Stock Code: 1326

Formosa Chemicals & Fibre Corporation

2019 Annual Report

Notice to readers

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

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I. Letter to Shareholders

Operating Performance in 2019

The consolidated revenue in 2019 was NT$315.5 billion, a decline of NT$83.5 billion or 20.9% from NT$399 billion in 2018. A primary reason for the reduced revenue, the sales reduced by NT$33.5 billion, is the relatively more annual repairs taking place in production facilities and the accident at the third aromatic hydrocarbon plant. The selling price variance took a slide with NT$50 billion short resulted from the impacts by the trade friction between China and the US on the market for petrochemical raw materials and the additional production lines for petrochemicals got into production in China as well as the increasingly conservative competition on the market. In terms of profit, the consolidated profit before tax was NT$37.1 billion in 2019, a decline of NT$24.9 billion or 40.1% from NT$62 billion in 2018. Besides the abnormality encountered in the third aromatic hydrocarbon plant, the impacts were not only mainly from the trade friction between China and the US as mentioned above and the commissioning of the new production lines but also markets were thickly on the lookout, and prices of petrochemical products dropped significantly into the margin was far greater than that with the oil price and it led to the reduction in business profits.

The international economic situation was unpredictable in 2019. Geopolitical conflicts followed one another in the Middle East and the incessant disputes between China and the US in trade, among other factors, have undermined the growths in global economy and trade. In the first half of the year, the demand on the market for petrochemical products continued with the growing streak from 2018 and was growing steadily. In addition, the Company is known for its one-stop production system that covers the upstream, midstream, and downstream, with the competitive advantage of low cost, and we continue to promote product transformation and optimization of production and distribution towards market segmentation and product differentiation. Sales of petrochemical and plastic products went well. Petrochemical product prices were scaled up that benefited by the rise in the price of crude oil, thus the revenue and profits of the

Company in the first half of the year were both stable.

In the second half of the year, however, trade protectionism took prominence in the US. Tariff protective measures against products imported from Mainland China were imposed in different phases. In response, Mainland China introduced protective means on the market, too. The trade friction between Mainland China and the US gradually spread to impact the global economy and seriously undermine the globalization inter-dependent production and manufacturing system to significantly impact the foreign trade-oriented economy in Taiwan, particularly the petrochemical industry that targets mainly the market in Mainland China. Meanwhile, under the slow growth of the global economy, therefore, the internal demand in Mainland China also appeared to be sluggish, the prices of petrochemical products plummeted as oil price slid quickly, and downstream customers were waiting and seeing and appeared to be conservative. The Company's margin profit also started to slide as selling prices of products continued to fall in the third quarter. In the fourth quarter, the supply and demand was imbalanced in terms of production and distribution on the market, due to the new built petrochemical production lines were commissioned in Mainland China, thereafter, the downstream companies purchased tenably volume to operate on low inventories, and there were sales on the market prices were not pretty. The Company was under the stress of pass-through of production costs that resulted in profitability turned weak, and the Company had to deal with major challenges in its operation. Although the Company continued to live up to its belief in circular economy by investing in research and development of innovative low-emission production technique-oriented energy-saving operation to try to reduce the cost and enhancing product sales service, the revenue and profitability remained quite harsh.

As for the consolidated revenue in 2019, the parent company's net revenue was NT$151.6 billion, accounting for 48% of the consolidated revenue. Subsidiaries that contributed to the revenue included Formosa Industries Corporation in Ningbo, Formosa Industries Corporation in Vietnam, and Formosa Taffeta Co., Ltd., totaling

NT$163.9 billion, accounting for 52% of the consolidated revenue. It was the first time that these invested companies since their establishment had combined revenue greater than that of the parent company. Main contributors to the parent company's revenue are petrochemical and plastic products. Both combined had a net worth of NT$137.9 billion, accounting for 91% of the parent company's revenue. Among them, petrochemical products totaled NT$85.3 billion or 56.3% and plastic products NT$52.6 billion or 34.7% respectively.

Each product is summarized as follows:

Respective major products were operated in 2019 primarily to ensure total throughput and production under the premise of production safety and water and energy conservation as well as reduced consumption and emissions, among other improvements in circular economy, continued to be promoted. Meanwhile, AI smart production based on big data was greatly promoted to hopefully further realize steady production and reduce the cost.

For aromatic hydrocarbon, SM, and phenol, the first aromatic hydrocarbon plant, the SM plant in Haifong site, and the synthetic phenol plant completed multiple water and energy conservation improvements taking advantage of the annual inspection to effectively reduce energy consumption and enhance production efficiency. The abnormal equipment in the third aromatic hydrocarbon plant has been repaired and multiple energy saving and carbon reduction equipment improvements were completed at the same time to significantly bring down the consumption of steam. In 2020, after that the new built petrochemical production lines are commissioned in Hengli Group and Zhejiang Petrochemical Co., Ltd. in Mainland China, the increase in the supply will further exacerbate the competition. Faced with challenges brought about by the new situation, the Company's petrochemical plant will continue to optimize the process and promote application of big data in AI process management to accordingly enhance production performance in response to the drastic changes on the market.

In terms of PTA and PIA, as production lines are added and commissioned in Mainland China, the supply has increased and selling prices of products took a slide. Despite the construction of new production lines to be commissioned continued for downstream polyester in 2019, the stress brought about by supply surplus on the market could not be covered; profitability bore the brunt. The PTA plant of the Company in Ningbo, with its optimal quality and steady lead time, has been trusted by customers. In addition, the processing cost has been significantly reduced following process transformation in 2018. The operating stress appeared to be not as intense as that in Taiwan facilities. In 2020, the PTA and PIA plants in Taiwan will first satisfy the needs on the domestic market. For exports, besides Formosa Industries Corporation in Vietnam, more markets outside Mainland China will be explored. The utilization rate will be adjusted reflective of changing market intelligence in order to improve the sales. Meanwhile, processes in Taiwan facilities will continue to be optimized to bring down the processing cost.

As far as plastic products are concerned, the globe economic growth slowed down and oil prices fell in 2019; raw materials and plastic pellets had undesirable outlooks. Downstream customers were mainly rigid demand-oriented. Demand on the market was sluggish. The Company took advantage of the low inventories kept by downstream customers and phased inventory replenishments with orders placed by making efforts to expand sales. As a result, the sales of plastic pellets in 2019 grew by 1.5% compared to those in 2018. Looking into 2020, faced with the speedy expansion of plastic product throughput in Mainland China, the Company will increase the development of high-value and differentiated products by creating market segmentation and exploring areas outside Mainland China in response. The ratio of sales of PS special grade pellets in 2019 already reached 43.8% and will further rise to 45.6% in 2020. In terms of ABS products, the ratio of sales of ABS special grade pellets from Taiwan facilities throughout 2019 was 31.5% and the goal is to enhance it to 32.2% in 2020 where high-value special products will be prioritized. The sales of special grade pellets from the PABS plant in Ningbo, Mainland China accounted for 26.5% in 2019. As business operation staff and technicians continue to promote application of the products, the sales will be smooth and are likely to continue with the growing streak. The goal is to enhance the ratio of sales to 28.1%.

In reference to PP products, the ratio of sales of special products in 2019 already reached 51.5%. To further maximize the market share, the goal is to have the product sales to grow by 10%. High-quality and high unit-price medical device materials and development towards high liquidity and light weight will continue to be promoted in order to enhance the value added of the products. As far as the PC products are concerned, the sales of special products accounted for 24% in 2019 and the profitability accounted for 68%; profitability was optimal. In 2020, the Company will continue with the high-value strategy for the PC sector to proactively diversify the market, to extend the optimal reputation of the Company on the market, and to proactively go with the customers demand for production and distribution. The goal is to have a growth of 30% in the sales of special products.

As far as textiles and fiber products are concerned, impacted by undesirable factors, such as the price cut competition in the exportation of textile products from Mainland China and the imbalance between supply and demand, among others, Taiwan facilities and the overseas re-investment Formosa Industries Corporation in Vietnam saw reduced sales of yarn and rayon fibers. In order to enhance profitability, the production ratio of green textile and fiber products will be increased. The niche market for recycled environmentally friendly filament and color filament, among other differentiated products, will be developed. Combining the brand channel along with the production demand of customers in the downstream and the fashionable trend on the market, the production and distribution plan and production model are adequately adjusted to form a marketing system where the upstream, midstream, and downstream are integrated.

In terms of sustainable operation, the Company has been emphasizing co-existence and co-prosperity between environmental protection and social development. Besides the continued adoption of the best available control technology (BACT) that is improving each year in terms of pollution prevention equipment, the Company was the first in the country to realize clean emissions and elimination of white smoke generated by its co-generation units. The emission quality is already comparable to that of a natural gas unit. Meanwhile, there is the real-time bulletin board set up outside each plant to facilitate supervision by residents in the neighborhood. In addition, in honor of the belief in circular economy, energy conservation and emission reduction were promoted to reduce carbon emissions and to make utilization of water resource sustainable, fulfilling the Company's corporate social responsibilities. In 2019, the AI technology was introduced to enhance energy conservation improvement efficiency. By 2019, the Company had invested accumulatively up to NT$12.2 billion in the promotion of energy conservation and emission reduction; 4,914 projects on improvements were completed, saving a total of 94,200 tons per day of water in total and steam of 1,006 tons per hour, electricity of 117 MWH; the benefits combined totaled NT$10.5 billion. In 2019, the PTA plant in Longde site received the Gold Medal of the ‘Energy-saving Signature Award’ from the Bureau of Energy, Ministry of Economic Affairs. The SM facility in Haifong site was awarded by the ‘Water Resources Agency’, Ministry of Economic Affairs for outstanding water conservation performance in the industrial division.

In light of the fact that the abnormalities having occurred at the third aromatic hydrocarbon plant in April 2019 were caused by undesirable equipment maintenance performance. Therefore, in August, the Company established its Sustainable Safety Mechanism Group to not only take charge of promoting environmental protection but also explore at depth blind spots in industry safety management and eliminate potential industrial safety risks. The improvement projects involving staff, equipment, and environmental safety as promoted in 2019 will be continued in 2020 to further fulfill the goal of safe production. In order to enhance reliability of equipment, the Company also collaborated with NACE anti-corrosion experts in creating the corrosion prevention mechanism. Meanwhile, releasing best examples of periodic PHA, JSA/SOP, MOC, and false alarm accidents and consolidating educational training for contractors and employees, among others, were the highlights.

For sustainable corporate operation, besides sound production equipment and safe production planning as well as optimal operational performance, the most important is to continue expanding investments. The new 200-thousand-ton PIA and the expansion of the existing phenol plant from an annual production of 300 thousand tons to 400 thousand tons were started in Ningbo, China in 2019. In addition, the plastics department expanded three composite plants across the Taiwan Strait increases the annual production to 132 thousand tons. All of these new investments will be completed in 2020. Meanwhile, in 2020, the investment in the ABS plant in Ningbo, China to add 250 thousand tons of production and the PTA plant to add 1.5 million tons of products will be started at the same time in 2020. All the equipment upon establishment features the latest and further refined production technologies that are currently available. The hope is that the newly built PTA, PIA, Phenol, and ABS plants are unparalleled in the industry in terms of production performance, quality, and production safety. The petrochemical plant in Louisiana, USA, a joint venture with Formosa Petrochemical Corporation, was already approved during environmental impact assessment in the beginning of 2020 and construction will be initiated in full force. Hopefully, they can further strengthen the Company's operation once completed.

Business Plan for 2020

Looking into 2020, the Company still needs to deal with the operation dilemma. Besides the gradually and steadily commissioned new petrochemical production lines in Mainland China to result in comprehensively more supply than demand, the spread of the novel COVID-19 in January seriously impacted the market order in the first half of the year. In addition, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership that will be signed this year will add to the unfair treatment Taiwan faces in more international free trade tariffs; Taiwan's industries will be in an inferior position while competing with its counterparts. The China-US trade conflicts yet to remit, the unpromising short-term prospects of the global macroeconomics, the slowing economic growths in major countries in Europe and America, and the persistent harsh challenges facing the plastics and chemical industries, on the other hand, have given the Company no choice but cope with the changes on the market seriously. The Company will continue to live up to its belief in circular economy by reducing the production cost and increasing investments in developing high-value, differentiated, and green products on the niche market. Under the premise of safe production, quality of products made better, processes more stable and production efficiency higher. The sales service quality is reinforced and so are the quality and quantity of high-value products in order to decentralize the market and to avoid price competition on the market. Meanwhile, the Company proactively promotes AI smart production and maximizes the application of artificial intelligence in process improvement and equipment safety forecast and diagnosis. Efforts are continued in the development of new AI applications and enhancing process integration and process management efficiency.

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:

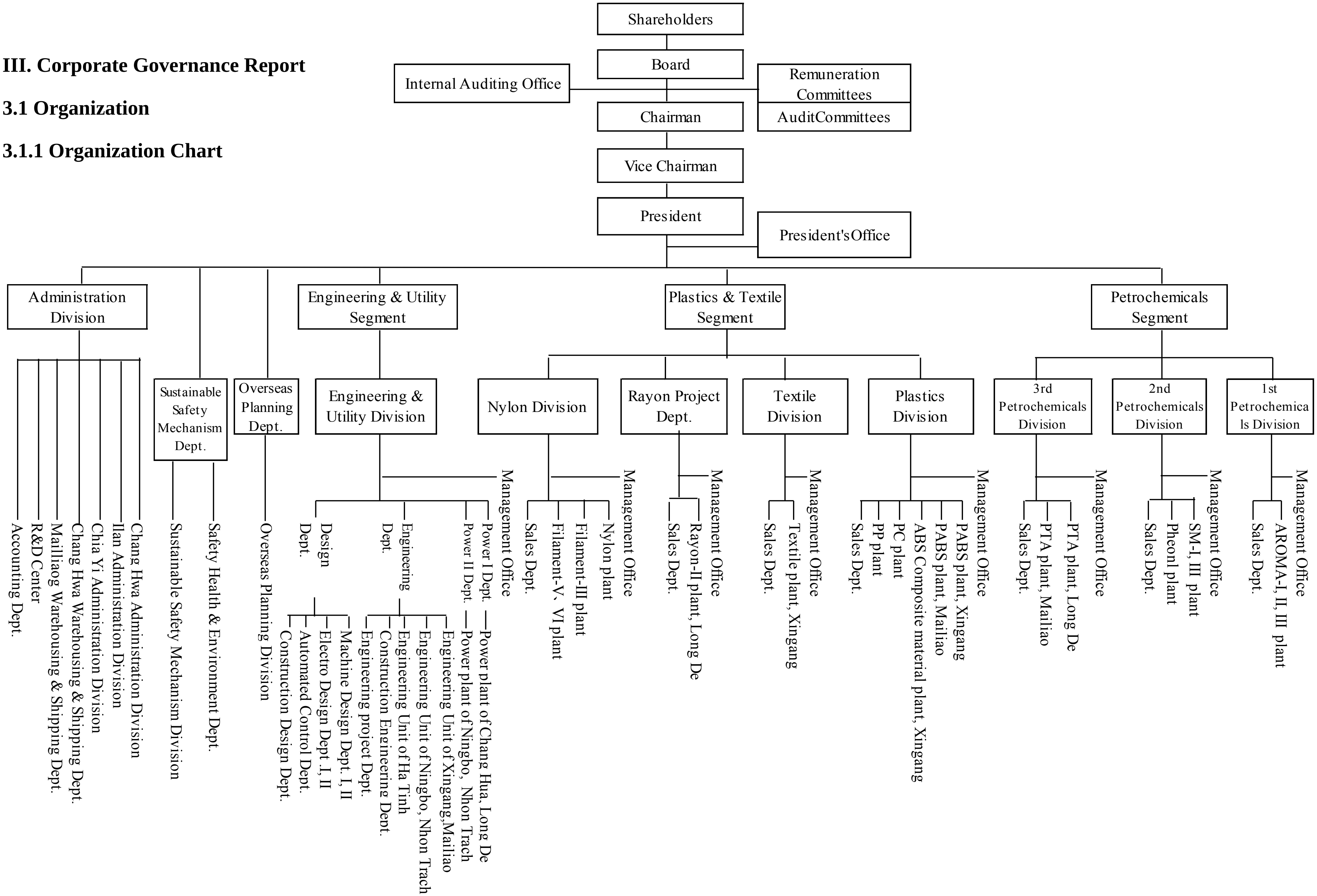
Year	Major Events
1964-1971	The Company prepared for establishing factory at Changhwa plant site in 1965, and got company registration documents to build plants on March 1965 with capital NT100 millions. The Company amended company laws and authorized to increase capital to NT300 millions with daily 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 2nd 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 3rd spinning factory was built on July, and the 4th spinning factory and a new cotton knitting factory were expanded by the end of 1971.
1972-1981	Building the 4th 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 9th spinning factory which had capacity of 800 thousand spindles was built in 1980. The Company set up the 10th spinning factory which had capacity of 400 thousand spindles in 1981.
1982-1991	The Company expanded the 2nd 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 5th nylon plant in 1992, and prepared for building ABS plant in 1994. The amount of capital exceeded NT20 billions in 1994. The 6th nylon plant and DMF plant were scheduled in 1996. The Company was accredited to expand the 2nd PTA plant and set up new HAC and PP plants. The amount of capital exceeded NT30 billions in 1998. The 2nd 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 2nd PC production line and the amount of capital exceeded NT40 billions in 2002. The same year net surplus was made use of the 3rd PP production line which had capacity of 160 thousand tons and debottlenecking capacity of the 1st and 2nd Aromatic plants and Phenol plant in 2003. The 3rd 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 3rd 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.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
1st Petrochemical Division	Responsaible for products of Benze, Toluene, Para-xylene,Ortho-xylene and Meta-xylene production and sale
2nd Petrochemical Division	Responsaible for products of Styrene monomer, Phenol and Aceton production and sale
3rd Petrochemical Division	Responsaible for products of Pure terephthalic acid and Purified isopropyl alcohol production and sale
Plastics Division	Responsaible for products of ABS, PS, PP and PC production and sale
Textile Division	Responsaible 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	Responsaible for products of Nylon chips, Nylon filament, Nylon draw textured yarn
Engineering and Utility Division	Responsaible for products of public utilities production and sale；also responsaible for design and planning to manufactur producture
Overseas Planning Department	Responsible for overseas investment planning
Sustainable Safety Mechanism Department	Responsible for prosennel safety and hygiene job tranning affirs
Administration Department	Planning and execution of general affairs, factory affairs, and information systems
Accounting Department	Journalizing accounting and filing tax return affirs; 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

As of April 10, 2020

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

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

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

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

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

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

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

April 10, 2020

Table 1：Major shareholders of the institutional shareholders

April 22, 2020

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)	1.56
	Citibank Taiwan Limited in custody for Macro System Corp.	1.38
	JPMorgan Chase Bank N.A.,Taipei Branch in custody for Vanguard Total Internationa	1.25
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
	Chunghwa Post Co., LTD.	0.52
	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
	Citibank Taiwan Limited in custody for Funds of Government of Singapore	1.46
	Ming Chi Univ. of Technology	1.43
	Nan Shan Life Insurance	1.40
Formosa Taffeta Co., LTD.	Formosa Chemicals & Fibre Corporation	37.40
	Chang Gung Medical Foundation	5.79
	Yu Yuan Textile Co., Ltd.	2.55
	Lai, Mine Hsiung	2.43
	Chang Gung University	2.20
	Chang Gung University of Science and Techonolgy	2.13
	Ming Chi Univ. of Technology	1.87
	Taiwan Life Insurance	1.59
	Cathay Life Insurance	1.53
	Asia Pacific Investment Corporation Ltd.	1.43
Chindwell International Investment Corporation	Everred Corporate, Inc.	100
Vanson International Investment Corporation	Landmark Capital Holdings Inc.	100
Cathay Life Insurance	Cathay Financial Holdings	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	—
Citibank Taiwan Limited in custody for Macro System Corp.	Investment Account	—
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	Investment Account	—
Chunghwa Post Co., LTD.	Ministry of Transportation and Communications, R.O.C.	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	19.76
	Formosa Chemicals & Fibre Corporation	15.21
	Formosa Plastic Corporation	14.60
	Wang Yong-Tsai	12.35
	Wang Yong-Ching	8.08
Chang Gung University	Chang Gung Medical Foundation	57.17
	Wang Yong-Ching	13.21
	Chindwell International Investment Corporation	3.91
	Nan Yan Plastics Corporation	2.54
	Formosa Plastic Corporation	2.24

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.

