
–Tax of parent company	-	-	236,747	-	236,747
–Subsidiaries	-	-	( 41,011)	-	( 41,011)
–Associates	-	-	( 73,497)	-	( 73,497)
At December 31, 2023	<u>\$ 8,435</u>	<u>\$ 83,424,591</u>	<u>(\$ 3,964,501)</u>	<u>\$ 1,002,383</u>	<u>\$ 80,470,908</u>

	Hedging reserve	Unrealised gain (loss)	Currency translation	Revaluation surplus	Total
At January 1, 2022	\$ 9,270	\$ 121,228,401	(\$ 6,240,670)	\$ -	\$ 114,997,001
Revaluation:					
–Parent company	- (	36,116,309)	-	- (	36,116,309)
–Subsidiaries	- (	3,855,766)	-	- (	3,855,766)
–Associates	- (	8,866,975)	-	- (	8,866,975)
Revaluation transferred to retained earnings:					
–Subsidiaries	-	42,632	-	-	42,632
–Associates	- (	2,428)	-	- (	2,428)
Cash flow hedges:					
–Associates	( 9,110)	-	-	- (	9,110)
Lastrency translation differences:					
–Parent company	-	-	1,549,826	-	1,549,826
–Tax of parent company	-	- (	359,626)	- (	359,626)
–Subsidiaries	-	-	238,702	-	238,702
–Associates	-	-	1,881,121	-	1,881,121
Revaluation surplus					
–Associates	-	-	-	1,002,383	1,002,383
At December 31, 2022	\$ 160	\$ 72,429,555	(\$ 2,930,647)	\$ 1,002,383	\$ 70,501,451

(17) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 212,962,508	\$ 247,320,472
Other operating revenue	17,599	30,649
	<u>\$ 212,980,107</u>	<u>\$ 247,351,121</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,	
	2023	2022
Interest income from bank deposits	\$ 88,023	\$ 18,873
Interest from current account with others	40,133	40,958
Other interest income	27,200	28,282
	<u>\$ 155,356</u>	<u>\$ 88,113</u>

(19) Other income

	For the years ended December 31,	
	2023	2022
Rental revenue	\$ 190,697	\$ 155,857
Dividend income	4,479,258	8,958,243
Other revenue	347,573	545,646
	<u>\$ 5,017,528</u>	<u>\$ 9,659,746</u>

(20) Other gains and losses

	For the years ended December 31,	
	2023	2022
Net currency exchange gain	\$ 160,436	\$ 2,559,231
Loss on disposal of property, plant and equipment	( 27,904)	( 59,283)
Gain on lease modification	353	-
Net gain on financial assets at fair value through profit or loss	78,879	192,014
Gain on reversal of impairment loss recognised in profit, property, plant and equipment	86,002	-
Other losses	( 117,289)	( 89,721)
	<u>\$ 180,477</u>	<u>\$ 2,602,241</u>

(21) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense:		
Bank loans	\$ 286,673	\$ 170,307
Corporate bond	485,623	566,257
Discount	198,958	132,249
Banker's acceptances	444,233	221,968
Other interest expenses	24,048	18,664
	<u>1,439,535</u>	<u>1,109,445</u>
Less: Capitalisation of qualifying assets	( 135,735)	( 91,503)
Finance costs	<u>\$ 1,303,800</u>	<u>\$ 1,017,942</u>

(22) Expenses by nature

	For the years ended December 31,	
	2023	2022
Depreciation charges on property, plant and equipment and right-of-use assets	\$ 5,586,348	\$ 6,368,522
Employee benefit expense	7,016,052	7,550,394
Amortisation	3,300,506	3,406,195
	<u>\$ 15,902,906</u>	<u>\$ 17,325,111</u>

(23) Employee benefit expense

	For the years ended December 31,	
	2023	2022
Wages and salaries	\$ 6,004,973	\$ 6,544,808
Labor and health insurance fees	449,478	444,391
Pension costs	270,565	248,479
Other personnel expenses	291,036	312,716
	<u>\$ 7,016,052</u>	<u>\$ 7,550,394</u>

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

B. For the years ended December 31, 2023 and 2022, employees' remuneration was accrued at \$8,716 and \$7,210, respectively. The aforementioned amount was recognised in salary expenses. For the years ended December 31, 2023 and 2022, the employees' compensation was estimated and accrued based on approximately 0.1% of the retained earnings.