Professional qualifications and independence analysis of directors and supervisors

December 31, 2020

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

Chang, Tsung Yuan			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chien, Wei Keng			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang, Dong Terng			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Pan, Chin Hua			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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

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

2、Diversified policy of board of directors

Board of directors of the Company is composed of fifteen directors. There are three independent directors rated 20% of all, and one of directors is female rated 6.7% of all, and the rest of directors are worker directors rated 73.3% of all. Directors are all qualified at excellent organization leadership, great management experiences and global business perceptions etc., to provide prompt managerial advices on business operation. The capabilities of individual experiences are listed as follow.

Name	Nationality	Gender	Background of management and strategical capability					
			Management	Leadership	Industrial knowledge	Global perception	Financial analysis	Legal background
Wen Yuan Wong	R.O.C	male	v	v	v	v		
Hong, Fu Yuan	R.O.C	male	v	v	v	v		
Wang, Weng Tsao	R.O.C	male	v	v	v	v		
Representive of Nan Ya Corporation Wang, Ruey Yu	R.O.C	male	v	v	v	v	v	
Independent director Chen, Ruey Long	R.O.C	female	v	v	v	v	v	
Independent director Huang, Hui Chen	R.O.C	male	v	v	v	v		v
Independent director Chien, Tai Lang	R.O.C	male	v	v	v	v	v	v
Representive of Formosa Petrochemical Corporation Wang, Walter	R.O.C	male	v	v	v	v		
Lu, Wen Chin	R.O.C	male	v	v	v	v		
Fang, Ing Dar	R.O.C	male	v	v	v	v		
Lee, Ching Fen	R.O.C	male	v	v	v	v		
Chang,Tsung Yuan	R.O.C	male	v	v	v	v		
Chien, Wei Keng	R.O.C	male	v	v	v	v		
Huang, Dong Terng	R.O.C	male	v	v	v	v		
Pan,Chin Hua	R.O.C	male	v	v	v	v		

3.2.2 Management Team

Title (Note 1)	Nationality/ 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.	Lu, Wen Chin	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.	Fang, Ing Dar	Male	January 1, 2017	73	—	0	0	0	0	BA, Chinese Culture Univ.	Director of FG INC	None	None	None	None
Senior Vive President	R.O.C.	Chen, Chih Hsiung	Male	January 1, 2017	4,141	—	1,822	—	0	0	Assoc. D., Natl. Taipei Univ. of Technology	None	None	None	None	None
Senior Vive President	R.O.C.	Lee, Ching Fen	Male	June 16, 2017	0	0	1	—	0	0	BA. Tam Kang Univ.	Director of Formosa Chem. Ind. (Ningbo) Ltd.,	None	None	None	None
Senior Vive President	R.O.C.	Chang, Tsung Yuan	Male	August 1, 2019	0	0	5,239	0	0	0	BA. Natl. Taiwan Ocean Univ.	Director of Formosa Chem. Ind. (Ningbo) Ltd.	None	None	None	None
Vice President	R.O.C.	Chien, Wei Keng	Male	March 17, 2017	0	0	0	0	0	0	MA. Natl. Cheng Kung Univ.	Director of Formosa Chem. Ind. (Ningbo) Ltd.	None	None	None	None

Vice President	R.O.C.	Huang, Kuo Hsien	Male	August 1, 2019	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.	Su, Chun Hsiung	Male	June 16, 2017	359	—	0	0	0	0	Assoc. D., Ming Chi Univ. of Technology	None	None	None	None	None
Vice President	R.O.C.	Huang, Tien Chung	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.	Ke, Pai Rong	Male	August 1, 2015	0	0	0	0	0	0	Assoc. D., Natl. Taipei Univ. of Technology	Director of Tah Shih Spinning Co., Ltd.	None	None	None	None
Assit. Vice President	R.O.C.	Lee, Chun Chieh	Male	August 1, 2019	0	0	0	0	0	0	Assoc. D., Ming Chi Univ. of Technology	None	None	None	None	None
Assit. Vice President	R.O.C.	Lin, Chi Huang	Male	July 1, 2017	0	0	0	0	0	0	BA. Chung Yuan Christian Univ.	None	None	None	None	None
Assit. Vice President	R.O.C.	Chen, Yung Lung	Male	July 16, 2018.	0	0	0	0	0	0	BA. Natl. Cheng Kung Univ.	None	None	None	None	None
Financial Controller	R.O.C.	Chuang, Tsan Chang	Male	November 4, 2016	0	0	0	0	0	0	MA. Chang Gung Univ.	None	None	None	None	None

Accounting Supervisor & Corporate Governance Officer	R.O.C.	Liu, Chia Ju	Male	July 1, 2013	487	—	10,802	—	0	0	Chinese Culture Univ.	Supervisor of Formosa Synthetic Rubber (Ningbo) Corp. Ltd.,	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 10, 2020

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

Remuneration of Directors

December 31, 2019

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	Wen Yuan Wong	37,437	37,437	0	0	0	0	170	300	0.127	0.127	72,940	73,000	795	795	405	0	405	0	0.376	0.377	18,691
Vice Chairman	Hong, Fu Yuan																					
Managing Director	Wang, Weng Tsao																					
Managing Director	Wang, Ruey Yu																					
Director	Wang, Walter																					
Director	Lu, Wen Chin																					
Director	Fang, Ing Dar																					
Director	Lee, Ching Fen																					
Director	Chang, Tsung Yuan																					
Director	Chien, Wei Keng																					
Director	Huang, Dong Terng																					
Director	Pan, Chin Hua																					
Independent Managing Director	Chen, Ruey Long	5,400	5,400	0	0	0	0	390	390	0.019	0.019	0	0	0	0	0	0	0	0	0.019	0.019	0
Independent Director	Huang, Hui Chen																					
Independent Director	Chien, Tai Lang																					

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

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

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

   None.

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

Note 1: The names of the directors shall be separately listed (for legal person shareholders, the names of legal person shareholders and representatives shall be listed separately), directors and independent directors shall be separately listed, and the amount of each payment shall be disclosed on an aggregate basis. If the director is also the president or senior vice president, this table and the remuneration table for president and senior vice president shall be filled out.

Note 2: Refers to the remuneration to directors (including directors' salaries, duty allowances, severance pay, various bonuses and incentives, etc.) in the most recent year.

Note 3: Refers to the amount of remuneration to directors as approved by the Board of Directors for the most recent fiscal year.

Note 4: Refers to the relevant business expenses of directors (including travel expenses, special disbursements, allowances, accommodation, company car, and other physical items) for the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration.

Note 5: All pays to the director who is also an employee of the Company (including the position of president, vice president, other executive officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car for the most recent year . Where housing ,cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. Furthermore, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

Note 6: Refers to the employees' compensation (including stocks and cash) received by a director who is also an employee (including the position held concurrently as president, ice 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, 2019

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	Lu, Wen Chin	68,073	68,073	1,049	1,049	300	310	328	0	328	0	0.2348	0.2349	0
Executive Vice President	Fang, Ing Dar													
Senior Vice President	Chen, Chih Hsiun													
Senior Vice President	Lee, Ching Fen													
Senior Vice President	Chang, Tsung Yuan													
Vice President	Chien, Wei Keng													
Vice President	Huang, Kuo Hsien													
Vice President	Su, Chun Hsiung													
Vice President	Huang, Tien Chung													
Vice President	Lin, Ching Shih													
Vice President	Ke, Pai Ronge													

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)	Huang, Kuo Hsien、 Su, Chun Hsiung Huang, Tien Chung、Lin, Ching Shih Ke, Pai Rong	Huang, Kuo Hsien、 Su, Chun Hsiung Huang, Tien Chung、Lin, Ching Shih Ke, Pai Rong
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Fang, Ing Dar、Chen, Chih Hsiung Lee, Ching Fen、Chang, Tsung Yuan Chien, Wei Keng	Fang, Ing Dar、Chen, Chih Hsiung Lee, Ching Fen、Chang, Tsung Yuan Chien, Wei Keng
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	Lu, Wen Chin	Lu, Wen Chin
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	11	11

＊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	Lu, Wen Chin	0	374	374	0.001
	Executive Vice President	Fang, Ing Da				
	Senior Vice President	Chen, Chih Hsiun				
	Senior Vice President	Lee, Ching Fen				
	Senior Vice President	Chang, Tsung Yuan				
	Vice President	Chien, Wei Keng				
	Vice President	Huang, Kuo Hsien				
	Vice President	Su, Chun Hsiung				
	Vice President	Huang, Tien Chung				
	Vice President	Lin, Ching Shih				
	Vice President	Ke, Pai Ronge				
	Chief of Finance Department	Chuang, Tsan Chang				
	Accounting Supervisor & Corporate Governance Officer	Liu, Chia Ju,				

December 31, 2019

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

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

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

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

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

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

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

Unit:%

Year	The Company		Companies in the consolidated financial statements	
	2018	2019	2018	2019
Directors	0.229	0.395	0.230	0.396
President and Vice Presidents	0.1096	0.2348	0.1098	0.2349

The ratios of remuneration paid to directors, presidents and vice presidents of the Company and the companies in the consolidated financial statements in the last two years, presented in the above table. This is mainly due to pay the total amount to vice presidents level increased, and the net profit after tax in 2019 was lower than that in the year of 2018, resulting in an increase ratio in the total compensation paid in 2019 compared with that in 2018.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

On June 6, 2008, the Board of Directors cancelled policy of paying the Directors and Supervisors remuneration from the surplus. Moreover, the Audit Committee was set up to replace the Supervisors on June 29, 2015. The independent directors of the Company are paid a fixed monthly remuneration, and transportation fee should be paid according to the actual number of attendances of the Board of Directors meetings

The Remuneration Committee of the Company makes recommendations to the Board of Directors on the salary standards and structures, the assessment system, and the salary adjustment range for general managers. The general managers are paid fixed monthly salary which is also adjusted according to the Company's annual salary adjustment standard

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in the previous period. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Wen Yuan Wong	6	0	100	
Vice Chairman	Hong, Fu Yuan	6	0	100	
Managing Director	Wang, Weng Tsao	3	0	50	
Managing Director	Wang, Ruey Yu	6	0	100	
Managing Director (Independent)	Chen, Ruey Long	5	1	83	
Independent director	Huang, Hui Chen	6	0	100	
Independent director	Chien, Tai Lang	6	0	100	
Director	Wang, Walter	2	0	33	
Director	Lu, Wen Chin	6	0	100	
Director	Fang, Ing Dar	6	0	100	
Director	Lee, Ching Fen	6	0	100	
Director	Chang, Tsung Yuan	6	0	100	
Director	Chien, Wei Keng	6	0	100	
Director	Huang, Dong Terng	5	0	83	
Director	Pan, Chin Hua	5	0	83	

Other mentionable items:

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

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

Explanation: inapplicability

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

Explanation: none

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

1. Mar.15, 2019

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

（2）Agenda: Set up the credit to objective companies, amount and interest rate for 2nd quarter, 2019.

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

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

2. Mar.15, 2019

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

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

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

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

3. Mar.15, 2019

（1）Directors' names: Fang, Ing Dar

（2）Agenda: Increase Investment amount of US$45m in 'FG INC'.

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

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

4. May.3, 2019

（1）Directors’ names: Wen Yuan Wong, Hong, Fu Yuan, Wang, Weng Tsao, Wang, Ruey Yu

（2）Agenda: Set up the credit to objective companies, amount and interest rate for 3rd quarter, 2019.

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

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

5. May.3, 2019

（1）Directors’ names: Wen Yuan Wong, Hong, Fu Yuan, Wang, Weng Tsao, Wang, Ruey Yu

（2）Agenda: Acquire assets form interested party who are, ‘Nan Ya Plastic Corporation’ and ‘Formosa Heavy Industries Corporation’.

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

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

6. May.3, 2019

（1）Director’s name: Wen Yuan Wong, Hong, Fu Yuan, Wang, Weng Tsao, Wang, Ruey Yu

（2）Agenda: Donation NT$8,698K to ‘ Ming Chi University of Technology ’.

（3）Interest conflict avoidance: Mentioned directors evaded vote due to that these mentioned directors are employed as a chairman or directorates in these university.

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

7. May.3, 2019

（1）Directors’ names: Wen Yuan Wong, Hong, Fu Yuan, Wang, Weng Tsao, Lu, Wen Chin

（2）Agenda: The Company issued a commitment letter to‘ Formosa Industries Corporation ’ for drawing up a line of credit

（3）Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed as directorates or directors who are related with two degrees of kinship in the company.

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

8. Aug.8, 2019

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

(2) Agenda: Set up the credit to objective companies, amount and interest rate for 4th quarter, 2019.

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

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

9. Aug.8, 2019

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

(2) Agenda: Acquire assets form interested party who are ‘Formosa Plastics Corporation’, ‘Nan Ya Plastic Corporation’ and ‘Formosa Heavy Industries Corporation’.

(3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed in these companies as a managing directorate, directorate or legal representative or directors who are related with two degrees of kinship in these companies.

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

10. Aug.8, 2019

(1) Directors' names: Wen Yuan Wong

(2) Agenda: Increase Investment amount of US$81.25m in ‘ Formosa Resources Corporation ’.

(3) Interest conflict avoidance: Mentioned director evaded vote due to that the mentioned director has been employed as a chairman in the company.

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

11. Aug.8, 2019

(1) Directors ‘names: Chang, Tsung Yuan, Chien, Wei Keng

(2) Agenda: Adjustment senior executive positions to achieve the purpose of business management .

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

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

the agenda.

12. Nov.1, 2019

(1) Directors' names: Wen Yuan Wong, Hong, Fu Yuan, Wang, Weng Tsao, Lu, Wen Chin, Lee, Ching Fen, Chang, Tsung Yuan, Chien, Wei Keng

(2) Agenda: The Company issued a commitment letter to 'Formosa Chemicals Industries (Ningbo) Limited Company' for drawing up a line of credit.

(3) Interest conflict avoidance: Directors above mentioned evaded votes due to that these mentioned directors have been employed as directorates or directors who are related with two degrees of kinship in the company.

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

13. Nov.1, 2019

(1) Directors' names: Wen Yuan Wong, Hong, Fu Yuan, Wang, Weng Tsao, Wang, Ruey Yu, Lu, Wen Chin, Lee, Ching Fen

(2) Agenda: Set up the credit to objective companies, amount and interest rate for 1st quarter, 2020.

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

(4) Resolution: Except for these above directors, the rest attendant directors approve the agenda.

14. Nov.1, 2019

(1) Director's name: Wen Yuan Wong, Hong, Fu Yuan, Wang, Weng Tsao, Wang, Ruey Yu,

(2) Agenda: The Company acquires assets form interested parties who are Nan Ya plastic Corporation and Formosa Heavy Industries Corporation.

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

(4) Resolution: Except for these above directors the rest attendant directors approve the agenda.

15. Nov.1, 2019

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

(2) Agenda: Donation NT$6,141.2K to ' Chang Gung University'.

(3) Interest conflict avoidance: Mentioned directors evaded vote due to that these mentioned directors are employed as a chairman or directorates in these university.

（4）Resolution: Except for these above directors, the rest attendant directors approve the agenda.

16. Dec.13, 2019

（1）Director’s name: Wen Yuan Wong, Hong, Fu Yuan, Wang, Ruey Yu,

（2）Agenda: The Company acquires assets form interested parties who are Nan Ya plastic Corporation and Formosa Heavy Industries Corporation.

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

（4）Resolution: Except for these above directors the rest attendant directors approve the agenda.

17. Dec.13, 2019

（1）Director’s name: Wen Yuan Wong, Hong, Fu Yuan, Huang, Dong Terng

（2）Agenda: Increase Investment amount of NT$46m in ‘Formosa Synthetic Rubber Corporation’.

（3）Interest conflict avoidance: Mentioned director evaded vote due to that the mentioned director is employed as directorates or directors who are related with two degrees of kinship in the company.

（4）Resolution: Except for these above directors the rest attendant directors approve the agenda.

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:
The Company will implement the evaluation of the Board of Directors in 2020, and will disclosure the results of performance assessments in 2021.

D. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

1、 The capability of board of directors is fully fulfilling the governance of corporation.

2、 The board of directors on June 15, 2018 nominated independent directors, Chen, Ruey Long, Huang, Hui Chen and Chien, Tai Lang, as the committee of Audit Committee and Remuneration Committee. The tenure of committee is the same as the term of office of directors.

3、 The Remuneration Committee convened conferences on Jan. 16, 2019 , Aug. 8, 2019, and Dec.13, 2019 respectively to evaluate and stipulate emolument for directors and managers. The suggestions will be subject to board of director.

4、 The Audit Committee call five times conferences in 2019 to approve agenda, such as schedule internal control plans, amend the procedures for loaning funds to other parties, amend the procedures for providing endorsements an guarantees

to other parties of the company, amend operational procedures for loaning funds to others, procedures for engaging in derivatives trading, amend debit loans, admit endorsement or guarantee for debts, declare financial statements, and confess interested party by exceed half members of audit committee. The suggestions will be subject to board of director. 5、 In addition to strength the capability of board of director, the members of internal auditing suggest internal auditing reports to board of directors.

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

A. Audit Committee

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

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Managing director Independent	Chen, Ruey Long	4	0	80	
Independent director	Huang, Hui Chen	5	0	100	
Independent director	Chien, Tai Lang	5	0	100	

Other mentionable items:

1. If there are the circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.

Board Meeting Date & Sessions	Agenda and Procedures	Securities & Exchange Act, Article14-5	Resolutions were not approved by the Audit Committee but were approved by two thirds or more of all directors
Mar.15, 2019 (1st 2019)	1. Set forth 2018 financial statement of the Company.	✓	—
	2. Set forth 'Management's report on internal control'.	✓	—
	3. Guidelines for lending of capital in 2nd quarter of 2019	✓	—
	4. Acquire assets form interested parties, 'Formosa Plastics Corporation', 'Nan Ya Plastic Corporation' and 'Formosa Heavy Industries Corporation'.	✓	—
	5. Increase Investment amount of US$45m in 'FG INC'.	✓	—
	6. Amend 'operational procedures for loaning funds to others' 、'procedures for engaging in derivatives trading'、'operational procedures for loaning funds to others' 、'operational procedures for endorsements guarantees'.	✓	—
	Resolutions by audit committee: all attended committee approved these agendas.		
	The Company's procedures: The Company's board of director approved these resolutions.		
May 3, 2019 (2nd 2019)	1. Amend procedures of stock operating procedures.	✓	—
	2. Set up Guidelines for lending of capital in 3rd quarter of 2019.	✓	—
	3. Acquire assets form interested parties, Nan Ya plastic Corporation and Formosa Heavy Industries Corporation.	✓	—

	4. Donate NT$8,698K to ‘ Ming Chi University of Technology ’. 5. The Company issues a commitment letter to ‘ Formosa Industries Corporation ’ for drawing up a line of credit. Resolutions by audit committee: all attended committee approved these agenda. The Company’s procedures: The Company’s board of director approved these resolutions.	✓ ✓	— —
Aug 8, 2019 (4th 2019)	1. Set forth financial statement of 2nd quarter of 2019. 2. Set up Guidelines for lending of capital in 4th quarter of 2019. 3. Acquire assets form interested parties, Formosa Plastics Corporation, Nan Ya plastic Corporation and Formosa Heavy Industries Corporation. 4. Increase Investment amount of US$81.25m in ‘ Formosa Resources Corporation’. Resolutions by audit committee: all attended committee approved these agenda. The Company’s procedures: The Company’s board of director realized or approved these resolutions.	✓ ✓ ✓ ✓	— — — —
Nov. 1, 2019 (5th 2019)	1.The Company issues a commitment letter to ‘Formosa Chemicals Industries (Ningbo) Limited Company’ for drawing up a line of credit. 2. Set up Guidelines for lending of capital in 1st quarter of 2020 3. Acquire assets form interested parties who are ‘Nan Yan Plastics Corporation’ and ‘Formosa Heavy Industries Corporation’. 4. Donate NT$6.14m to ‘ Chang Gung University ’ Resolutions by audit committee: all attendant committee approve these agenda. The Company’s procedures: The Company’s board of director approves these resolutions.	✓ ✓ ✓ ✓	— — — —
Dec.13, 2019 (6th 2019)	1. Acquire assets form interested parties who are ‘Nan Yan Plastics Corporation’ and ‘Formosa Heavy Industries Corporation’. 2. Investment amount of NT$46m in ‘Formosa Synthetic Rubber Corporation’. Resolutions by audit committee: all attendant	✓ ✓	— —

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

Date	Occasions	Person	Communication Events	Communication Result
Dec. 13, 2019	Board of Directors	Chief internal auditor	Schedule 2020 annual internal audit plan.	Approval
Dec. 13, 2019	Board of Directors	Chief internal auditor	Implementation of internal schemes of the October of 2019	Realization
Nov. 1, 2019	Board of Directors	Chief internal auditor	Implementation of internal schemes of the 3rd quarter of 2019	Realization
Aug. 8, 2019	Board of Directors	Chief internal auditor	Implementation of internal schemes for the 2nd quarter of 2019	Realization
June 5, 2019	Board of Directors	Chief internal auditor	Improvement of objections and abnormal events occurred on internal control system in 2018	Realization

May 3, 2019	Board of Directors	Chief internal auditor	Implementation of internal schemes for the 1st quarter of 2019	Realization
May 3, 2019	Audit Committee	Chief internal auditor	Amend 'Internal Control System' and 'Rules of Internal Audit'	Submit to Board of Directors
Mar. 15, 2019	Board of Directors	Chief internal auditor	Implementation of internal schemes for the November and December of 2018	Realization
Mar. 15, 2019	Audit Committee	Chief internal auditor	Set up prior year's 'Management's report on internal control'	Set forth agenda to Board of Directors
Mar. 15, 2019	Audit Committee	Accountants	Communication for the findings of 2018 financial reports	Excellent

4. The strength of the audit committee
   (1) In addition to faithfully exercising the laws and regulations according to the audit committee checking standards in 2019, the members of audit committee verified 2018 financial statements thereafter fully communicated and discussed the major audit accounts, affiliated trades and amended IFRSs standards etc., with present accountant.
   (2) The members of audit committee will faithfully continuous exercise the audit committee checking standards in 2020. Moreover, the members of committee will emphases on the matters of controlling potential operating risks and adhere to laws and regulations.

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 7th, 2014 and set a Corporate Governance Practice Principles. Thereon on November 4th, 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) Yes	No	Summary	Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
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. 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	
			same customer and stop payment to the same supplier can be review through the computer system. 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.	
(4) Did the Company establish internal rules that prohibit Company insiders from trading securities using undisclosed information?	✓		(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.	In compliance with Article 10-3 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
3. Composition and responsibilities of the Board of Directors: (1) Did the Board develop and implement a diversified policy for the composition of its members?	✓		(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. Professional competence of the existing Directors are diversified, including business management ability, leadership ability, knowledge of the industry, understanding of international markets, ability to conduct	In compliance with Article 20 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			accounting and financial analysis and experience in industrial management. The present Board of Directors includes 1 female director and 3 independent directors (account for 20% of all directors), and two independent directors' service years are less than three years. Five of all worker directors' service years are less than five years, and all worker directors accounted for 73.3% of all directors. Please refer to annual report for further information about the educational background, gender, professional qualification and working experience of each director.	
(2) In addition to establishing the Salary and Remuneration Committee and Audit Committee according to the regulations, has the Company voluntarily established other functional committees?		✓	(2) The Company has set up a salary remuneration committee after the resolution of the Board of Directors on August 22th, 2011. The Board of Directors also resolved on June 29th, 2015 to set up the audit committee. At present, apart from the above two committees, the Company has not set up any other functional committees.	In compliance with Article 28 and Article 28-1 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(3) Did the company establish a standard to measure the performance of the Board of Directors and implement it annually? Did the Company		✓	(3) The Company has not yet established a performance evaluation method for the Board of Directors, but will implement the evaluation of the Board of Directors in 2020. In addition, the company has set standards for the Board of Directors meetings. These meetings are convened according to the regulations. The Directors have a clear understanding	Not yet in compliance with Article 37-2 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
submit the results of performance assessments to the board of directors and use them as reference in determining remuneration for individual directors, their nomination, and additional office term?			of the Company's objectives, operations, and finances. The Board of Directors functions well, and it communicates effectively with the Company's management team.	Companies, with items yet to be completed in 2020 accordingly.
(4) Did the Company regularly evaluate the independence of CPAs?	✓		(4) The Company evaluates the independence and competence of CPAs at least once a year, focusing on the size and reputation of the accounting firm, the number of consecutive years of providing audit services, the nature and extent of providing non-audit services, the audit fees, peer review, whether there are any legal proceedings or investigations by the competent authorities, quality of audit services, regular training, interaction with management and internal audit supervisors, etc. Relevant information and statements are requested from CPAs and the firms. The documents are then evaluated by the President Office, and the results have been submitted to the Board of Directors on March 13th, 2020.	In compliance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
4. Did the TWSE/TPEx listed company have designated appropriate personnel to handle corporate governance	✓		(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.	In compliance with Article 3-1 of the Corporate Governance Best Practice Principles

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
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)?			(2) The officer supervises President Office, which is responsible for corporate governance-related matters and is assisted by the relevant departments such as the Legal Affairs Office of the General Administrative Office, which includes handling Board of Directors and shareholders meetings, taking minutes of such meetings, assisting Directors come to office and continue training, providing Directors relevant information for operations, assisting Directors compliance with law and regulations, and so on.	for TWSE/TPEx Listed Companies.
5. Has the Company established a communication channel with stakeholders(including but not limited to shareholders, employees, customers and suppliers)? Has a stakeholders' area been set up on the Company website? Are major Corporate Social	✓		(1) The Company instructs the President Office to communicate with stakeholders depending on the situation. A spokesperson and a deputy spokesperson have been appointed as the external communication channel. (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. (3) The Company responds to stakeholders' issues of concern at the	In compliance with Article 47 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the Company?			appropriate time through the following channels: 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. b. Employees: mainly concerned with workplace safety, employee welfare, human rights protection, labor and employment issues, etc. Communication with employees can be conducted through trade unions, factory (office) meetings, etc. c. Suppliers: The Company adheres to the principle of sustainable management and fair trade and is committed to working with manufacturers that comply with environmental protection, safety, and human rights standards. Open tenders are held through the Formosa Plastics electronic trading platform, and regular briefings are held to strengthen two-way communication and advocacy. 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 refes to 1.4 Stakeholder	

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			Identification and Communication of 2018 Corporation Social Responsibility Report)	
6. Does the Company appoint a professional shareholder services agency to deal with shareholder affairs?		✓	The held affairs of shareholders' meeting of the Company is currently handled by itself, but the relevant procedures are handled by the designated share unit, the legal office, and the President Office in accordance with rigorous regulations, so that the shareholders' meeting will be convened in a legal, effective, and safe context to ensure shareholders' rights.	Although it does not meet the requirements of Article 7-1 of the the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, it does not impair the operational efficiency of the shareholders' meeting.
7. Information disclosure (1) Did the Company establish a website to disclose information on financial operations and corporate governance?	✓		(1) The Company has set up a website in Chinese and English with disclosed relevant financial business and corporate governance information under "Investor Relations Section". The Company's website is: www.fcfc.com.tw.	In compliance with Article 57 and Article 59 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(2) Did the Company have other information disclosure channels (such as establishing an English language website, delegating a professional to	✓		(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 of the Corporate Governance Best Practice Principles for TWSE/TPEx

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
collect and disclose Company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?				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 traning 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)?	✓		(1) Employees' rights: The Company strives to pursue a harmonious labor-management relationship and attaches importance to the right of employees to express their opinions. We have set up physical suggestion boxes at the places where employees have easy access to, as well as an online suggestion box in the Company information system. Each suggestion box is appointed to dedicated personnel for replying, in order to facilitate communication. An "inspection method" that establishes the internal whistle-blower channel and protection system has also been set up. In the meantime, board of supervisors and labor-management meetings are held by the unions regularly. The heads of relevant departments attend the meetings to fully communicate with the labor representatives. On major labor issues, the Company gives higher priority to the opinions of the unions, and the top leaders consult with the unions to reach a consensus and ensure the harmonious labor-management relationship as well as the sustainable development of the Company. (2) Employee wellness: In order to take care of employees' physical and mental health, the Company has budgeted annual health checks at Chang Gung Memorial Hospital. In addition to the items required by the law, the Company has added cancer screening programs such as A-type fetal protein and cancer embryo antigen. The goal is to ensure the employees understand and improve their health status. In terms of the employees' diet, the Company follows health regulations concerning food source, acceptance and	In compliance with Articles 51 to Articles 54 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			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 155 of the annual report. (3) Investor Relations: The Company uses the President Office and the shareholding department as a bridge between the Company and its shareholders. In terms of corporate information transparency, the Company's website has an "Investor Relations Section" to provide investors with relevant information. In order to maintain a good relationship with investors, the Company has set up a spokesperson system to provide a means of contact with shareholders and corporate investment institutions. The Company also holds meetings with both domestic and international investors on irregular basis. (4) Supplier Relations: The Company's procurement and contracting operations are mainly aimed at creating a level playing field by looking for good manufacturers that can provide suitable and appropriate equipment, materials or projects at	

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

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			manufacturers, and cultivate excellent manufacturers to achieve good relations as well as long-term cooperation between the two sides. c. Electronic trading for a win-win situation: The Company combines the comprehensive ERP computer management system and the digital, open, and transparent online procurement and delivery mechanism to build a high-quality, safe, convenient and fast electronic trading environment. The Company has further extended the same system vertically and horizontally to the rest of the industry, sharing the e-generation "Formosa Plastic experience" with all enterprises. At present, combined with the Company's upstream and downstream supply chain systems, with more than 10,000 suppliers and third-party suppliers, this electronic trading platform shares the business opportunities and economic benefits brought about by open trading. (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	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>will develop towards eco-industrial areas and promote green building and green energy conservation, raw materials procurement, actively planting forests, paying attention to various social issues, investing in community and social welfare undertakings suitable for enterprises to contribute to the society.

(6) Director Training Records
<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>Director</td><td>Wen Yuan Wong
Hong, Fu Yuan
Wang, Weng Tsao
Wang, Ruey Yu
Huang, Hui Chen
Chien, Tai Lang
Lu, Wen Chin
Fang, Ing Dar
Lee, Ching Fen
Chang, Tsung Yuan
Chien, Wei Keng
Huang, Dong Terng
Pan, Chin Hua</td><td>Nov. 15 2019</td><td>Securities and Futures Institute

Dharma Drum Mountain Humanities and Social Improvement Foundation</td><td>Avoid violating the Securities Exchange Act - Untruthful Financial Statement and Insider Trading.

Heart Blue Ocean Strategy - Innovation on Corporate Value as Part of Corporate Social Responsibilities</td><td>6</td></tr>
</table>
</td><td>In compliance with Article 40 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<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>Director</td><td>Chen, Ruey Long</td><td>Sept. 03. 2019</td><td>Securities and Futures Institute</td><td>1. Principles for Directors and Supervisors to Perform Duties and Make Operational Judgment

2.Anti-Tax Evasion Developments Internationally and Domestically and Expected Response from Corporations</td><td>6</td></tr>
<tr><td>Director</td><td>Wang, Walter</td><td>Nov. 18, 2019

Nov. 19, 2019</td><td>Securities and Futures Institute

Securities and Futures Institute</td><td>Corporate and Personal Countermeasures against Enforced Economic Substance Code and Global Anti-Tax Evasion

Corporate Upgrade and Transformation Strategy and Management - Choice over Acquisition/Merger and Alliance</td><td>6</td></tr>
</table>
</td><td></td></tr>
</table>

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			(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, 2019to February 1st, 2021. (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 178~185 of the annual report for further disclosure of risk management policies of the Compnay. (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. 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	In compliance with Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			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. b. Improving raw material self-sufficiency rate The completion of the sixth naphtha cracker has greatly eased the problem of long-term raw material shortage in Taiwan and reduced the degree of dependence on foreign countries. Current self-efficiency rate of Ethylene in Taiwan reaches above 90 percent, therefore, greatly mitigating the dependence of Ethylene import and enhancing the competitiveness of the overall industry. c. 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 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.	

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			d. E-commerce saves costs and improves efficiency 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.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">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.
(1)The Company has ranked among the top 20 percentile of all listed companies that participated in the 5th Corporate Governance Evaluation in 2018.The following is a description on improvements the Company has undertaken based on governance evaluation indicators: ：
<table><tr><th>Evaluation Indicator</th><th>Reason for Deviations</th><th>Improvement Status</th></tr><tr><td>1.Did the Company upload the English version of the annual report 7 days before convening the shareholders' meeting?</td><td>The Company did not prepare the English version of annual report in 2018.</td><td>The English version of the annual report was published in 2019 and uploaded 7 days before the shareholders' meeting which was held on June 5, 2019.</td></tr><tr><td>2.Did the Company set up a full-time corporate governance officer who are responsible for corporate governance-related tasks, and explain the operation and implementation status in the annual report and company website?</td><td>The Company had not set up a full-time corporate governance officer in 2018.</td><td>The Company set up a corporation governance officer which has been approved by Board of Directors on May 3, 2019.</td></tr></table>
(2)The Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in April 2020 released the results of the 6th Corporate Governance Evaluation in 2019. The Company has ranked among the top 20 percentile of all listed companies that participated in the evaluation. The following is a description on improvements the Company has undertaken based on governance evaluation indicators:
<table><tr><th>Evaluation Indicator</th><th>Reason for Deviations</th><th>Improvement Status</th></tr><tr><td>1.Does the Company simultaneously disclose material information in English?</td><td>The Company did not disclose material information in English in 2019.</td><td>Material information will also be disclosed in English starting from 2020.</td></tr><tr><td>2.Did the company establish a standard to measure the performance of the Board of Directors and implement it annually?</td><td>The Company has not yet established a performance evaluation method for the Board of Directors.</td><td>Performance evaluation method will implement the evaluation of the Board of Directors in 2020.</td></tr></table></td></tr>
</table>

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

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

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

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

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

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

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

B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 3 (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	Chen, Ruey Long	2	0	67	
Committee Member	Huang, Hui Chen	3	0	100	
Committee Member	Chien, Tai Lang	3	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. 16, 2019 (1st, 2019)	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 16, 2019. Resolution from remuneration committee: none. Procedures from the Company: none.
Aug. 8, 2019 (2nd, 2019)	1. The degree of raise remuneration for managers is about to the same as employees. 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.
Dec. 13, 2019 (3rd, 2019)	1. To amend the Company's grant measures for yearend bonus and remuneration. 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:

A. Remuneration Committee is composed of three independent directors one of them is elected to be a convener, and the term of service is the same as that of board of directors. Remuneration Committee call three times conferences in 2019 to draft remuneration and remuneration structures for senior management, and then submitted the results to board of directors.

B. The Company has built the "Regulations of the Compensation and Remuneration Committee". In a professional and objective manner to evaluate the remuneration policies and systems of the directors and managers. Except as otherwise provided by law, the matters related shall be handled in accordance with issued by our

Company. Compensation Committee shall be based on the following principles when they performs the functions of the preceding paragraph:

- The appraisal of the performance should refer to the normal level of the peers, relevance of individual performance, company performance and consider the future risks.
- Directors and managers should not be led to engage in high-level risk appetite in order to pursuit of salary remuneration.
- The short-term performance bonus or changes in salary compensation should be considered by the industry characteristics and the nature of the company's business

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

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note1)</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary(Note2)</th></tr>
<tr><td>1. Does the Company conduct risk assessment in regards to environmental, social, and governance topics related to company operations in accordance with the materiality principle, and establish relevant risk management policy or strategy?(Note 3)</td><td>✓</td><td></td><td>The Company's President Office and FPG Administration Department assess the risks to the Company from the following issues based on the levels of influence to stakeholders, and establish risk policies that enable effective identification, measurement and evaluation, supervision, and control to lower influences from relevant risks:
1. Environmental issues: climate change, water resources, greenhouse gas emissions, and waste management, etc.
2. Social issues: human rights, labor rights, social engagement, and giving back to the society, etc.
3. Governance issues: strategic operations, ethical business conduct, legal compliance, and hazardous risks, etc.</td><td>In compliance with the Article 3 paragraph 2 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</td></tr>
<tr><td>2. Has the Company established an exclusively (or concurrently) dedicated unit for promoting CSR? Is the unit empowered by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of</td><td>✓</td><td></td><td>To promote Corporate Social Responsibility, the Vice Chairman, Hong, Fu Yuan has been appointed as the general convener and President Office, safety and health department, and other units form "The Corporate Social Responsibility Special Unit" which is dedicated to the implementation of social responsibility. The Corporate Social Responsibility Special Unit will report the work items to the Company's Directors through internal official documents. The unit will also reports the preparation and implement of Corporate Social Responsibility report in the Board of Directors</td><td>In compliance with the Article 9 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</td></tr>
</table>

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
Directors?			meeting at least one time at each year.	
3. Environmental issues (1) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	✓		(1) The Company formulated the administrative standards for security and health management, management information systems, office automation systems, etc., and strengthened the management of the security zone in the plants area through the improvement of the system. In addition, the Company will further introduce environmental accounting systems by collecting environmental expenditure information, environmental expenditure benefits, and informing stakeholders of environmental protection measures. (For details of the environmental management system based on industrial characteristics, please refer to 3.1 Mission in Maintaining Safety, Health, and Environmental Protection of the 2018 Corporate Social Responsibility Report.)	In compliance with Article 13 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(2) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental	✓		(2) From raw material procurement to product sales, the Company attaches great importance to the health and safety of its customers. Therefore, the production process is continuously improved upon. To follow market trends and meet customer's needs, the Company has shifted its focus to producing non-toxic and environmentally friendly products with improved production processes as well as green energy products. (For details of the specific practices and products that are	In compliance with Article 12 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			environmentally friendly, please refer to 2.3.4 Product Safety and Health Responsibility and 2.5.6 Green Procurement of the 2018 Corporate Social Responsibility Report)	
(3)Does the Company assess potential risks and opportunities arising from climate change, and establish relevant risk management policy or strate?	✓		(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. (Please refer to 3.3.1 Response Strategies to Climate Change Risks of the 2018 Corporate Social Responsibility Report.)	In compliance with Article 17, paragraph 1 of the Corporate Social Responsibility 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 two years, and establish policies for energy conservation, carbon and GHG reduction, water consumption reduction, waste volume	✓		(4)The Company regularly commissions BSI (British Standards Association) and SGS (Taiwan Inspection and Technology Corporation) to conduct greenhouse gas inventory. For energy conservation and carbon reduction, the Company will set a specific reduction target each year. (For further details, please refer to 3.2 Water Resource Use and Management ~3.7 Description of Material Environmental Issues of the 2018 Corporate Social Responsibility Report.)	In compliance with Article 17, paragraph 2~3 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
reduction accordingly?				
4. Social issues (1) Has the Company referred to relevant laws and international human rights instruments to establish relevant management policies and procedures?	✓		(1) In order to guarantee the human right of employees, customers and stakeholders of the Company, the Company complies with relevant employment relations acts such as the Labor Standard Act, UN Universal Declaration of human Rights, and UN Guiding Principles on Business & Human Rights, International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, etc. The Company also complies with the various labor laws and regulations of the Republic of China and the local laws and regulations of each operating branch. The Company also complies relevant labor laws to formulate personnel rules and regulations to protect employees' rights and interests. It also provides stable and excellent treatment, complete education and training, promotion and development system, and a safe and healthy working environment to enhance the professional competence of employees. The Chairman of the Company, Wen Yuan Wong officially signed the human rights policy in August, 2018. For details, please refer to the official website of the Company.(http://www.fcfc.com.tw/CSR/TW/)。	In compliance with Article 18 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