Employees' compensation for 2022 as resolved by the Board of Directors was in agreement with the amount of \$7,210 recognised in profit or loss for 2022. Employees' compensation for 2022 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 (benefit)

(a) Components of income tax expense (benefit):

	For the years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 220,080	\$ 234,967
Tax on undistributed surplus earnings	20,857	105,873
Prior year income tax under (over) estimation	<u>23,705</u>	<u>( 671,222)</u>
Total current tax	<u>264,642</u>	<u>( 330,382)</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>( 105,983)</u>	<u>173,476</u>
Total deferred tax	<u>( 105,983)</u>	<u>173,476</u>
Income tax expense (benefit)	<u>\$ 158,659</u>	<u>(\$ 156,906)</u>

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

	For the years ended December 31,	
	2023	2022
Currency translation differences	(\$ 236,747)	\$ 359,626

B. Reconciliation between income tax expense (benefit) and accounting profit:

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 1,741,435	\$ 1,440,525
Effect from items disallowed by tax regulation	( 1,627,338)	( 1,267,049)
Non-deductible withholding income tax for offshore income	-	234,967
Tax on undistributed surplus earnings	20,857	105,873
Prior year income tax under (over) estimation	23,705	( 671,222)
Income tax expense (benefit)	\$ 158,659	(\$ 156,906)

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, 2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	\$ 248,262	(\$ 71,930)	\$ -	\$ 176,332
Currency translation differences	605,539	-	236,747	842,286
Unrealised gain from downstream transactions	-	15,830	-	15,830
Unfunded pension expense	553,849	( 82,304)	-	471,545
Impairment loss	118,011	( 33,194)	-	84,817
Unrealised exchange loss	18,623	34,577	-	53,200
Others	40,928	226,838	-	267,766
Subtotal	1,585,212	89,817	236,747	1,911,776
Deferred tax liabilities:				
Difference in useful life for depreciation	(\$ 23,444)	\$ 7,581	\$ -	(\$ 15,863)
Unrealised loss from downstream transactions	( 8,585)	8,585	-	-
Subtotal	(\$ 32,029)	\$ 16,166	\$ -	(\$ 15,863)
Total	\$ 1,553,183	\$ 105,983	\$ 236,747	\$ 1,895,913



For the year ended December 31, 2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	\$ 195,162	\$ 53,100	\$ -	\$ 248,262
Currency translation differences	965,165	-	( 359,626)	605,539
Unrealised gain from downstream transactions	65,008	( 65,008)	-	-
Unfunded pension expense	627,616	( 73,767)	-	553,849
Impairment loss	140,863	( 22,852)	-	118,011
Unrealised exchange loss	10,278	8,345	-	18,623
Others	113,932	( 73,004)	-	40,928
Subtotal	<u>2,118,024</u>	<u>( 173,186)</u>	<u>( 359,626)</u>	<u>1,585,212</u>
Deferred tax liabilities:				
Difference in useful life for depreciation	(\$ 31,739)	\$ 8,295	\$ -	(\$ 23,444)
Unrealised loss from downstream transactions	-	( 8,585)	-	( 8,585)
Subtotal	<u>(\$ 31,739)</u>	<u>(\$ 290)</u>	<u>\$ -</u>	<u>(\$ 32,029)</u>
Total	<u>\$ 2,086,285</u>	<u>(\$ 173,476)</u>	<u>(\$ 359,626)</u>	<u>\$ 1,553,183</u>

D. The Company's income tax returns through 2021 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, 2023 and 2022, the earnings per share are calculated as follows:

For the year ended December 31, 2023					
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
<u>Basic earnings per share</u>					
Net income	<u>\$ 8,707,177</u>	<u>\$ 8,548,518</u>	<u>5,849,017</u>	<u>\$ 1.49</u>	<u>\$ 1.46</u>

	For the year ended December 31, 2022				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 7,202,625	\$ 7,359,531	5,849,017	\$ 1.23	\$ 1.26

- 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 for the years ended December 31, 2023 and 2022 is as follows:

	For the year ended December 31, 2023				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 8,707,177	\$ 8,548,518	5,861,186	\$ 1.49	\$ 1.46

	For the year ended December 31, 2022				
	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	\$ 7,202,625	\$ 7,359,531	5,861,186	\$ 1.23	\$ 1.26

(26) Supplemental cash flow information

- A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2023	2022
Purchase of fixed assets	\$ 9,526,934	\$ 8,283,394
Add: Opening balance of payable on equipment	1,644,736	1,378,641
Less: Ending balance of payable on equipment	(1,987,336)	(1,644,736)
Cash paid during the year	<u>\$ 9,184,334</u>	<u>\$ 8,017,299</u>

B. Financing activities with partial cash payments:

	For the years ended December 31,	
	2023	2022
Distribution of cash dividends	\$ 5,568,127	\$ 28,133,694
Add: Opening balance of dividends payable	75,964	72,427
Less: Ending balance of dividends payable	( 58,655)	( 75,964)
Cash dividends paid during the year	<u>\$ 5,585,436</u>	<u>\$ 28,130,157</u>

(27) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2023	\$10,300,000	\$31,596,955	\$45,500,000	\$ 4,500,000	\$ 91,896,955
Changes in cash flow from financing activities	<u>104,900</u>	<u>( 4,816,617)</u>	<u>( 4,850,000)</u>	<u>8,000,000</u>	<u>( 1,561,717)</u>
At December 31, 2023	<u>\$10,404,900</u>	<u>\$26,780,338</u>	<u>\$40,650,000</u>	<u>\$12,500,000</u>	<u>\$ 90,335,238</u>

	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowings (including current portion)	Liabilities from financing activities-gross
At January 1, 2022	\$ 8,884,300	\$17,496,684	\$50,050,000	\$ -	\$ 76,430,984
Changes in cash flow from financing activities	<u>1,415,700</u>	<u>14,100,271</u>	<u>( 4,550,000)</u>	<u>4,500,000</u>	<u>15,465,971</u>
At December 31, 2022	<u>\$10,300,000</u>	<u>\$31,596,955</u>	<u>\$45,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 91,896,955</u>

## 7. Related Party Transactions

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary
Formosa Power (Ningbo) Co., Ltd.	"
Formosa Industries Corp., Vietnam	"
Formosa Biomedical Technology Corp. and its subsidiary	"
Formosa Idemitsu Petrochemical Corp.	"
Formosa INEOS Chemicals Corp.	"
Formosa Carpet Corp.	"
Chia-Nan Enterprise Corp.	"
Formosa Green Power Corp.	"
Formosa Taffeta Co., Ltd. and its subsidiary	"
Formosa Petrochemical Corp.	Associate
Formosa Heavy Industries Corp.	"
Formosa Plastics Transport Corp.	"
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 Plastics Construction Corp.	"
Formosa Fairway Corp.	"
Formosa Resources Corp.	"
Formosa Steel IB PTY LTD	"
Formosa Advanced Technologies Co., Ltd.	"
FG INC.	"
Guo Su Plastic Industry Co., Ltd.	"
Formosa Smart Energy Tech Corp.	"
Formosa AdvEnergy Technology Corp.	"
Formosa Lithium Iron Oxide Corp.	"
CH algae Co., Ltd.	"
InnoGT CO., LTD.	"
Formosa Plastics Corp.	Other related party
Nan Ya Plastics Corp.	"
Nan Ya Plastics (Hui Zhou) Corp.	"
Nan Ya Plastics (Ningbo) 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.	"