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

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			and safety observation. (For details on how to improve employee safety in the workplace, please refer to 4.4 A Healthy and Safe Workplace Environment of the 2018 Corporate Social Responsibility Report.	
(4) Has the Company established an effective competency development career training program for employees?	✓		(4)Through the e-training management system, the Company ensures that personnel are gradually completing the training of new personnel, foundation, professional and cadre reserve. In addition, in line with the work and safety needs of individual units, counseling staff with professional licenses hold occasional seminars on various topics as well as strengthening human rights and workplace safety awareness courses. For more details of the lessons of human rights, please refer to the official website of the Company.(http://www.fcfc.com.tw/CSR/TW)(For specific training practices, please refer to 4.3 Human Capital Development of the 2018 Corporate Social Responsibility Report.)	In compliance with Article 21, paragraph 1 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(5) Does the company follow relevant laws, regulations and international guidelines in terms of customer health, safety, and privacy, as well as when marketing or labeling its	✓		(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	In compliance with Article 24 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

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

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
or labor and human rights issues?			the disadvantaged and products with non-radioactive labels are prioritized for procurement. The “Price Inquiries” and “Orders” include requirements for suppliers that they comply with the regulations and fair trade principles. The Company commits itself to ensuring that the partners meet environment protection, industrial safety, and human rights requirements. Non-compliant manufacturers will be rejected and placed under manufacturer evaluation. When purchasing materials, parts or products containing metal components, suppliers are required to investigate whether they meet the "conflict-free metal" to ensure that the purchased raw materials are obtained through legal channels. (For further details, please refer to 2.5 Customer Service and Supply Chain Relations of the 2018 Corporate Social Responsibility Report.)	
5.Does the company refer to guidelines for the preparation of internationally accepted reports and prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Has the aforementioned statement received	✓		The content structure of the Company’s 2018Corporate 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	In compliance with Article 29 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note1)</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary(Note2)</th></tr>
<tr><td>any validation or guarantee from third-party accreditation/attestation organization?</td><td></td><td></td><td>international common indicators.</td><td></td></tr>
<tr><td colspan="5">6. Where the Company has established its own Best Practices on CSR according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any differences between the prescribed best practices and actual implementations taken by the Company：
Note：The Company passed the resolution of the “Corporate Social Responsibility Code” as set out in the resolution of the Board of Directors on August 11, 2015. Although the Company's practice has been slightly revised, the established code and the “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” comply with the same spirit. For the operation of the Company's Corporate Social Responsibility, please refer to the 2018 Corporate Social Responsibility Report and website description.</td></tr>
<tr><td colspan="5">7. Other important and helpful information in understanding CSR operation:
Explanation 1: Relevant systems and structures
In order to effectively integrate and promote the Company's social responsibility, the Company established a “Social Responsibility Work Promotion Center,” which is responsible for strategy formulation and performance supervision. The medical and educational units of all companies, offices, staff unit and non-profit organizations collaborate to promote social responsibility. On the other hand, the seven foundations and charitable trusts funded by the founders, Mr. Wang Yong-ching and Mr. Wang Yong-tsai, also play an important role. They have long held the concept of “Take from society, give back to society” to invest in social welfare and do our part to improve social care and reduce social problems. Under the "Social Responsibility Promotion Center", the "Afforestation Team" and the "Energy Conservation and Carbon Reduction Group" have been set up. The company as a whole will be responsible for setting up a dedicated safety and health department with the responsibility of each plant as the center and related business divisions to improve the environmental quality. The charity and neighborly care group has been organized to care for the disadvantaged groups, set up medical centers to offer emergency relief, etc. in order to achieve important tasks of reducing energy consumption and pollution, creating an ecological environment balance, and successfully achieving various social responsibility work plans.
Explanation 2: Social welfare engagement of the enterprise</td></tr>
</table>

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	

1. The system, measures, and performance of environmental protection, safety, and health:

Since its establishment, the Company has always adhered to the philosophy of "industrial development and environmental protection," and pursues social responsibility and sustainable business. Therefore, it attaches great importance to the work of environmental protection.

Following this concept, the Company adopts the latest international technology for production processes and environmental protection 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 2019 years has decreased by 59.2% and 72.9% respectively since the trial operation began in 1999. Future reduction targets will continue to be promoted. The spirit of the Company is to always find out the root cause of any problem, continues to improve, consists in stopping in perfect goodness. Through continuous improvement, the Company will continue to improve the efficiency of equipment operation to reduce energy and resource use, and strengthen the competitiveness of sustainable operation.

Taking water conservation as an example, from 1999 years to 2019, the sixth naphtha cracker has invested 8.51billion dollars to complete 2,082 improvement cases, saving 279,300 tons of water per day. The 280 ongoing cases will receive 2.29 billion dollars of investment to achieve the target of saving 17,400 tons of water per day. The total investment is 10.8 billion dollars. After the completion, the annual benefit will be approximately 1.32 billion dollars. In terms of energy conservation and carbon reduction, the sixth naphtha cracker has also invested 19.93 billion dollars 7,079 improvement cases have been completed, reducing about 10.893 million tons of CO_2. 1,208 ongoing cases will receive 1.32 billion dollars. It is estimated that an additional 1.373million tons of CO_2 will be reduced, with a total investment of 27.53 billion dollars. The end benefits will be about 32.74 billion dollars per year.

The above-mentioned results can be affirmed by the Company awards from 159 business units and commendations from the competent

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
authorities of the Ministry of Economic Affairs, the Water Resources Department, the Industrial Bureau, the Energy Bureau, and the Environmental Protection Agency during the 12 last years between 2008 and 2019. 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_2 per year. Providing a green aerobic environment for employees and nearby residents, and taking into account the best of both industrial development and environmental protection. Traditional factories give the impression that there are few green spaces and trees, and even chimneys emit black smoke from time to time, causing air pollution. The direction of the Company's various factories is to change the minds of people to create a green landscape just like the park, and to turn air pollution into a natural landscape. 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 subsidies. As of 2019, the Company has received the flatland afforestation award in Yunlin County, with an application area of 1,094 hectares, and about 1.206 billion in subsidies have been provided to the afforestation applicants, contributing to the afforestation and carbon reduction. 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 2019 is 293 million dollars. 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. 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				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	

contractors are encouraged to raise issues with unsatisfactory behaviors and false alarms. Departments with zero occupational disasters are also rewarded, encouraging all units to report potential hazards, and report abnormalities, and unsafe behaviors. The quarterly review eliminates potential hazards and conducts inter-departmental competitions and performance reviews to increase employee engagement.

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.
3. Social contribution, social services, social welfare, and other social responsibility activities:

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."

In addition to dedicating to business operations, we also invest in medical care, education, and various social welfare undertakings to fulfill Corporate Social Responsibility:

(1) Medical treatment: Chang Gung Memorial Hospital was established in 1976. It is committed to "improving medical standards and creating social well-being" and has the courage to challenge the status quo. It not only drives the reform and progress of the medical community but also won the trust of the general public. Now, in Taiwan, there are four major sectors, the North Sector (including Keelung, Lover Lake, Taipei, Linkou, Taoyuan, 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 999 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 2019, it has spent 9.14 billion dollars and continues to provide the medical assistance needed in remote and undeveloped countries.

(2) Education: In the 1960s, various industries in Taiwan flourished. In view of the shortage of industrial talents, the Company founded Mingzhi

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	

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 approximately 1.7 billion dollars, and the number of assisted people reached 5,484.

(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.

(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:

A. Nearly 1.15 million doses of Streptococcus pneumonia vaccines to promote the free vaccination program for the elderly over 75 years old to improve their health and quality of life.

B. Continue to promote the "Professional Service of Early Treatment Effectiveness Improvement Program" to systematically and comprehensively improve the quality of Taiwan's overall early treatment services. Currently, 92 institutions have been provided with relevant medical assistance and subsidies; and an "early treatment professional communication platform" has been established. Information on national early treatment activities, treatment articles, and teaching files are shared.

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.

<table>
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<tr><th>Yes</th><th>No</th><th>Summary(Note2)</th></tr>
<tr><td colspan="5">D. Promote various scholarships and work-study programs: such as the Children's Education Assistance Program, Disadvantaged Student Scholarship, and the Student Financial Aid Program in Remote Areas, to help the economically disadvantaged or disabled children and young students to be able to receive education unhindered. The Excellent Talents Development Program provides long-term scholarships for outstanding students from disadvantaged backgrounds to assist 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.
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.
F. Elderly welfare: a. promote the elderly housing improvement and appliance donation plan, b. Mailiao and Taixi Township meal delivery plan for elderly living alone, c. promote the ‘’Active Aging Center’’ corporately in Taiwan. Members in this center would participate in five major classes (of the elderly) through package-based individual planning courses, including health management, brain training, vitality, physical training and social participation, to maintain their health, preventing disability, and effectiveness of helping healthy elderly people improve, d. Donate to the elderly daycare center shuttle bus and dream plan, e. Elderly welfare institution lighting improvements plan. f. Donation daycare and health promotion for elder in Remote Areas.
G. 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」.</td></tr>
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Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	

H. Institutional support: a. Donation of social welfare institutions to purchase facilities and equipment(Yunlin Huasheng Qieneng Center, Tainan Infant Development Center, Tainan Luyi Qizhi Center’s Car Wash Factory set up, Hualien Shengyuan Nursing home, Hualien Dawn Nursery School, Hualien Youth House, Hualien Xinwang Adolescent School, Fenglin Hospital’s transportation vehicles for township medical treatment, Yilan Shengjiamin Qizhi Center management system set up), b. Donation of social welfare institutions for construction and repair(Yunlin County Youth Rehabilitation Association, Taitung Anisev Children's House basketball court Reorganization project), c. Donate funds for vulnerable groups to help plan(long-term shelter plan for the violent families of the New Taipei City, donation of poverty inmates shelters for daily necessities, subsidize technical training equipment to Correction Organizations and Juvenile Correction Organizations) ,d. donation of mooncakes to social welfare institutions.

I. Promote the development of Taiwan's distinctive culture: sponsoring the "Ming Hwa Yuan Art & Cultural Group", " I Wan Jan Puppet Theater ", "Ifkids Theatre", "Da Long Jin Golden Lion Group", "Apple Theatre" to go on tours in the countryside; sponsor Yunlin puppet theater.

J. Institutional support: a. Donation of social welfare institutions to purchase facilities and equipment and construction and repair (34 social welfare institutions), b. Donate funds for vulnerable groups to help plan(Kaohsiung City Government, Taoyuan City Government, Keelung City Government, ChiaYi County Government) ,c. donation of mooncakes to social welfare institutions.

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

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

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

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

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

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
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 management team actively fulfill their commitment to corporate policies?	✓		(1) The Company complies with the Company Act, the securities trading law, and other related regulations, and upholding the "Diligence, Perseverance, Frugality and Trustworthiness" enterprise spirit in order to comply with the law and ethical standards. With the business philosophy of honesty, integrity, fairness, and transparency, self-discipline, and responsibility, the Company has established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors. With the Company's President Office as the driving unit to formulate and implement various ethical policies, the Company establishes a good corporate governance and risk control mechanism, to seek sustainable development of the Company. The Board of Directors and management also promises to actively implement and supervise the implementation of the integrity management policy.	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	
(2) Has the company established a risk assessment mechanism against unethical conduct, regularly analyzed business activities within their business scope which are at a higher risk of being involved in unethical conduct? Does the company establish prevention programs accordingly including measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(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. b. The Company analyzes and assess periodically business activities within their business scope which are at a higher risk of being involved in unethical conduct. For those who engage in business activities with a high risk of dishonest behavior, the company has clearly established "Personnel Management Rules" and "Working Rules" which state that positions of interest for business, procurement, contracting, supervision, and budgeting, as well as contact with other manufacturers shall not accept business dinners or other entertainment activities invited by the manufacturer, nor accept the property or other interests of gifts. The offenders shall be	Though a designated "Procedures for Ethical Management and Guidelines for Conduct" have not been set up, relevant regulations have been clearly defined in other articles and systems and carried out in practice.

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
			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.	
(3) Has the Company established action plans to prevent unethical conduct? Has the Company clearly prescribed procedures, code of conduct, punitive measures for violations and appeal systems within the said plan? Did the action plans be implemented accordingly?	✓		(3)The Company has clearly stipulated regulations and policies for ethical business conduct and relevant guidelines, code of conduct, whistleblowing, punitive measures for violations, and grievances in company articles and systems, including the "Personnel Management Rules," "Code of Ethics and Business Conduct," "Guidelines for Prevention of Insider Trading," "Whistleblowing Procedures," and "Guidelines to Employee Grievances.". The Company has established "Ethical Code of Conduct" for the Directors and Managers of the Company to adhere to (please refer to page 92 of the annual report.). The adequacy and effectiveness of regulations and policies for ethical business conduct were reviewed on a regular basis。	In compliance with Article 7, paragraph 1 and Article10~13 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."
2. Implementing ethical corporate management (1) Has the Company evaluated ethical records of its	✓		(1) The contract signed by the Company for commercial activities is	In compliance with

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?			subject to the terms of good faith. In addition, the Company conduct inquiries such as honesty investigations for customers, suppliers, and other stakeholders to avoid the occurrence of dishonest behavior and damage of the Company's rights and interests.	Article 9 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."
(2) Has the Company designated an exclusively (or concurrently) dedicated unit reports its ethical business management policy, action plans to prevent unethical conduct, and implementation status of supervisory measures to the Board of Directors?	✓		(2) The President Office of the Company and the general management office of the whole enterprise are in charge of promoting ethical business. They promote regulations and policies for ethical business conduct .In addition, they handles and verifies whistleblowing cases based on the Company's Whistleblowing Procedure. The department in charge of promoting ethical business reports its ethical business management policy, and action plans to prevent unethical conduct to the Board of Directors at least once per year. The most recent report dated is on December 13, 2019.They mainly report the ethical corporate management policies, measures, implementation status of supervisory measures and commitments of the board of directors and management to implement business policies actively. Additionally the internal audit report is submitted to the Independent Director monthly.	In compliance with Article 17 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
(3) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	✓		(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 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. 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. c. The Company has provisions for "operational key-points for employee complaints" and " Reporting Procedure ", etc., and provides specific reporting channels for reporting any illegal or improper behavior.	In compliance with Article 19 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."
(4) Has the Company established effective accounting systems	✓		(4) The Company has established an effective and improved accounting system and internal control mechanism, and fully implemented	In compliance with Article 20 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	
and internal control systems for enforcing ethical corporate 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 ?			computerization of operations. The six management functions of personnel, finance, business, production, materials, and engineering 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.	"Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."
(5) Does the Company regularly organize internal and external training for ethical corporate	✓		Through regular corporate publications as well as various occasions, the Company promotes the corporate culture of "Diligence, Perseverance, Frugality and Trustworthiness," as well as cultivating work ethics based	In compliance with Article 22-2 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	
management?			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 2019, 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 89 person involved in, and the 133.5 training hours.	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 reward systems as well as accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being	✓		The Company has a "Employee Grievance Procedure" and "Internal and External Reporting Procedure of Unlawful and Unethical Behaviors" to provide a specific reporting and reward system: (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. (2) After a case is filed, the relevant team members of the president office	In compliance with Article 23 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	
exposed by the whistle-blower? (2) Has the Company established standard operating procedures (SOP) for whistleblowing cases, follow-up measures and relevant systems of confidentiality after the investigation ? (3) Has the Company adopted protection measures against inappropriate disciplinary actions for the whistle-blower?	 ✓ ✓		of the whole enterprise shall be responsible for the procedures of case review, filing, and follow-up investigation. (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. (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.	
4. Improvement of information disclosure Does the Company disclose its ethical corporate management policies and the results of its	✓		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

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note1)</th><th rowspan="2">Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>implementation on the Company’s website and MOPS?</td><td></td><td></td><td></td><td>Management Best Practice Principles for TWSE/GTSM Listed Companies</td></tr>
<tr><td colspan="5">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：

On November 7, 2014, the Company passed the resolution of the “Corporate Integrity Code of Practice”, which was amended by the resolution of the Board of Directors on June 29, 2015. The code was slightly revised according to the Company's practice, but in line with spirit of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</td></tr>
<tr><td colspan="5">6. Other information helpful for understanding the principle of integrity of the Company's operations (e.g., the Company's amendment of its principles of integrity):

The Company schedules corporate governance courses for Directors and managers on a regular basis to strengthen their ability in supervision and governance, with the hopes of increasing the effectiveness of governance and implementation of integrity operation.</td></tr>
</table>

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

3.3.7 Corporate Governance Guidelines and Regulations

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

3.3.8 Other Important Information Regarding Corporate Governance

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

Formosa Chemicals & Fibre CORPORATION

Code of Ethical Conduct for Directors and Managers

Amended by Board of Directors on August 7, 2015

Chapter 1 General Principles

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

Chapter 2 Content of the Code

Article 2: Directors and managers shall conduct corporate affairs on the basis of integrity, faithfulness, compliance with laws, fairness and righteousness and with an ethical, self-disciplined attitude.

Article 3: Directors and managers shall avoid any conflicts of interest arising when their personal interest intervenes, or is likely to intervene in the overall interest of the Company, including but not limited to unable to perform their duties in an objective and efficient manner, or taking advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship. To prevent conflicts of interest, any matters pertaining to lending funds, providing guarantees, and major asset transactions between the Company and the above-mentioned persons or their affiliated enterprise thereof shall be submitted to the Board of Directors for its approval in advance. The corresponding purchase (or sale) of goods shall be dealt with the best interest of the Company.

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

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

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

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

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

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

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

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

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

Chapter 3 Procedures for Exemption

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

Chapter 4 Method of information disclosure

Article 12: The Company shall disclose the Code on the Company's website, annual reports, prospectuses, and the MOPS. Any amendment is subject to the same procedure.