(2) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,	
	2023	2022
Sales of goods:		
— Subsidiaries		
Formosa Chemicals Industries		
(Ningbo) Co., Ltd.	\$ 29,446,724	\$ 33,296,983
Others	11,661,566	19,986,947
— Associates		
Formosa Petrochemical Corp.	32,129,651	36,723,899
Others	298	577
— Other related parties		
Nan Ya Plastics Corp.	24,008,251	29,403,614
Others	3,924,467	4,214,188
	<u>\$ 101,170,957</u>	<u>\$ 123,626,208</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,	
	2023	2022
Purchases of goods:		
— Subsidiaries	\$ 4,364,961	\$ 5,100,419
— Associates		
Formosa Petrochemical Corp.	139,662,953	167,506,909
— Other related parties	9,343,403	15,095,059
	<u>\$ 153,371,317</u>	<u>\$ 187,702,387</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, 2023	December 31, 2022
Receivables from related parties:		
— Subsidiaries		
Formosa Chemicals Industries		
(Ningbo) Co., Ltd.	\$ 4,359,918	\$ 4,262,356
Others	1,246,512	1,540,380
— Associates		
Formosa Petrochemical Corp.	3,520,956	2,902,296
Others	22	36
— Other related parties		
Nan Ya Plastics Corp.	1,920,188	1,990,843
Others	314,094	344,076
	<u>\$ 11,361,690</u>	<u>\$ 11,039,987</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, 2023	December 31, 2022
Payables to related parties:		
— Subsidiaries	\$ 337,544	\$ 265,922
— Associates		
Formosa Petrochemical Corp.	8,629,971	11,811,508
— Other related parties	707,410	856,793
	<u>\$ 9,674,925</u>	<u>\$ 12,934,223</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,	
	2023	2022
Expansion and repair works of factory sites:		
— Associates	\$ 808,658	\$ 125,295
— Other related parties	352,343	260,796
	<u>\$ 1,161,001</u>	<u>\$ 386,091</u>

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

	December 31, 2023	December 31, 2022
Payables to related parties:		
— Associates	\$ -	\$ 7,818
— Other related parties	31,612	8,477
	<u>\$ 31,612</u>	<u>\$ 16,295</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, 2023	December 31, 2022
— Subsidiaries	\$ -	\$ 329,000
— Associates		
Formosa Steel IB Pty Ltd.	1,622,500	-
— Other related parties		
Formosa Plastics Marine Co., Ltd.	1,454,927	2,429,252
	<u>\$ 3,077,427</u>	<u>\$ 2,758,252</u>

(b) Interest income

	For the years ended December 31,	
	2023	2022
— Subsidiaries	\$ 123	\$ 599
— Associates		
Formosa Heavy Industries Corp.	7,847	8,141
Formosa Steel IB Pty Ltd.	5,849	-
— Other related parties		
Formosa Plastics Marine Co., Ltd.	26,155	32,201
	<u>\$ 39,974</u>	<u>\$ 40,941</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 1.86% ~ 1.99% and 0.98% ~ 1.79% per annum for the years ended December 31, 2023 and 2022, respectively.

G. Operating expenses

	For the years ended December 31,	
	2023	2022
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	\$ 1,441,063	\$ 976,919
Others	-	70,354
	<u>\$ 1,441,063</u>	<u>\$ 1,047,273</u>

H. Rental revenue

	For the years ended December 31,	
	2023	2022
— Subsidiaries		
Formosa INEOS Chemicals Corp.	\$ 15,841	\$ 15,903
Formosa Biomedical Technology Corp.	50,542	9,872
Others	3,336	3,197
	<u>69,719</u>	<u>28,972</u>
— Associates		
Formosa Petrochemical Corp.	17,946	21,215
Others	10,427	11,989
	<u>28,373</u>	<u>33,204</u>
— Other related parties		
Nan Ya Plastics Corp.	26,004	28,461
Formosa Plastics Building Parking Lot	13,736	15,116
Formosa Network Technology Corp.	15,400	15,400
Others	25,532	24,520
	<u>80,672</u>	<u>83,497</u>
	<u>\$ 178,764</u>	<u>\$ 145,673</u>