Chapter 5 Additional Provision

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

2. Managers training records as relevant to corporate governance.

<table>
<tr><th>Title</th><th>Name</th><th>Date of study</th><th>Organizer</th><th>Courses of title</th><th>Length of the curriculum</th></tr>
<tr><td>President</td><td>Lu,
Wen Chin</td><td rowspan="6">November 15, 2019</td><td rowspan="6">1. Securities and Futures Institute
2. Dharma Drum Mountain Humanities and Social Improvement Foundation</td><td rowspan="6">1. Avoid violating the Securities Exchange Act - Untruthful Financial Statement and Insider Trading.
2. Heart Blue Ocean Strategy - Innovation on Corporate Value as Part of Corporate Social Responsibilities</td><td rowspan="6">6</td></tr>
<tr><td>Executive vice president</td><td>Fang,
Ing Dar</td></tr>
<tr><td>Senior vice president</td><td>Lee,
Ching Fen</td></tr>
<tr><td>Senior vice president</td><td>Chang, Tsung Yuan</td></tr>
<tr><td>Vice president</td><td>Chien,
Wei Keng</td></tr>
<tr><td>Accounting Supervisor &Corporate Governance Officer</td><td>Liu,
Chia Ju,</td></tr>
<tr><td>Accounting Supervisor &Corporate Governance Officer</td><td>Liu,
Chia Ju,</td><td>November 11, 2019</td><td>1. Accounting Research and Development Foundation</td><td>In-service Program for Accounting Officers of Issuers, Securities Firms, and Securities Exchanges - Professional Workshop: Corporate Governance, Occupational Ethics and Liabilities, three hours each</td><td>6</td></tr>
</table>

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

(1) The Company election of directors shall be conducted in accordance with the candidate nomination system and that shareholders shall elect directors from among those listed in the slate of director nominees. Now the directors are nominated by major shareholders and elected by shareholders meeting. Each director has the professional ability such as operating management, industrial knowledge and international outlook ,etc. And during his or her tenure, the Company arranges refresher courses 6 hours per year to assist director to equip various professional knowledge required to perform their duties.

(2) In needs of perpetual business operation and ensuring the development of major managing talents can successfully take over, the Company has set up Talent Development Rule. The rule specifies the criteria of development candidates, election principles, the way of development conduction and the review of promotion criteria. The amount of manager development candidates of each department shall at least by 2 to for future optimum selection.

(3) If the development candidates is lack of experienced, the Company will increase his or her experiences by job rotation or increasing his or her responsible business scope. The annual working achievement of development candidates shall be included in periodic working assessment in accordance with “Assessment Rule” and the periodic working assessment shall be the base of year-end performance appraisal assessment. If the year-end performance appraisal of the development candidates were rated as excellent, it shall be the reference for optimum promotion.

(4) The trend of Industry 4.0 has made artificial intelligence (AI) and machine learning (ML) very popular around the world. The Company is actively developing smart factory and is working on utilizing big data to enhance production optimization, energy conservation, and smart management to improve overall profitability and sustainable development. We have proposed strategies to create brand-new business value and to embrace business planning in the coming age of AI. The Company has conducted education training course relevant to AI, in 2019 the more than 33 managers has attended the training and the training time is 128 hours per person; the course included, “Data Science and Statistics Analysis”, “Machine Learning and Integrated Calculus”, “deep learning”, “Social media and Social network analysis”, etc.

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

(1)Finance Department: None.

(2)Audit Department: None.

(3)Accounting Department: Four employees with Certified Public Accountant of Republic of China (Taiwan) Certification.

5. Company Procedures for Handling Material Inside Information

(1)"Diligence, Perseverance, Frugality and Trustworthiness" is the core enterprise spirit. The Company therefore set up a strict ethical policy hoping employees to obey every behavioral standard and principle of moral, and take full responsibility either for working or daily routine. Thus, employees disclose confidential information, tell a lie, indulge in malpractices, or spread rumours is strictly prohibited.

(2)The Company has set up and clearly stated the “Personnel Management Rules.” Without written permission issued by the Company, employees should not release any inside information or information has not been announced. Besides, the use of inside information for personal or business unrelated purposes is also strictly forbidden.

(3)The Company has set up "Spokesperson Procedure" for information announcement and the procedures for critical factory events. Besides the Company’s spokesperson, none of the staff can reveal corporate policies or business related information in order to prevent insider trading.

3.3.9 Internal Control Systems

(1) Please see next page for ‘The statement of Internal Control Systems’.

(2) If internal control systems were entrust to accountant the company should reveal the audit report.

Explanation: None.

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

Explanation: None.

The statement of Internal Control Systems

Formosa Chemicals & Fibre Corporation

Internal Control System Statement

Date: March13,2020

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

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communications 5. Monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that on December 31,2018 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance of reporting, and compliance with applicable laws, regulations, and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on March 13, 2020 where 0 of the 12 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Formosa Chemicals & Fibre Corporation

Chairman: Wen Yuan Wong

President: Lu, Wen Chin

3.3.10 Major Resolutions of Shareholders' Meeting and Board Meetings

Item	Date	Major resolutions
Shareholders' meeting	June 5, 2019	1. Approval of the 2018 business report and financial statements. 2. Approval of the distribution of 2018 retained earnings and employee profit sharing. 3. Amend the Procedures for Acquisition and Disposal of Assets. 4. Amend the Procedures for Engaging in Derivatives Transactions. 5. Amend the Procedures for Loaning Funds to other Parties. 6. Amend the Procedures for Providing Endorsements and Guarantees to other Parties of the Company.
Board meeting	March, 15 2019	1. To increase investment to "FG INC" with US$ 45 million according to the investment framework. 2. To raise long-term funds for new expansion, replacement of old plant equipment, repayment of debts, enrichment of working capital, investment to domestic or overseas businesses, the Company planned to issue domestic unsecured corporate bond for NT$ 7 billion.
Board meeting	May 3, 2019	3. Amend the Company's " Corporate Governance Best Practice Principles".. 4. Approved the "Regulations for the Standard Procedure of Handling Directors' Requirements ".
Board meeting	June 5, 2019	5. Approval of the record date on July 2, 2019 and distribution date on July 30, 2019 for cash dividends of 2018.
Board meeting	August 8, 2019	6. To increase investment to "Formosa Resources Corporation" with US$ 81.25 million according to the investment framework.
Board meeting	November 1, 2019	7. To donate NT$6,141.2K to "Chang Gung University."
Board meeting	December 13, 2019	8. Increase Investment amount of NT$46m in 'Formosa Synthetic Rubber Corporation".
Board meeting	March, 13 2020	9. To compile 2019 profit distribution schedule. 10. To increase investment to "FG INC" with US$ 12.9 million according to the investment framework. 11. Amend the Company's "Regulations Governing the Exercise of Powers by Audit Committees ". 12. Amend the Company's rules of procedure for shareholders' meeting. 13. Amend the Company's "Regulations

		Governing Procedure for Board of Directors Meetings" and " Regulations Governing Appointment of Independent Directors and Compliance Matters " 14. To raise long-term funds for new expansion, replacement of old plant equipment, repayment of debts, enrichment of working capital, investment to domestic or overseas businesses, the Company planned to issue domestic unsecured corporate bond for NT$ 10 billion.

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

None

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

Title	Name	Date of appointed	Date of termination	Reasons for resignation or dismissal
Internal Audit Officer	Lin ,Ching Shih	Nov.7. 2014.	May 7.2020	Retirement

3.4 Information Regarding the Company's Audit Fee and Independence
3.4.1 Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Price Waterhouse Coopers, Taiwan	Chou, Chien Hung Wu, Han Chi	2019.01.01~2019.12.31	

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

Unit: NT$ thousands

	Fee Items / Fee Range	Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000		120	120
2	NT$2,000,001 ~ NT$4,000,000			
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000	7,984		7,984
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

Unit: NT$ thousands

<table>
<tr><th rowspan="2">Accounting Firm</th><th rowspan="2">Name of CPA</th><th rowspan="2">Audit Fee</th><th colspan="5">Non-audit Fee</th><th rowspan="2">Period Covered by CPA's Audit</th><th rowspan="2">Remarks</th></tr>
<tr><th>System of Design</th><th>Company Registration</th><th>Human Resource</th><th>Others</th><th>Subtotal</th></tr>
<tr><td rowspan="2">Price Waterhouse Coopers, Taiwan</td><td>Chou, Chien Hung</td><td rowspan="2">7,984</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">120</td><td rowspan="2">120</td><td>2019.01.01
|
2019.12.31</td><td rowspan="2"></td></tr>
<tr><td>Wu, Han Chi</td><td>2019.01.01
|
2019.12.31</td></tr>
</table>

Note: Non audit fee includes directly business tax sparing credit report.

3.4.2 Replacement of CPA

A. Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="3">March 16, 2018</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="3">The original CPAs of the Company were Chou, Chien Hung (CPA A) and Juanlu, Man Yu (CPA B) from Price Waterhouse Coopers, Taiwan firm. Due to internal restructuring at Price Waterhouse Coopers, Taiwan firm , the CPAs of the Company were changed to Chou, Chien Hung (CPA C) and Wu, Han Chi (CPA D), beginning January 1, 2018.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td>Parties
Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td>Termination of appointment</td><td>✓</td><td>-</td></tr>
<tr><td>No longer accepted (continued) appointment</td><td>✓</td><td>-</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="3">None</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td>-</td><td>Accounting principles or practices</td></tr>
<tr><td>-</td><td>Disclosure of Financial Statements</td></tr>
<tr><td>-</td><td>Audit scope or steps</td></tr>
<tr><td>-</td><td>Others</td></tr>
<tr><td>None</td><td colspan="2">✓</td></tr>
<tr><td colspan="3">Remarks/specify details:</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="3">None</td></tr>
</table>

B. Regarding the successor CPA

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

3.4.3 Audit Independence

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

None

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

Unit: thousand Shares

Title	Name	2019		As of Mar. 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Wen Yuan Wong	0	0	0	0
Vice Chairman	Hong, Fu Yuan	0	0	0	0
Managing Director	Wang, Weng Tsao	0	0	0	0
Managing Director	Nan Ya Plastic Corp.	0	0	0	0
Representative of Nan Ya Plastic Corp.	Wang, Ruey Yu	0	0	0	0
Managing Director (Independent)	Chen, Ruey Long	0	0	0	0
Independent Director	Huang, Hui Chen	0	0	0	0
Independent Director	Chien, Tai Lang	0	0	0	0
Director	Formosa Petrochemical Corp.	0	-36	0	0
Representative of Formosa Petrochemical Corp.	Wang, Walter	0	4,000	0	0
Director Interlocking Presidency	Lu, Wen Chin	0	0	0	0
Director Interlocking Executive Vice Presidency	Fang, Ing Dar	0	0	0	0
Director Interlocking Senior Vice Presidency	Lee, Ching Fen	0	0	0	0
Director Interlocking Senior Vice Presidency	Chang, Tsung Yuan	0	0	0	0

Director Interlocking Vice Presidency	Chien, Wei Keng	0	0	0	0
Director	Huang, Dong Terng	0	0	0	0
Director	Pan, Chin Hua	0	0	0	0
Shareholdings exceed 10% of outstanding shares	Chang Gung Memorial Hospital	0	0	0	0
Senior Vice President	Chen, Chih Hsiung	0	0	0	0
Vice President	Huang, Kuo Hsien	0	0	0	0
Vice President	Su, Chun Hsiung	0	0	0	0
Vice President	Huang, Tien Chung	0	0	0	0
Vice President	Lin, Ching Shih	1	0	0	0
Vice President	Ke, Pai Rong	0	0	0	0
Chief of Finance Department	Chuang, Tsan Chang	0	0	0	0
Accounting Supervisor & Corporate Governance Officer	Liu, Chia Ju	0	0	0	0

3.5.1 Shares Trading with Related Parties

None

3.5.2 Shares Pledge with Related Parties

None

3.6 Relationship among the Top Ten Shareholders

As of April 10, 2020

<table>
<tr><th rowspan="2">Name</th><th colspan="2">Current Shareholding</th><th colspan="2">Spouse's/minor's Shareholding</th><th colspan="2">Shareholding by Nominee Arrangement</th><th colspan="2">Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees</th><th rowspan="2">Remarks</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Name</th><th>Relationship</th></tr>
<tr><td>Chang Gung Memorial Hospital
Representative:
Wang, Ruey-Huei</td><td>1,089,142,009</td><td>18.58</td><td>0</td><td>0</td><td>0</td><td>0</td><td>None</td><td>None</td><td></td></tr>
<tr><td rowspan="2">Chindwell International Investment Corp.
Representative:
Everred Corporate, Inc.</td><td rowspan="2">371,938,814</td><td rowspan="2">6.35</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td>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 Corporation.</td><td>Managers in common</td><td rowspan="2"></td></tr>
<tr><td>Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund</td><td>Parts of managers are the same person</td></tr>
</table>

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 Corporation	Managers in common	
							Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund	Parts of managers are the same person	
Formosa Plastic Corporation Representative: Lin, Jason	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: Wu, Chia-Chau	140,519,648	2.40	0	0	0	0	Formosa Plastic Corporation	Legal person as a director in Nan Ya Plastic Corporation	
Wen Yuan Wong	129,198,084	2.20	92,079	0.0016	0	0	None	None	

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 Corporation.	Managers in common	
							Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund	Parts of managers are the same person	
Standard Chartered Bank (Taiwan) Ltd.in custody for Genesis Equity Group Inc.	85,883,905	1.47	0	0	0	0	Chindwell International Investment Corp. Vanson International Investment Co., Ltd. Consolidated Power Development Corp. HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corporation.	Managers in common	
							Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund	Parts of managers are the same person	

HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	79,349,326	1.35	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 Chang-Gung Charitable Trust Fund	Parts of managers are the same person	
Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund	70,958,506	1.21	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 Corporation.	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	651,706,181	32.91	1,328,515,462	67.09	1,980,221,643	100.00
Formosa Fairway Corporation	4,697,951	33.33	9,397,318	66.67	14,095,269	100.00
Formosa Plastics Transportation Corp.	6,566,384	33.33	13,132,858	66.67	19,699,242	100.00
Formosa Petrochemical Corporation	2,300,799,801	24.15	4,921,855,024	51.67	7,222,654,825	75.82
Mai Liao Power Corporation	547,030,137	24.94	1,641,124,525	74.82	2,188,154,662	99.76
HWA YA Science Park Management Consulting CO., Ltd	33,000	33.00	67,000	67.00	100,000	100.00
Chiai Nan Industrial Co., Ltd.	12,448,800	30.00	0	0.00	12,448,800	30.00
Formosa Environmental Technology Corporation	41,714,475	24.34	129,685,525	75.66	171,400,000	100.00
Formosa Synthetic Rubber Corporation Limited	44,600,000	33.33	89,200,000	66.67	133,800,000	100.00
Formosa Synthetic Rubber (Hong Kong) Corp. Limited	135,000,000	33.33	270,000,000	65.06	405,000,000	98.39
Formosa Resources Corporation	741,594,000	25.00	2,224,782,000	75.00	2,966,376,000	100.00
Formosa Group (Cayman) Limited	12,500	25.00	37,500	75.00	50,000	100.00
Formosa Plastics Construction Corporation	10,000,000	33.33	20,000,000	66.67	30,000,000	100.00
FG INC	6,000	30.00	14,000	70.00	20,000	100.00
Beyoung International	0	0.00	467,400	30.00	467,400	30.00
Quang Viet Enterprise Co., Ltd.	0	0.00	18,595,352	17.99	18,595,352	17.99

As of December 31, 2019

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

As of 12/31/2019

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	None

Note 1：Fill up to the current fiscal year up to the date of publication of the annual report.

Note 2：Note the validity (approval) date and literature for fund increase.

Note 3：Shares issued in value lower than the par value shall be labelled through visible marks

Note 4：Monetary liabilities and technology offsetting shares shall be described with the type and amount of offset indicated.

Note 5：Private fundraising shall be labelled through visible marks.

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 10, 2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	6	77	653	174,744	794	176,274
Shareholding (thousands shares)	103,325	564,954	1,928,774	1,170,308	2,093,825	5,861,186
Percentage	1.76	9.64	32.91	19.97	35.72	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 10, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	73,153	15,260,673	0.26
1,000 ~ 5,000	76,220	158,693,963	2.71
5,001 ~ 10,000	13,414	99,171,263	1.69
10,001 ~ 15,000	4,844	59,154,765	1.00
15,001 ~ 20,000	2,394	42,923,603	0.73
20,001 ~ 30,000	2,260	55,692,844	0.95
30,001 ~ 40,000	1,043	36,337,386	0.62
40,001 ~ 50,000	629	28,592,106	0.49
50,001 ~ 100,000	1,082	75,073,650	1.28
100,001 ~ 200,000	534	74,715,258	1.27
200,001 ~ 400,000	263	72,027,813	1.23
400,001 ~ 600,000	110	53,761,298	0.92
600,001 ~ 800,000	49	33,330,932	0.57
800,001 ~ 1,000,000	34	29,889,493	0.51
1,000,001 or over	245	5,026,561,244	85.77
Total	176,274	5,861,186,291	100

B. Preferred Shares

None

4.1.4 List of Major Shareholders

As of April 10, 2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Chang Gung Memorial Hospital	1,089,142,009	18.58
Chindwell International Investment Corp.	371,938,814	6.35
Vanson International Investment Co., Ltd.	222,449,494	3.80
Formosa Plastic Corporation	198,743,936	3.39
Nan Ya Plastic Corporation.	140,519,648	2.40
Wen Yuan Wong	129,198,084	2.20
Consolidated Power Development Corp.	95,386,877	1.63
Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc.	85,883,905	1.47
HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	79,349,326	1.35
Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund	70,958,506	1.21

Note: List the name of top ten shareholders.

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

Unit: NT$

Items	2018	2019	Jan.1,2020 Mar.31,2020
Market Price per Share			
Highest Market Price	130.00	113.50	89.50
Lowest Market Price	99.60	85.00	58.50
Average Market Price	112.66	98.20	75.64
Net Worth per Share			
Before Distribution	63.09	60.83	－
After Distribution	56.89	57.03	－
Earnings per Share			
Weighted Average Shares (thousand shares)	5,833,768	5,832,942	5,849,017
Diluted Earnings Per Share	8.36	4.89	-0.79
Adjusted Diluted Earnings Per Share	－	－	－
Dividends per Share			
Cash Dividends	6.20	3.80	－
Stock Dividends			
● Dividends from Retained Earnings	－	－	－
● Dividends from Capital Surplus	－	－	－
Accumulated Undistributed Dividends	－	－	－
Return on Investment			
Price / Earnings Ratio (Note 1)	13.48	20.08	－
Price / Dividend Ratio (Note 2)	18.17	25.84	－
Cash Dividend Yield Rate (Note 3)	5.50	3.87	－

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

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

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

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

Note 4：In case the condition of outstanding equity security is distributed according to the undistributed dividends of that year accumulated to the year with earnings, the accumulated undistributed dividends of that year shall be disclosed respectively.

Note 5：Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6：Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7：Cash Dividend Yield Rate = Cash Dividends per Share /Average Market Price

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

Note 9：Dividends per share about 2019 is estimated, including NT$3.8 cash dividends/per share and NT$ 0 stock dividends/per share.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

If earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the Securities Exchange Law. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Dividends will be distributed in accordance with the resolution approved by the Board of Directors and at the annual shareholders' meeting. The remaining balances will be distributed in the following manner:

B. Proposed Distribution of Dividend

The proposal for the distribution of 2020 profits was passed at the meeting of the Board of Directors. The proposal for a cash dividend of NT$3.8 per share and a stock dividend of NT$ 0 per share will be discussed at the annual shareholders' meeting.

4.1.7 Employee Bonus and Directors' Remuneration

A. Information Relating to Employee Bonus and Directors' Remuneration in the Articles of Incorporation

If earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the Securities Exchange Law. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal.

The company charter prescribes the following for the employee bonus and compensation for directors and supervisors:

1. 0.5 %-0.05 % as a bonus for employees;
2. 0 % as compensation for directors;
3. The rest as a bonus for shareholders.

If the above-mentioned bonus for employees is in the form of a stock bonus, it may also be distributed to employees of subsidiary companies. The Board of Directors is authorized to work out the conditions and procedures of making such distribution.