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

I. Property transactions:

(a) Purchase of property, plant and equipment

	For the years ended December 31,	
	2023	2022
Associates	<u>\$ 758,898</u>	<u>\$ 278,856</u>



(b) Acquisition of financial assets

					2023
	Items	Number of shares	Name of the securities		Additional amount
Formosa Smart Energy Tech Corp.	Investments accounted for using equity method	60,000,000	Shares of Formosa Smart Energy Tech Corp.	\$	600,000
Formosa Plastics Construction Corp.	Investments accounted for using equity method	50,000,000	Shares of Formosa Plastics Construction Corp.		500,000
Formosa Resources Corp.	Investments accounted for using equity method	79,860,000	Shares of Formosa Resources Corp.		
					799,625
					<u>\$ 1,899,625</u>
					2022
	Items	Number of shares	Name of the securities		Additional amount
Formosa Smart Energy Tech Corp.	Investments accounted for using equity method	80,000,000	Shares of Formosa Smart Energy Tech Corp.	\$	800,000
Guo Su Plastic Industry Co., Ltd.	Investments accounted for using equity method	1,800,000	Shares of Guo Su Plastic Industry Co., Ltd.		
					46,531
					<u>\$ 846,531</u>

J. 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,	
		2023	2022
Sales of materials:			
— Subsidiaries		<u>\$ 579,854</u>	<u>\$ 578,093</u>
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Receivable from sales of materials:			
— Subsidiaries		<u>\$ 26,182</u>	<u>\$ 59,142</u>

## K. Donation

	For the years ended December 31,	
	2023	2022
Other related parties	\$ -	\$ 4,853

L. 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,	
	2023	2022
Salaries	\$ 144,726	\$ 106,508
Post-employment benefits	1,520	1,644
Total	<u>\$ 146,246</u>	<u>\$ 108,152</u>

## 8. Pledged Assets

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

Pledged assets	Book value		Purpose
	December 31, 2023	December 31, 2022	
Property, plant and equipment	<u>\$ 5,737,666</u>	<u>\$ 5,737,666</u>	Collaterals for bank loans

## 9. Significant Contingent Liabilities and Unrecognised Contract Commitments

The details of commitments and contingencies as of December 31, 2023 were as follows:

- (1) Capital expenditures contracted for property, plant and equipment at the balance sheet date but not yet incurred amounted to \$5,516,796 thousand.
- (2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 911 thousand, JPY 99,380 and EUR 93 thousand.
- (3) The endorsements and guarantees to others are as follows:

	December 31, 2023	December 31, 2022
Formosa Group Corp. (Cayman)	<u>\$ 7,683,750</u>	<u>\$ 7,677,000</u>

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

- A. The Company's indirect investees, Formosa Ha Tinh (Cayman) Limited Co. and Formosa Ha Tinh Steel Corporation, were provided with a bank loan facility of USD 4,848,500 thousand and USD 2,453,500 thousand to meet the operation needs, respectively. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower will fulfill its obligation for repayment.
- B. The Company's consolidated entity, Formosa Industries Corp., was provided with a bank loan facility of USD 250,000 thousand 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 will fulfill its obligation for repayment.

C. The Group's indirect investees, Formosa Resources Corp., Formosa Steel IB Pty Ltd. and Formosa Resources Australia Pty Ltd., were provided with a bank loan facility of USD 430,000 thousand USD 695,000 thousand and USD 550,000 thousand to meet the operation needs, respectively. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower will fulfill its obligation for repayment,.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The Board of Directors has resolved the appropriations of 2023 earnings on March 8, 2024. Details are provided in Note 6(15) F.