B. The Estimated Basis for Calculating the Employee Bonus and Directors' Remuneration

C. Profit Distribution for Employee Bonus and Directors' Remuneration for 2019 Approved in Board of Directors Meeting

(1) Recommended Distribution of Employee Bonus and Directors' Remuneration: (NT$ thousands)

Employee Bonus – in Cash(NT$ thousands)	$ 31,930
Employee Bonus – in Stock	0
Directors' Remuneration	0
Total(NT$ thousands)	$ 31,930

(2) Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: 0.

(3) Recounted EPS after Recommended Distribution of Employee Bonus and Directors' Remuneration:

Net Income(NT$ thousands)	$ 29,670,312
Weighted Average Shares in 2019 (thousand shares)	5,832,942
Recounted EPS (NT$)	$ 5.09

D. Information of 2018 Earnings Set Aside for Employee Bonus and Directors' Remuneration:

Distribution of 2018 Earnings (NT$ thousands)

Stock Dividends	$ 0
Cash Dividends(NT$)	$ 36,339,355
Directors' Remuneration	$ 0
Employee Bonus(NT$ thousands)	$ 54,403

The above-mentioned actual distribution of employee bonus and directors' and supervisors' remuneration was in line with the recommended resolution of the Board of Directors.

4.1.8 Buyback of Treasury Stock

None

4.2 Bonds

4.2.1 Corporate Bonds

Corporate Bond Type		2012 Unsecured Corporate Bonds, Phase II	2012 Unsecured Corporate Bonds, Phase III
Issue date		December 7, 2012	January 22, 2013
Denomination		NT$1,000,000	NT$1,000,000
Issuing and transaction location		Market (listed)	Market (listed)
Issue price		Issue by denomination	Issue by denomination
Total price		A bond:NT$3,000,000,000 B bond:NT$3,900,000,000 C bond:NT$4,100,000,000	A bond:NT$2,800,000,000 B bond:NT$2,200,000,000
Coupon rate		A bond: 1.23% B bond: 1.36% C bond: 1.51%	A bond: 1.34% B bond: 1.50%
Tenor		A bond: 5 years B bond: 7 years C bond: 10 years Maturity: December 6, 2022	A bond: 7 years B bond: 10 years Maturity: January 21, 2023
Guarantee agency		None	None
Consignee		Trust dept. of Bank of Taiwan	Trust dept. of Bank of Taiwan
Underwriting institution		None	None
Certified lawyer		AY Law	AY Law
CPA		Wu, Han Chi Juanlu, Man Yu	Wu, Han Chi Juanlu, Man Yu
Repayment method		A bound: repayment of 50% of the principal in the fourth and fifth year; B bound: repayment of 50% of the principal in the sixth and seventh year; C bound: repayment of 50% of the principal in the ninth and tenth year	A bound: repayment of 50% of the principal in the sixth and seventh year; B bound: repayment of 50% of the principal in the ninth and tenth year.
Outstanding principal		NT$4,100,000,000	NT$3,600,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause		None	None
Name of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Ratings Rating date: October 17, 2012 Credit rating: twAA-	Rating agency: Taiwan Ratings Rating date: December 3, 2012 Credit rating: twAA-
Other rights attached	As of the printing date of this annual report, converted	N/A	N/A

	amount of (exchanged or subscribed) ordinary shares, GDRs or other securities		
	Issuance and conversion (exchange or subscription) method	None	None
Isuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		None	None

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

<table>
<tr><td colspan="2"></td><td>seventh year; C bound: repayment of 50% of the principal in the ninth and tenth year</td><td></td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$4,150,000,000</td><td>NT$10,000,000,000</td></tr>
<tr><td colspan="2">Terms of redemption or advance repayment</td><td>None</td><td>None</td></tr>
<tr><td colspan="2">Restrictive clause</td><td>None</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, rating of corporate bonds</td><td>Rating agency:
Taiwan Ratings
Rating date:
April 9, 2013
Credit rating: twAA-</td><td>Rating agency:
Taiwan Ratings
Rating date:
December 12, 2013
Credit rating: twAA-</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) method</td><td>None</td><td>None</td></tr>
<tr><td colspan="2">Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity</td><td>None</td><td>None</td></tr>
<tr><td colspan="2">Transfer agent</td><td>None</td><td>None</td></tr>
</table>

Corporate Bond Type	2014 Unsecured Corporate Bonds, Phase I	2019 Unsecured Corporate Bonds, Phase I
Issue date	July 4, 2014	May 13, 2019
Denomination	NT$1,000,000	NT$1,000,000
Issuing and transaction location	Market (listed)	Market (listed)
Issue price	Issue by denomination	Issue by denomination
Total price	A bond:NT$1,400,000,000 B bond:NT$4,600,000,000	A bond:NT$3,300,000,000 B bond:NT$3,000,000,000 C bond:NT$700,000,000
Coupon rate	A bond: 1.81% B bond: 2.03%	A bond: 1.75% B bond: 1.83%

		C bond: 1.93%
Tenor	A bond: 10 years B bond: 15 years Maturity: July 3, 2029	A bond: 5 years B bond: 7 years C bond: 10 years Maturity: MAY 12, 2029
Guarantee agency	None	None
Consignee	Trust dept. of Mega Int'l Commercial Bank	Trust dept. of Mega Int'l Commercial Bank
Underwriting institution	None	None
Certified lawyer	AY Law	AY Law
CPA	Wu, Han Chi Juanlu, Man Yu	Wu, Han Chi
Repayment method	A bound: repayment of 50% of the principal in the ninth and tenth year; B bound: repayment of 50% of the principal in the fourteenth and fifteenth year.	A bound: repayment of 50% of the principal in the fourth and fifth year; B bound: repayment of 50% of the principal in the sixth and seventh year; C bound: repayment of 50% of the principal in the ninth and tenth year
Outstanding principal	NT$6,000,000,000	NT$7,000,000,000
Terms of redemption or advance repayment	None	None
Restrictive clause	None	None
Name of credit rating agency, rating date, rating of corporate bonds	Rating agency: Taiwan Ratings Rating date: May 15, 2014 Credit rating: twAA-	Rating agency: Taiwan Ratings Rating date: Oct,15 2018 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
Other rights attached — Issuance and conversion (exchange or subscription) method	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on	None	None

existing shareholders' equity		
Transfer agent	None	None

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

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

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

4.2.2 Convertible Bonds

None

4.2.3 Exchangeable Bonds

None

4.2.4 Shelf Registration for Issuing Bonds

None

4.2.5 Corporate Bonds with Warrants

None

4.3 Global Depository Receipts

None

4.4 Employee Stock Options

None

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

None

4.6 Financing Plans and Implementation

None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

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

36.EZ05010 apparatus installation business。

37.EZ15010 heat and cold preservation engineering business。

38.ZZ99999 except for permission business, operation in non- limited or prohibited business。

A. Main areas of business operations

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

B. Revenue distribution

Major Divisions	(%) of Total Sales	Major Products
1st Petrochemical Division	23.8	Benzene, Toluene, PX, OX, MX
2nd Petrochemical Division	18.8	SM, Phenol, Acetone
3rd Petrochemical Division	16.4	PTA, PIA
Plastics Division	32.7	ABS, PS, PP, PC
Nylon Division	3.9	Nylon pellet, Nylon filaments, Stretch Nylon Filament
Textile Division	0.4	Blended spun yarn, Synthetic yarn
Rayon Project Dept.	1.5	Rayon, Sodium Sulfate
Engineering and Utility Division	2.5	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

(1) Low-residue ABS for food containers, anti-chemical ABS AF3530, foldable non-whitening ASA film (BA-MMA Copolymer), low-odor PP automobile materials; In-line-compounding; PS GP560N anti-aging and yellowing LED illuminating light boards, Low-smoke density PC/ABS AC3208 transportation boards (for high-speed rail, buses), Outdoor lighting/road-side lamp weather-resistant and temperature/humidity tolerant PC LEV1700, LEV2200, Large (7~10 inches) on-board display PC light guide plate LC1402 highly fluid light guide grade, etc.

(2) Fine denier fiber non-woven fabric that does not require addition of softeners, low-melting point nylon filament, high-melting point industrial nylon pellets, Round solvent cotton Formocel fiber, Anti-UV short-fiber yarn, heat-generating short-fiber yarn, coffee short-fiber yarn, and multi-element mixed short-fiber yarn.

5.1.2 Industry Overview

A. Current Status and Development of the Industry

The development of the petrochemical industry is deeply influenced by the national economic structure and policies regarding the development of the industry. So far, raw materials for the upstream of the petrochemical industry in Taiwan are mainly supplied by CPC Corporation, Taiwan, and Formosa Petrochemical Corporation and in case of any shortage, importation from overseas is an option. The upstream and downstream of the industry and the related derivative products not only fulfill various daily necessity and industrial needs by providing various types of petrochemical raw materials to facilitate manufacturing but also create enormous employment demand and job opportunities, making them an indispensable and relatively important part in the industrial chain and also an important national cornerstone that brings economic prosperity to the nation and society. The petrochemical industry is capital intensive and involves a huge investment value. The investment recovery period is long and the demand and supply of the upstream and downstream of the industrial chain are closely related. Forming a petrochemical cluster is the only way to benefit the joint management and development of the industry.

Petrochemical products in Taiwan are mainly widely used plastic raw materials. Despite the fact that the petrochemical industry is an important basic industry to

the economy in Taiwan, the rising awareness about environmental protection over the years has made it very difficult to develop the petrochemical industry in Taiwan. Restricted by the relatively limited domestic demand, for the petrochemical industry to reach the economic scale required for development relies on support and growth from the overseas market. Petrochemical products from Taiwan are mainly exported to Mainland China. Over the past few years, the rapid economic development in Mainland China has resulted in a significant increase in the cost of manpower. The labor-intensive traditional manufacturing sector is faced with powerful competition from South-East Asian countries known for their low production cost. To maintain the growing momentum of its economy, the huge domestic spending ability is relied upon to make further economic growths possible instead of foreign trade. This enhances the value added to products from the manufacturing sector and contributes to the rising economic development momentum. The increased spending on the domestic market also enhances the demand for petrochemical products. In order to fulfill the market demand, excessive capital was invested in the petrochemical industry over a short period of time and the production capacity was proactively expanded for improving self-sufficiency in petrochemical raw materials. This resulted in the structural disequilibrium between supply and demand of certain self-manufactured products. In case of shortage, importation is an option, making it an important export destination of Taiwan.
Prices of petrochemical plastic products are deeply affected by oil prices and the fluctuation in oil prices is directly affected by the international geopolitics, the production volume in the oil producing countries, and the international economic and trade relations. In the beginning of 2019, the falling streak of oil prices from the fourth quarter of 2018 continued. The international crude oil price bottomed out later thanks to China and the US willing to sit down and talk again to help resolve the trade disputes and other incentives such as the OPEC and its partner countries starting to officially limit the production. The Brent crude oil price kept climbing in the first quarter and reached the peak of US$75 per barrel in late April. In the first quarter of 2019, products such as plastics raw materials ABS, PS, and PP that were in stock were sold out smoothly thanks to the climbing oil prices as a result of the resumption of talks between China and the US in addition to the continued promotion of relaxation and various economic policies to boost internal demand and consumption as part of the financial strategy of Mainland China. Profitability in the first quarter of 2019 increased compared to that in the fourth quarter of 2018. In the second quarter of 2019, the trade war between China and the US restarted. Exports from Taiwan bore the brunt. Insufficient confidence on the market led to significantly reduced expert performance of downstream processing and export-oriented businesses of ABS, PS, and PP as reflected in the number of purchase orders received. Because of the deadlock between China and the US brought about by the trade war and the wait-and-see atmosphere on the market due to fluctuating oil prices, customers turned

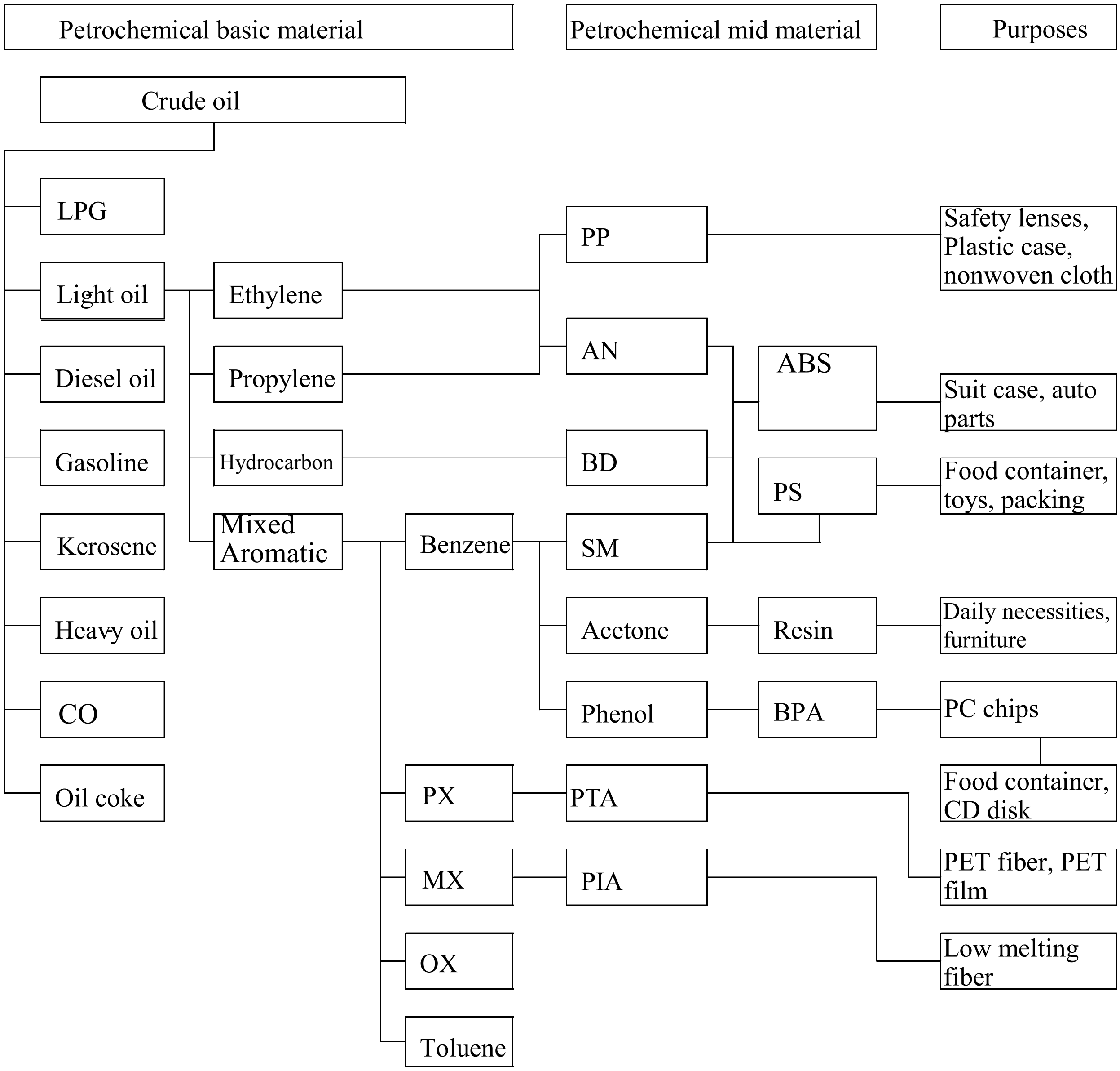
conservative in placing purchase orders and thus suppressed quotations provided on plastics and chemical products. Profitability in the second quarter was decreased compared to that in the first quarter.

Over the past few years, the technology required for producing shale oil in the US has been enhanced quickly with significantly improved production capacity and reduced production cost. Its competitive strengths on the market are increased. The crude oil produced in the US can not only satisfy the demand on its own market but also support the exports to the markets in Europe and Asia, which accordingly impacted oil prices. The third quarter should have been a high season for the exports of plastics raw materials. The extended China-US trade war made customers less willing to make purchases. The demand on the market shrank. The wait-and-see atmosphere in the downstream was thick. In addition, the low oil prices suppressed prices of plastics and chemical products. Product profitability shrank. The operating stress was significantly enhanced compared to the second quarter. In late October, the light at the end of the tunnel appeared for China-US trade talks. In addition, Russia and OPEC countries worked together to reduce the supply. Investors were optimistic about a China-US trade agreement. All of these pushed the Brent crude oil price to a new height of US$68.44 per barrel over the past three months in the end of the third quarter.

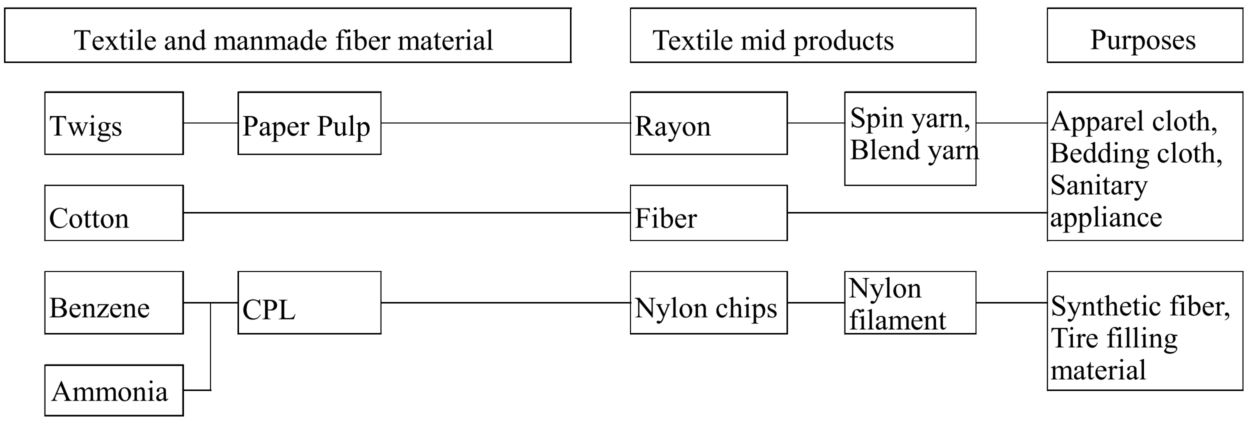
Due to the difficulty in getting a solution to the China-US trade war plus the new petrochemical production lines becoming available in 2019, the situation where there was volume yet no price on the market persisted. With increased throughput and reduced demand, the plastics and chemical industries had to deal with harsh challenges to make continuous operations possible. In the beginning of 2020, the outbreak of the novel coronavirus epidemic became a new uncertainty factor. Manufacturing facilities in Mainland China met with restrictions over reinstated operations. The migration of people and transport of cargo were limited. An economic recovery seems unlikely over the short term. In addition, the commissioning of new production lines and progression of the epidemic resulted in reduced consumption demand in Mainland China, further imbalance between supply and demand, and even more fierce competition in the industry. For the global economy in 2020, research institutes expect sluggish growths in major economies throughout Europe, America, and Mainland China. Despite the agreement reached in Stage 1 of trade negotiation between China and the US, which is likely to reduce uncertainties to a certain extent, the sluggish atmosphere on the market will remain. In addition, the negotiation among member states of the Regional Comprehensive Economic Partnership (RCEP) was completed in 2019. With Taiwan unable to take part in it, enterprises will be in an even more unfavorable position in the face of competition. Economy and trade of Taiwan will be affected to a comparable extent. Operation in the plastics and chemical industries would become even more difficult. Practitioners need to be prepared for an enduring battle.

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

(1)、petrochemical and plastic products



(2)、Textile and manmade fiber



C. Various Developmental Trends and Competition of Products

The shale oil mining technology is becoming more and more mature in the US. The shale gas revolution brought about the excessive mining of low-price shale oil. The mining of shale gas wells has boosted local industrial developments in the US to accordingly turn it from a crude oil importer to an exporter. The OPEC does not own the exclusive leadership over prices of crude oil in the world any more.Competitive petrochemical products from the US are entering Asian markets in an overwhelming way to impact Asian markets and domestic petrochemical manufacturers significantly. In order to reduce the impacts on the market, domestic manufacturers either set up facilities in the US directly with access to low-price materials closer to places of origin of the raw materials or transformed to develop high-value products, adding value to their products. Domestic manufacturers are making overseas investments or deploying around the world reflective of their respective operational conditions and market strategies. To go with the government's southbound policy, Formosa, on the other hand, went to the US to set up facilities close to where raw materials are. Some domestic petrochemical manufacturers, on the other hand, collaborated with manufacturers in Mainland China by setting up production facilities in petrochemical zones to ensure that supply of materials is not a concern, to expand the production capacity, and to increase their presence on the Mainland China market.

For the sake of minimizing trade deficits, the US Government emphasizes the America First policy; production within the US is encouraged and various incentives are available. The tax reform was introduced at the end of 2017; business income tax was reduced to enhance the incentive for people to invest in the US. For specific industries and items, the import duty is increased. For products imported from Europe and Asia, the rates are significantly increased. This has brought about powerful impacts on the global trade and economy. The global macroeconomic outlook is generally undesirable. The US is an important export destination for Mainland China and also an important market for Taiwan as certain products are exported indirectly through Mainland China. The high import duty imposed by the US will seriously impact the economy of Mainland China and the Mainland China market accounts for more than 40% of the overall export trade of Taiwan. As Mainland China exports are impacted, Taiwan's export economy will thus suffer setbacks. This will cause cyclical reductions for Taiwan's petrochemical industry in its expansion into Mainland China and the world, causing even deeper impacts on Taiwan.

For recent years, in Mainland China already to increase self-sufficiency with petrochemical raw materials, more efforts have been devoted to the construction of large-scale petrochemical exclusive zones that combine the upstream and downstream in one over the past few years, such as the Dalian Changxing Island Petrochemical Zone and the Gulei Petrochemical Zone. Manufacturers have been encouraged to enhance their process criteria, improve product quality, and reinforce industrial composition. The emphasis is placed on environmental protection in order to reduce the throughput contributed by low-efficiency equipment. Supply side structural reform continued. In terms of production, the emphasis has been switched from quantity to quality to strictly improve the criteria for the discharge of waste gases and waste water as well as waste management. Manufacturers without economic benefits and not of an economic scale and not meeting the production criteria for environmental protection were forced to significantly reduce their production capacity. The adjustment of the industrial structure rendered reduced production capacity and reduced supply. The demand on the domestic market, however, continued to grow due to economic growths. This contributed to product profitability.

Taiwan's economy is highly export trade-dependent. Its economic development is highly linked to the global economic and trade growths. As Mainland China and the US are two major export markets, our Company was deeply impacted, too. Secondly, the commissioning of new production lines one after another at respective petrochemical manufacturers throughout Mainland China resulted in more supply than demand and falling prices of petrochemical products. Corporate profitability was quite impacted as such. For the domestic and international economic situations as a whole in the future, given the persisting impacts from the trade disputes between China and the US on the global economy, in addition to the recent conflicts between the US and Iran, international oil prices are likely to be further impacted, adding to the uncertainty for operations in the future. Taiwan loses its competitive advantages also because of the failure to take part in trade agreements such as the CPTPP and the RCEP and impossibility to enjoy relevant preferred taxes. In other words, corporate operations are going to face even harsher challenges.

To avoid competition over prices on the market, the Company has reinforced production safety, stabilized process total throughput and production, and reduced cost to enhance competitiveness. In addition, to reflect industrial developments, the Company adjusted its organizational framework, remains flexible in production deployment, proactively answers to demand on the market, enhanced the management efficiency, and adopted multiple AI smart production and development plans to boost production efficiency and develop towards high-value products. With additional value, the product structure will be reinforced and developments in the industry will be maintained.

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	2019	2020(Estimated)
Total Expenditure	666,509	735,121

B. Successfully developed technologies or products

As far as products that have been successfully developed by the company are concerned, In terms of ABS, BP645 that contains 60% of glue was developed to take care the production efficiency and to reduce the content of COD in water at the same time. In addition, the dying performance and strength of ABS are improved and weather tolerant ASA pellets are successfully produced; they are particularly suitable for use in outdoor parts, automobile materials, small hardware and construction materials. For PS, high-tone HP835G was developed to be mainly applied in home appliances such as air-conditioning panels and covers of washing machines that feature relatively optimal tones in order to proactively secure the markets in Taiwan and Southeast Asia. Moreover, the LCD TV light board-exclusive material was successfully developed. Highly light-permeable and high color temperature as well as optimal optic performance, the material has been extensively adopted by customers. In the future, efforts will be devoted to seeking certification by home appliance heavyweights.

For PP, the development of contact lens male and female die materials is completed. For medical devices, anti-γ-ray irradiation is applied to sterilize the tips of pipettes, laboratory consumables, and IV bottles, among others. In-line compounding was added to develop PP with altered properties. The applications include bumpers, baggages, PP fiber-added printer accessories, and transparent low-temp keep-fresh containers, among others. In PC, the focus is placed on exploring the opportunities to seek certification by first-rate 3C, home appliance, and automobile materials heavyweights and the development of Si-PC, PC/ABS and the latest trendy PC/PMMA coextruded glass-like mobile phone back cover materials. PCR(Post-Consumer Recyeled Plastic) Environmentally friendly and recyclable materials were developed.

As far as short-fiber yarn textile products are concerned, new processes and equipment are introduced, various types of yarns are produced, and functional fabrics are researched and developed for collaborative brands to add to the value of the products. In 2019, the company finished developing the functional anti-pilling short-fiber yarn, closely-knitted yarn, SIRO yarn, Slub yarn, flame-retardant short-fiber yarn, mosaic yarn, environmentally friendly recyclable yarn, collagen (R) yarn, and multi-element mixed short-fiber yarn. The company will combine subsequent processing facilities in enhancing the quality level. Manpower and resources will continue to be invested in the pursuit of advancement in quality. For long-fiber textile products, in response to the world’s appeal for being green and environmentally friendly, recycled raw materials are used during production. A series of environmentally friendly nylon filament products have been developed and nylon color filaments are being developed in order to minimize the impacts of dyeing wastewater on the environment. In response to the world's appeal for being green and environmentally friendly, recycled raw materials are used during production. A series of environmentally friendly nylon filament products have been developed and nylon color filaments are 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

A. Short-term Plan

(1) Petrochemical and plastic products

Products from the petrochemical industry are widely applied, mostly in daily necessities, with steady demand on the market. Primary products sold by our company are intermediate petrochemical materials like petrochemical aromatic hydrocarbons, such as benzene and p-Xylene, and raw materials for plastic products, such as polystyrene and polypropylene. The primary raw materials light oil and gasoline go through cracking, extraction, recombination, and refining, among other processes, to become various types of intermediate petrochemical materials. In order to realize steady production, maintaining a harmonious environmental performance, keeping the staff safe during operation, and securing stady operation of equipment have been the Company's fundamental belief in operation. Over the past few years, the Company has been investing in the development artificial intelligence (AI), properly enhancing process management and stability, and maintaining corporate operational momentum. For respective production facilities, spontaneous inspection of equipment will be further enhanced. Engineering quality management will be strictly imposed for comprehensively enhanced engineering quality and to ensure that equipment runs normally for the best of industrial safety. The company has been proactively promoting circular economy over the long term. Environmental protection measures such as energy conservation, water conservation, and reduced emission and reduced waste are enforced for respective processes. Industrial safety education is provided to employees and contractors. JSA is precisely discussed prior to construction in a devoted effort to ensuring personnel safety. For further comprehensive enhancement of safety awareness, spontaneous equipment inspections will be reinforced for respective production facilities; strict engineering quality management will be enforced; normal operation of equipment will be ensured; environmental protection measures will be put into action; energy utilization efficiency will be increased; process-generated waste thermal energy will be recycled and reused; waste water will be recycled for repeated use; and the efficacy of circular economy will be enhanced. All of these are short-term priorities.

For major petrochemical raw material product of the company, pure terephthalic acid, after elimination through the market mechanism in Mainland China, non-competitive manufacturers have gradually gone out of business and the disequilibrium of supply and demand on the market has improved significantly. For the past few years, producers mostly have managed to bring down the production cost by improving their processes or updating their equipment. The serious deficits in the industry are showing obvious improvements. Some manufacturers with relatively desirable operation performance have begun to turn losses to gains. The company also plans to build new facilities with an annual throughput of 1.5 million tons to maximize the supply to address the demand on the market.

Plastic raw materials produced by the company are advantageous with the one-stop low production cost covering the upstream and the downstream and steady supplies of raw materials, outstanding quality of products, and smooth distribution on the market; they are highly competitive on the market. Mainland China started the anti-dumping investigation of petrochemical products from Taiwan in recent years. It was determined that styrene (SM) imported from Taiwan, Korea, and the US was found with dumping evidence. The increased import cost disfavors the promotion of products and will impact related export industries of Taiwan. Despite the increased cost of SM exported to Mainland China, most of the SM exported by the company is meant for our affiliated entities to facilitate their production and the products are mainly sold on the domestic market of Mainland China. Plus the equally powerful demand for raw materials such as ABS and PS in sectors such as that for home appliances in Mainland China and the robust demand on the market, customers are highly capable of affording a higher price. Despite the trade friction between the US and China facing the Mainland China market and the imminent increase of import duty for home appliances and automobiles, among other products, exported to the US, the stress brought about by the increased cost is fortunately abated by dropping oil prices. Respective facilities of the company will run on full capacity to support the production and to satisfy the demand on the market.

(2) Textile and chemical fiber products

The domestic textile industry of Taiwan is faced with fierce competition from inside and outside the country, including the textile and fiber industry of Mainland China that is getting strong and the maturing textile industrial chain among emerging Southeast Asian countries benefiting from factories established by Taiwanese businesses and the textile industry that has immigrated from Mainland China entering the market at a low production cost in addition to the one-stop production model combining the upstream and the downstream. The company faces the same challenge in its textile operation. In pursuit of improvements, the segment has gone through multiple organizational and structural adjustments. The production process flow is reinforced to reflect trends on the market. The production model featuring small quantities and diversities is adopted for extended production of composite yarn, functional yarn, and medical yarn. Market segmentation is created to provide with customized and high-value special-specification products and to differentiate from bulky products, satisfying the focus market demand.

The planned short-term operation is as follows:

1. The production and distribution plan will be flexibly adjusted in response to the short-term demand on the market to quickly reflect changes on the market and the effort will be devoted to the distribution and promotion of products with a relatively high additional value for enhanced operational performance.
2. Technical productivity will be integrated to increase the utilization rate and bring down cost. There will be more after-sales customer service representatives to improve competitiveness on the market and the market share.
3. Equipment automation will be promoted to improve quality stability, to reduce the dependence on manpower, to bring down production cost, and to improve the operational composition.

B. Long-term Plan

(1) Petrochemical and plastic products

The initial agreement from the China-US trade talks was signed in the beginning of 2020. Negotiations between China and the US will continue, leaving excessive room for speculation. Despite the temporarily eased China-US trade disputes, starting in 2020, large-scale additional petrochemical production lines will be commissioned one after another in areas throughout Mainland China and the regional economy and trade agreement in Asia will be signed to realize preferred tariffs among member states, which will significantly impact export-oriented industries in Taiwan. In response to such harsh challenges in the macro environment, the Company implemented the cage change program where high-value products are proactively developed and the ratio of high-value products is increased. Meanwhile, construction of specialized production facilities for composite materials across the Taiwan Strait continued for a reinforced product structure improved corporate competitiveness to realize sales market segmentation while keeping the efforts in realizing sustainable operation.

Mainland China, with its huge domestic consumer market, large capital size built over the past few years thanks to rapid economic growths, and big population, is focusing on fortifying its capabilities in industrial developments by proactively establishing petrochemical industry zones where upstream and downstream businesses jointly create the industrial chain, expanding the production capacity for petrochemical raw materials, reducing the dependency on imported products, increasing the output to replace imported products, helping the industry grow strong and enhancing self-sufficiency. After many years of efforts devoted to the development, the upstream and downstream supply chains of the petrochemical industry are gradually taking shape. Self-sufficiency is increased, which accordingly has impacted the exports of petrochemical products from Taiwan to Mainland China. In order to maintain the market share and enhance the production and distribution scale of products with enlarged differences from production facilities in Taiwan and in Mainland China, sales to overseas markets are maximized by means of the economic collaboration mechanism established between Mainland China and the ASEAN. The expansion in the production capacity for PTA (with an annual throughput of 1.5 million tons), PIA (with an annual throughput of 200 thousand tons), and ABS (with an annual throughput of 250 thousand tons) has been planned for the time being for facilities in Mainland China to fulfill the market demand for textiles and home appliances. In addition, de-bottleneck increased production of phenol (with an annual throughput of 100 thousand tons) and acetone (with an annual throughput of 61,500 tons) has been made possible to maximize market supply.

In response to the rapid changes in the industry and the resultant impacts and to go with the cage change program, the company will proactively promote the high-value product strategy. In the case of PC pellets, the Company will continue to work towards customized production for enhanced product differentiated production ratio. ASA pellets for the temperature-tolerant and corrosion-tolerant high value-added ABS products that are continued to be researched and developed by the company have been applied to the production. The company proactively works with its downstream partners in expediting certification and continuously maximizing the market share with its strengths in product quality and leading production technology.

In addition, given the maturing shale oil mining technology each day in the US, the relatively low cost associated with the supply of shale oil, and the current incentives available in the US for overseas enterprises setting up their facilities or investing in the US, such as preferred taxes, after careful evaluation, the Company decided to set up an ethane cracking facility in the US jointly with other members within the corporate group. For Stage 1, a production system combining the upstream, midstream, and downstream of petrochemical plastics is intended. Besides ensuring the source of supply of raw materials, warehousing and transport, as part of the overhead, can be saved to effectively reduce the production cost, enhance profitability, and boost product competitiveness. For Stage 1, a throughput to support the production of petrochemical products such as 900 thousand tons of ethylene glycol and 600 thousand tons of polypropylene is planned.

(2) Textile and chemical fiber products

Faced with the long-term low-price production competition from Mainland China and the emerging countries in Southeast Asia, the company continued with its differential production model that helps provide customized and diversified high value-added products in small quantities and supply the niche market high-performance composite yarn for medical and automobile materials to create market demand.

In light of the rising awareness about environmental protection around the world, the company continued to promote circular economy, emphasizing repeated use and sufficient utilization of the use value of products to minimize the harm done to the environment. The company is proactively devoted to the research and development of environmentally friendly recyclable materials. Waste is recycled and used again. Environmentally friendly yarns are produced. Meanwhile, the company collaborated with international brands in the commercialization of environmentally friendly yarns and has created sales and supply chain system combining the upstream and the downstream to quickly respond to the changing demand on the market and provide feedback, increase the number of items supplied, and shorten the lead time. The production capacity of each production site overseas is maximized to fortify the manufacturing capabilities, to facilitate flexible global and local production deployments, and to innovate on production, starting all over again on the fierce global textile market.

The planned long-term operation is as follows:

1. Development of high-value differential characteristic products reflective of the environmental protection trend and the demand for functionality on the market will continue to lead in the industry and improve the competitive advantages and profitability of the products on the market.
2. Functional products will be proactively developed. Reflective of the fashion trend on the market, niche products will be produced to meet customers' requirement for multi-functionality and environmental protection appeal.
3. In response to the global deployment with production sites in Taiwan, Mainland China, and Vietnam, R&D capability will be enhanced and the products will be segmented by the type as well as the market.
4. The desirable partnership between existing distributors and the company will be optimized to further turn them into close strategic partners in building brand loyalty of customers in the company's products for co-existence and shared prosperity.
5. With the yarn facility in Vietnam as the center, efforts will reach out to explore potential customers in emerging Southeast Asian countries and develop emerging markets.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Sales (Service) Region

Products	Export region	Major Competitor	Local Market Share(%)
Ortho xylene	Mainland China	Reliance, ExxonMobil	55
Para xylene	Mainland China	JXTG,SKGC	28
Styrene Monomer	Mainland China, Asia	China Petrochemical Development Corporation, Hanwha Total Petrochemical, SHELL, SADAF	61
Acetone	Mainland China, Asia	China Petrochemical Development Corporation, Chang Chung Group, LG, PTT	52
Phenol	Mainland China, Asia	China Petrochemical Development Corporation, Chang Chung Group, LG, PTT	35
Pure Terephthalic Acid	Mainland China, Vietnam	CAPCO, Oriental Petrochemical (Taiwan) Co., Ltd.	34
Purified Isopropyl Alcohol	Mainland China, Asia, Europe, Middle East, South America,	LOTTE, MGC, Indorama, FHR, EASTMAN, SINOPEC Yanshan Company	83

Poly Styrene	Mainland China , South East China, Middle East,	Chi Mei Corp., Taita Chemical Co., Ltd., KAOFU Chemical Corp.	55
Acrylonitrile Butadiene Styrene Pellets	Mainland China , South East China, Europe,	Chi Mei Corp., Grand Pacific Petrochemical Corp. Taita Chemical Co., Ltd.	30
Poly Propylene	Mainland China, Middle East, South East China, Japan,	LCY Chemical Corp. LOTTE, TOTAL, China Petrochemical Development Corp	30
Poly Carbonate	Mainland China, Asia, South East China, Europe, America,	Teijin, Covestro, SABIC	41
Rayon fibers	Turkey, South East China, Pakistan, America, Europe, South Korea	SPV, LENZING, Birla	55
Synthetic Spun Yarns	Europe, America, Japan, South East China	Far Eastern New Century, Taiwan Spinning Co., Ltd.	6
Nylon filaments	Mainland China, Middle East, South East China	Lipeng Enterprise Co.,Ltd. Zig Sheng Industrial Co., Ltd.	40

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 → extraction

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

recombination ↓ purification → isolation → isomerization; alkanisation ↓ isolation

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

2. Styrene Monomer (SM)

Benzene, Ethylene → alkanisation → distillation → benzole recovery → ethylbenzene recovery →

de-hydrogen → isolation → ethylbenzene recycle → purification → **SM**

3. Phenol

Benzene, Propylene → alkanisation → cumene distillation → oxygenation → concentration →

split → isolation → cumene distillation → **Cumene**

isolation → phenol distillation → **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
Acrylonitrile → combination → polymerization → de-alkylation → extrusion

→ cut → dehydration → **SAN Pellets**

Butadiene → polymerization → SM
Acrylonitrile → polymerization → condensation

→ hydrogenation → dehydration → **ABS powder**

ABS powder
SAN pellets → extrusion → cut → packing → **ABS Pellets**

8. Poly-propylene (PP)

Ethylene
Propylene
Hydrogen
Normal hexane → purification → polymerization → inactivation → pellets

→ 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

→ twisted spun yarn → bobbin combination → packing → **synthetic spun yarns**

12. Nylon filaments

Captrolactam → polymerization → spin → extension → **nylon filaments**

5.2.3 Supply Status of Main Materials

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

Unit: NT$ thousand

Items of raw material	Unit	Volume	Amount	Major suppliers
Light oil	tonne	2,472,878	40,758,333	Import and from local company
Mixed Aromatic hydrocarbons	tonne	1,074,798	17,982,504	Formosa Petrochemical Corporation
Mixed Xylene	tonne	829,589	18,184,315	Import form sopt markets
Benzene	tonne	1,396,328	27,776,667	Import and from local company
Para-xylene	tonne	792,820	22,155,248	Import and from local company
Propylene	tonne	531,146	13,948,361	Formosa Petrochemical Corporation
Ethylene	tonne	370,439	9,619,109	Formosa Petrochemical Corporation
Acrylonitrile	tonne	84,754	4,215,263	Formosa Plastics Corporation
Butadiene	tonne	57,228	1,792,546	Formosa Petrochemical Corporation
Bisphenol	tonne	177,049	6,703,234	Nan Ya Plastics Corporation
Rubber	tonne	10,276	604,091	Import and from local company
Caprolactam	tonne	86,747	4,123,072	Import and from local company
Pulp	tonne	76,824	2,058,732	Import
Coal	tonne	1,552,309	4,633,460	Import

5.2.4 Major Suppliers and Clients

A. Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Formosa Petrochemical Corporation	167,550,868	42.3	Invested Firm	Formosa Petrochemical Corporation	115,927,530	45.1	Invested Firm	Formosa Petrochemical Corporation	29,768,396	52.4	Invested Firm
2	Others	228,471,751	57.7		Others	141,377,019	54.9		Others	26,989,506	47.6	
	Net Purchases	396,022,619	100		Net Purchases	257,304,549	100		Net Purchases	56,757,902	100	

Note:

1. Major suppliers refer to those commanding 10%- plus share of annual order volume.
2. For the list company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.
3. The amount of raw materials which bought from Formosa Petrochemical Corp. decreased mainly due to market demand still thickly and the accident at the third aromatic hydrocarbon plant as compared to 2018.