12. Others

(1) 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, 2023 and 2022, the Company's strategy, which was unchanged from 2022, was to maintain the gearing ratio at 21% and 20%, respectively.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 1,641,598	\$ 1,562,719
Financial assets at fair value through other comprehensive income	117,883,609	111,033,179
Financial assets at amortised cost	<u>25,023,581</u>	<u>33,613,766</u>
	<u>\$ 144,548,788</u>	<u>\$ 146,209,664</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 107,827,071	\$ 113,018,243
Lease liabilities	<u>15,334</u>	<u>23,979</u>
	<u>\$ 107,842,405</u>	<u>\$ 113,042,222</u>

Note: Financial assets measured at amortised cost include cash and cash equivalents, accounts and notes receivable (including related parties), other receivables (including related parties), and refundable deposits. Financial liabilities measured at amortised cost include short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties), 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, 2023				
	Foreign Currency			
	Amount (In Thousands)	Exchange Rate	Book Value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 1,269,882	30.74	\$ 39,036,173	
JPY : NTD	22,569	0.22	4,965	
EUR : NTD	692	33.98	23,514	
<u>Non-monetary items</u>				
RMB : NTD	\$ 14,572,421	4.34	\$ 63,244,307	
USD : NTD	161,438	30.74	4,962,604	
VND : NTD	4,086,460,000	0.0013	5,312,398	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 68,663	30.74	\$ 2,110,701	
JPY : NTD	25,997	0.22	5,719	
December 31, 2022				
	Foreign Currency			
	Amount (In Thousands)	Exchange Rate	Book Value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 402,571	30.71	\$ 12,362,955	
JPY : NTD	74,418	0.23	17,116	
EUR : NTD	137	32.70	4,480	
<u>Non-monetary items</u>				
RMB : NTD	\$ 15,352,864	4.34	\$ 66,631,430	
USD : NTD	186,518	27.69	5,164,683	
VND : NTD	5,412,687,500	0.0012	6,495,225	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 31,784	30.71	\$ 976,087	
JPY : NTD	23,743	0.23	5,461	
EUR : NTD	339	32.70	11,085	

- iv. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to \$160,436 and \$2,559,231, respectively.

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

For the year ended December 31, 2023				
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%	\$	390,362	\$ -
JPY : NTD	1%		50	-
EUR : NTD	1%		235	-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$	-	\$ 632,443
USD : NTD	1%		-	49,626
VND : NTD	1%		-	53,124
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	21,107	\$ -
JPY : NTD	1%		57	-
For the year ended December 31, 2022				
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%	\$	123,630	\$ -
JPY : NTD	1%		171	-
EUR : NTD	1%		45	-
<u>Non-monetary items</u>				
RMB : NTD	1%	\$	-	\$ 666,314
USD : NTD	1%		-	51,647
VND : NTD	1%		-	64,952
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	9,761	\$ -
JPY : NTD	1%		55	-
EUR : NTD	1%		111	-

### 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, 2023 and 2022 would have increased/decreased by \$13,133 and \$12,502, 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 \$1,178,836 and \$1,110,332, 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, 2023 and 2022, the Company's borrowings at variable rate were denominated in the NTD.
- 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.

### **(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, 2023 and 2022, the Company's written-off financial assets that are still under recourse procedures amounted to \$4,924 and \$4,924, 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, 2023 and 2022, the provision matrix is as follows:

	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~60 days past due</u>	<u>61~90 days past due</u>	<u>Over 91 days past due</u>
<u>At December 31, 2023</u>					
Expected loss rate	0.05%	0.03%	0.03%	-	51.19%
Total book value	\$ 18,488,985	\$ 152,049	\$ 104,332	\$ -	\$ 112,050
Loss allowance	\$ 9,396	\$ 48	\$ 36	\$ -	\$ 57,360
<u>At December 31, 2022</u>					
Expected loss rate	0.14%	0.10%	0.09%	-	100.00%
Total book value	\$ 17,441,532	\$ 350,363	\$ 18,656	\$ -	\$ 42,224
Loss allowance	\$ 24,563	\$ 347	\$ 18	\$ -	\$ 42,224

- 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:

	<u>For the year ended December 31, 2023</u>		
	<u>Accounts receivable</u>	<u>Contract assets</u>	<u>Notes receivable</u>
At January 1	\$ 67,152	\$ -	\$ -
Reversal of impairment loss	( 312)	-	-
At December 31	<u>\$ 66,840</u>	<u>\$ -</u>	<u>\$ -</u>



	For the year ended December 31, 2022		
	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 72,076	\$ -	\$ -
Write-offs	(4,924)	-	-
At December 31	<u>\$ 67,152</u>	<u>\$ -</u>	<u>\$ -</u>

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

	December 31, 2023	December 31, 2022
Not past due	\$ 18,488,985	\$ 17,411,532
Up to 30 days	152,049	350,363
31 to 60 days	104,332	18,656
61 to 90 days	-	-
Over 91 days	112,050	42,224
	<u>\$ 18,857,416</u>	<u>\$ 17,822,775</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:

<u>December 31, 2023</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	\$ 2,126	\$ 4,167	\$ 3,540	\$ 6,455
Bonds payable	3,800,000	10,950,000	21,350,000	4,550,000
Long-term borrowings	1,500,000	11,000,000	-	-

Non-derivative financial liabilities:

<u>December 31, 2022</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	\$ 6,038	\$ 5,060	\$ 6,245	\$ 7,916
Bonds payable	4,850,000	3,800,000	27,650,000	9,200,000
Long-term borrowings	2,000,000	2,500,000	-	-

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.

(3) 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, 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, 2023</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	\$ -	\$ 1,641,598	\$ -	\$ 1,641,598
Financial assets at fair value through other				
Equity securities	<u>92,478,330</u>	<u>2,161,222</u>	<u>23,244,057</u>	<u>117,883,609</u>
	<u>\$ 92,478,330</u>	<u>\$ 3,802,820</u>	<u>\$ 23,244,057</u>	<u>\$ 119,525,207</u>
<u>December 31, 2022</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	\$ -	\$ 1,562,719	\$ -	\$ 1,562,719
Financial assets at fair value through other				
Equity securities	<u>89,086,166</u>	<u>2,118,596</u>	<u>19,828,417</u>	<u>111,033,179</u>
	<u>\$ 89,086,166</u>	<u>\$ 3,681,315</u>	<u>\$ 19,828,417</u>	<u>\$ 112,595,898</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>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- 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, 2023 and 2022, 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, 2023 and 2022:

	<u>For the year ended December 31, 2023</u>
	<u>Non-derivative equity instrument</u>
At January 1	\$ 19,828,417
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	3,422,488
Proceeds from capital reduction	( 6,848)
At December 31	<u>\$ 23,244,057</u>

	<u>For the year ended December 31, 2022</u>	
	<u>Non-derivative equity instrument</u>	
At January 1	\$	31,887,504
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	(	12,059,087)
At December 31	\$	<u>19,828,417</u>

G. For the years ended December 31, 2023 and 2022, 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, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 14,717,827	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
	1,338,551	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
	7,187,679	Net asset value	Not applicable	Not applicable

	<u>December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 11,702,876	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
	1,712,563	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
	6,412,978	Net asset value	Not applicable	Not applicable

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, 2023		
		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%	\$ 147,178	\$ 147,178
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%	\$ 13,386	\$ 13,386
		December 31, 2022		
		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%	\$ 117,029	\$ 117,029
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%	\$ 17,126	\$ 17,126



### 13. Supplementary Disclosures

#### (4) Significant transactions information

In accordance with Rules Governing the Preparation of Financial Statements by Securities Issuers, significant transactions for the year ended December 31, 2023 are stated as follows.

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant intragroup transactions during the reporting periods: Please refer to table 7.

#### (5) Information on investees

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

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

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

#### (7) Major shareholders information

Major shareholders information: Please refer to table 11.

### 14. Segment Information

None.

Formosa Chemicals & Fibre Corporation

Chairman: Fu-Yuan, Hong