B. Major Clients in the Last Two Calendar Years

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Nan Ya Plastics Corporation	35,653,243	8.7	Invested Firm	Nan Ya Plastics Corporation	24,557,303	7.8	Invested Firm	Nan Ya Plastics Corporation	5,559,562	8.6	Invested Firm
2	Formosa Petrochemical Corporation	30,182,702	7.4	Invested Firm	Formosa Petrochemical Corporation	16,566,350	5.2	Invested Firm	Formosa Petrochemical Corporation	5,153,527	8.0	Invested Firm
3	Others	342,023,820	83.9		Others	274,375,410	87.0		Others	53,730,964	83.4	
	Net Sales	407,859,765	100		Net Sales	315,499,063	100		Net Sales	64,444,053	100	

Unit: NT$ thousands

Note:
1. Major clients refer to those commanding 10%- plus share of annual order volume.
2. For the list company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.
3. The sales decreased as compared to 2018 because the impacts were not only mainly from the trade friction between China and the US as mentioned above and the commissioning of the new production lines but also markets were thickly on the lookout, and prices of petrochemical products dropped significantly into the margin was far greater than that with the oil price that and it led to the reduction in business profits.

5.2.5 Production in the Last Two Years

Unit: NT$ thousands

Year / Output / Major Products (or by department)	2018			2019		
	Capacity (tonne)	Quantity (tonne)	Amount	Capacity (tonne)	Quantity (tonne)	Amount
Ortho xylene	480,000	111,849	3,056,062	480,000	112,987	2,745,148
Para xylene	1,970,000	1,680,953	46,907,782	1,970,000	1,482,580	36,614,822
Meta Xylene	100,000	99,935	2,954,965	100,000	90,165	2,352,400
Benzene	1,330,000	1,424,749	33,995,399	1,330,000	1,122,554	23,434,770
Styrene Monomer	1,320,000	1,404,486	45,389,091	1,320,000	1,282,036	33,692,866
Acetone	456,000	480,844	8,417,283	456,000	460,374	6,718,539
Phenol	740,000	777,609	25,273,688	740,000	740,247	20,016,488
Pure Terephthalic Acid	2,900,000	2,269,872	54,648,765	2,900,000	2,347,357	49,864,838
Purified Isopropyl Alcohol	200,000	192,087	6,121,441	200,000	188,049	5,267,908
High Acetic Acid	300,000	306,518	4,096,425	350,000	334,091	3,786,426
Polystyrene	540,000	596,404	25,921,401	540,000	605,537	20,737,201
Acrylonitrile Butadiene Styrene	910,000	909,999	49,349,630	920,000	906,073	39,892,072
Polypropylene	560,000	555,889	19,919,909	600,000	543,654	17,312,118
Polycarbonate	200,000	198,476	13,666,149	200,000	203,438	11,125,372

Rayon	78,840	72,745	4,493,291	78,840	60,987	3,436,092
Synthetic Spun Yarn	486,000	489,800	6,874,247	473,000	473,749	5,924,519
Synthetic Spun Cloth	0	314,650	14,856,275	0	296,443	15,686,336
Nylon filaments	125,400	121,971	11,176,116	125,400	116,734	9,540,241
Nylon Pellets	134,000	130,032	9,261,632	134,000	117,322	5,101,745
Polyester Fiber	146,000	177,533	6,302,878	146,000	189,795	8,044,383
Polyester Pellets	120,000	146,568	5,008,630	120,000	180,984	5,403,412
Film	66,000	83,002	4,000,044	66,000	75,965	344,130
Tire Cord Filament	64,400	57,111	8,148,909	64,400	51,743	7,518,288
Gasoline	0	463,812	12,144,072	0	466,101	11,744,169
Composition	1,055,453	938,660	4,801,942	0	0	0
Testing	1,128,723	1,025,472	3,460,515	0	0	0
Modules	6,617	4,392	605,469	0	0	0
Electricity	0	0	16,987,827	0	0	13,748,576
Others			41,846,537			27,762,776
Total			489,686,374			387,815,635

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT$ thousands

Year / Shipments & Sales / Major Products (or by departments)	2018				2019			
	Local		Export		Local		Export	
	Quantity (tonne)	Amount	Quantity (tonne)	Amount	Quantity (tonne)	Amount	Quantity (tonne)	Amount
Ortho xylene	116,969	3,134,723	0	0	103,576	2,648,182	5,999	174,327
Para xylene	133	4,888	806,938	24,959,540	117	3,977	265,251	8,003,629
Benzene	0	0	29,988	723,636	0	0	0	0
Meta Xylene	1,139	42,076	3,432	121,442	264	8,888	0	0
Styrene Monomer	359,534	14,305,988	207,535	7,771,868	322,712	9,802,374	128,870	3,694,917
Acetone	388,297	7,312,823	89,714	1,547,689	383,314	5,365,075	75,395	874,677
Phenol	778,620	30,203,318	1,250	41,128	702,505	21,248,755	26,825	712,770
Pure Terephthalic Acid	2,094,418	52,733,248	127,689	3,241,493	2,042,621	45,986,620	302,485	6,597,027
Purified Isopropyl Alcohol	4,771	204,023	180,230	7,522,642	17,869	587,854	169,552	4,601,454
High Acetic Acid	155,720	3,132,627	77,201	1,475,920	201,850	2,693,087	84,380	1,099,932
Polystyrene	325,331	15,280,223	273,874	12,378,822	323,832	12,904,166	281,700	10,626,707
Acrylonitrile Butadiene Styrene	534,288	31,474,905	360,776	21,038,475	551,470	27,193,849	366,828	17,593,954

Polypropylene	183,433	7,368,394	367,807	14,777,456	188,342	7,153,611	353,018	12,882,630
Polycarbonate	46,193	4,146,074	127,477	11,442,635	45,473	2,840,624	137,589	8,722,972
Rayon	27,428	1,588,216	29,950	1,741,306	14,542	740,862	27,980	1,407,825
Synthetic Spun Yarn	163,595	2,510,383	321,909	4,597,792	142,243	2,027,297	328,169	4,118,927
Synthetic Spun Cloth	45,467	2,112,250	257,374	12,971,611	37,217	1,377,768	249,441	14,189,276
Nylon filaments	57,263	4,869,681	38,578	3,717,063	58,715	4,292,590	30,128	2,583,721
Nylon Pellets	9,680	560,343	13,997	959,198	7,427	342,867	8,981	495,111
Polyester Fiber	79,599	3,367,334	58,122	3,216,906	75,374	3,012,483	44,028	2,564,618
Polyester Pellets	106,040	4,044,843	34,446	1,273,282	93,328	3,020,520	39,825	1,326,340
Film	42,564	2,156,918	38,386	1,975,729	37,349	1,826,667	37,055	1,894,398
Tire Cord Filament	8,516	1,498,881	44,808	6,165,482	9,339	1,680,217	43,114	5,964,521
Gasoline	463,812	12,144,072	0	0	466,101	11,744,169	0	0
Composition	925,997	4,679,790	4,105	60,434	0	0	0	0
Testing	1,009,930	3,434,643	256	1,770	0	0	0	0
Modules	3,644	559,931	650	48,957	0	0	0	0
Electricity	5,277,883	11,694,893	0	0	5,690,642	11,709,784	0	0
Others		37,418,995		2,103,006		22,920,796		2,236,248
Total		261,984,483		145,875,282		203,133,082		112,365,981

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.

Year		2018	2019	As of March 31, 2020
Number of Employees	Male	4,506	4,464	4,372
	Female	543	491	476
	Total	5,049	4,955	4,848
Average Age		44.3	44.4	44.5
Average Years of Service		18.2	18.5	18.7
Education	Philosophy Degree	0.20	0.24	0.25
	Masters	10.30	10.93	10.97
	Bachelor's Degree	47.07	48.64	49.12
	Senior High School	36.47	35.77	35.31
	Below Senior High School	5.96	4.42	4.35

Note: The number of employees only includes the Company.

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.

NT$ thousands

Year	2019	As of April 2020
Industrial Safety Fine	420	–
Environmental Protection Fine	5,668	100

1. Sum of losses and punishments associated with environmental pollution

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

(1) Lao-Zhi-Shou-Zi No. 1080201519 dated April 11, 2019: violation of Article 185 Subparagraph 1 of the Occupational Safety and Health Facility Rules and Article 6 Paragraph 1 of the Occupational Safety and Health Act by engaging in the manufacturing or handling of dangerous items and for gas explosions or fires caused by failure to handle in a timely manner in case of process gas leaks inside pipelines connecting equipment; a fine of NT$300,000 was imposed.

(2) Lao-Zhi-Shou-Zi No. 1080200787 dated May 13, 2019: violation of Article 27 Paragraph 1 of the Occupational Safety and Health Act for failure of the client to inspect the workplace for operations carried out jointly with contractors; a fine of NT$60,000 was imposed.

(3) Lao-Zhi-Shou-Zi No. 1080202849 dated July 3, 2019: violation of the requirements in Article 287 of the Occupational Safety and Health Facility Rules for failure to wear safety and health protective equipment while working in a high-temperature and steam-affected place; a fine of NT$60,000 was imposed.

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

(1) Fu-Yuan-Kong (II)-Zi No. 1083600970 dated February 12, 2019 for having exceeded the regulatory criterion of 50 mg/Nm3 with the TSP randomly tested from the discharge pipeline of the PC plant in violation of Article 20 Paragraph 1 of the Air

Pollution Act; a fine of NT$200,000 was imposed as required by Article 56 of the same Act.

(2) Fu-Yuan-Kong (I)-Zi No. 1083603778 dated April 8, 2019 for the excessive black smoke generated due to the fire triggered by LPG leaks in violation of Article 32 Paragraph 1 of the Air Pollution Act; a fine of NT$5,000,000 was imposed as required by Article 67, Article 96 Paragraph 1 Subparagraphs 4 and 6 of the same Act and discontinuation of the process (M05) and immediate improvement were mandated.

(3) Fu-Yuan-Kong-Zi No. 1080018020 dated June 25, 2019 for the 3PC equipment elements of the PTA plant in Longde to have exceeded the control criterion of 2,000 ppm of Yilan County in violation of the requirement over the control and emission of volatile organic matters in equipment element in Article 20 Paragraphs 1 and 2 of the Air Pollution Act; a fine of NT$300,000 was imposed.

(4) Fu-Yuan-Shui-Zi No. 1080453331 dated December 26, 2019 for having a value of effluent suspending solids detected exceeding the regulatory control value of 30 mg/L in violation of Articles 2 and 3 of the Water Pollution Act; a fine of NT$168,000 was imposed.

(5)Fu-Yuan-Kong (II)-Zi No. 1093608745 dated March 23, 2020 for ARO3 plant continuous automatic monitoring facility connection data, discharge pipeline PG01 oxygen monitoring data 107 years of the first, second, and third quarters of effective monitoring, the percentage rate did not reach the standard value in violation of Article 22 Paragraph 3 of the Air Pollution Act; a fine of NT$100,000 was imposed as required by Article 62 of the same Act.

5.4.2 Countermeasures

1. Improvement plans and countermeasures to be adopted in the future

A. Continuously promote process optimization (include HAZOP activities) and analysis potential hazardous factors to improve safety measures.

B. According to the standards of safety precautions analysis by schemes checking pipe lines and mechanical equipment to keep from occurrences of accidence.

C. Accidental exercises at every plant every half year or unexpected accidental exercise at plant once a year.

D. Studies of industrial safety and environmental protections by schedules, and promote the evaluation of industrial safety control system for keeping the operation continuous normal processes.

E. Set up inspection systems rounding plant sites, improve multi-pollution protection systems, and audit effectiveness of prevent and control pollution.

F. Continuously promote process optimization and reduce the generation of wastewater, waste gas, and waste through the improvement of process raw materials or manufacturing technology.

G. Continuously promote ISO-14001 and CNS 45001 systems and continuous promoting the key performance indicators of environments and fire control.

2. Continually invests and improves in water and energy saving projects.

The Company has promoted the greenhouse gas inventory and verification according to ISO 14064-1. The GHG emissions of each plant in 2018 of Scope 1are 5,589,208 CO_2e tonnes, and Scope 2 are 3,468,131 CO_2e tones, respectively. The totals of emissions are 9,057,339 CO_2e tones. In addition, the Company had completed 4,914 projects in water and energy saving within 2000 to 2019. The Company had saved 94,242 tonnes /day of water, and had saved 3,727 thousand tonnes of emission of CO_2. Data on GHG emissions in 2018 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$18.79 billion in environmental improvement by 2019 that were NT$10.13 billion in air pollution control, NT$7.74 billion in waste water pollution control, NT$0.4 billion in waste materials disposal, and NT$0.48 billion in anti-noise control, respectively.

The Company will spend totally NT$0.86 billion in environmental improvement together with 25 projects in 2020 that includes 13 air pollution control projects which will spend NT$0.63 billion, 9 waste water pollution control projects which will spend NT$0.18 billion, and will spend NT$0.52 billion in 3 waste materials disposal.

5.4.3 Environmental Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

To improve air quality and reduce the harm of PM2.5 to human bodies, the Company adopts the best available control technology (BACT), including the advanced process, clean fuel, and efficient pollution prevention equipment. Each process emission pipeline is equipped with a continuous automatic monitoring system in accordance with related regulations to monitor air pollutant emissions in real time; in addition, the Company continues to promote the waste reduction at source and recycling to reduce environment impacts and achieve the goal of zero pollution and perpetual business operation.

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

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

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

5.5 Labor Relations

To take care of each employee, FCFC offers favorable compensation and benefits and creates a sound working environment through a complete training and promotion system. Upholding the spirit of equal pay for equal work, the compensation standards are designed based on the education and work experience required in each position. Treating our employees as family members, we take care of our employees by offering a variety of benefits. In addition, employees may give opinions and suggestions through a suggestion box, an online mailbox, the labor union, or the Employee Welfare Committee, which facilitates communication between the management and employees and creates harmonious labor relations.

We strictly adhere to international and local regulations regarding labor and human rights so that every employee is treated fairly. All the employees are protected by the mutual agreement of the management and employees and may join the labor union of their own free will. The working regulations for employees stipulate that employees shall be protected from being discriminated due to their membership of the labor union.

FCFC emphasizes a harmonious relationship between the management and employees. We offer multiple communication channels for employees to voice their opinions and make suggestions. Employees are encouraged to take part in the labor union or the Employee Welfare Committee to voice their suggestions to the management in regularly-held meetings. We prioritize the labor union's suggestions when formulating crucial policies; in addition, all the employees are protected by the mutual agreement of the management and employees. We have also set up the following channels for internal communication:

1. Suggestion boxes at appropriate locations
2. An online mailbox in the business information system
3. 799 hotlines at each complex

Regarding new recruits, we hold periodic consultation programs so that we can better understand the various difficulties they face in both their jobs and their daily life. By resolving their problems, we hope to eliminate their uneasiness of adjusting to a new working environment and reduce the turnover rate.

FCFC's recruitment has always been carried out in a fair, impartial and transparent manner in accordance with the Labor Standards Act. Based on the fundamental human rights that everyone is equally considered for any job opportunities, we evaluate each candidate completely based on his or her expertise and experience. After candidates are employed, we ensure that they receive fair treatment in terms of promotion, evaluation, training, and rewards and punishments.

5.5.1 Employment Security

Even in difficult economic times, we prioritize the protection of our employees' rights, and human resource reallocation is preferred over layoffs. All personnel transfers and adjustments are reported verbally by heads of departments and processed within 10 days according to the applicable laws and regulations. The compensation standards for new recruits are established based on the education and experience relevant to the position's requirements. In the spirit of equal pay for equal work, the minimum salary ratio of female and male employees with identical positions and ranks is one to one. Annual promotions and raises are determined by performance.

5.5.1.1 Employment Security

To absorb knowledge from a diversity of professional domains, FCFC shares technologies and skills with experienced domestic and foreign teams. For example, we periodically collaborate with labor inspection institutions to organize symposiums and observation tours, work with local authorities to arrange emergency response drills, and appoint firefighters to receive practical fire training in professional fire agencies in the hope of improving employees' responses to unexpected situations.

In addition, we invite TUV Rheinland Group and Lloyd's Register Quality Assurance to conduct comprehensive inspections, set up verification and offer suggestions, and commission IHS to instruct our employees the process hazard analysis (PHA), making our safety, health and risk assessments and fire management in line with the international standards. By the mutual cooperation with government agencies, various resources can be brought into full play.

1. Process Safety Management (PSM)

   To improve the process management at each plant, FCFC implements 14 items of PSM in accordance with the regulations of the Occupational Safety and Health Administration (OSHA). At present, 57 employees are assigned to PSM in each level, who are dedicated to promoting PSM in all departments. The 14 items of PSM are audited on a regular basis; in addition, the Forum on PSM Operation and PSM Personnel is organized every year. Since 2013, we have regularly commissioned the impartial third party, such as Mary Kay O'Connor Process Safety Center (the U.S.) and the Pressure Vessel Association, to audit PSM performance at our process plants. As of today, 24 plants have been audited, and the results of the audits meet the OSHA's requirements for PSM.

Since 2014, we have organized training courses on PSM audit skills and performance audits, including the Technical Practice of Failure Mode and Effects Analysis (FMEA) and the Identification of Process Hazards in Non-routine Operations, and invited domestic experts and Sphera, an American consulting company, to instruct PSM personnel and PHA facilitators and give hands-on practice, so as to improve the functions of performance audits. Since 2016, we have appointed employees to attend the Global Congress on Process Safety every year to learn from other petrochemical companies at home and abroad, adjust related regulations, and further improve the process safety.

2. Management of Change (MOC)

To ensure that any alternation in the design, equipment, materials or operation does not create new or potentially harmful situations, we actively carry out the process hazards analysis (PHA). Since 2011, we have scheduled the annual MOC counseling and evaluation plan, along with exchange activities, for each plant in Taiwan. The plants are divided into 5 MOC project teams based on their specific locations (with the Mailiao Industrial Complex subdivided into Mailiao MOC Project Team and Haifeng MOC Project Team). PSM personnel from the Business Department are designated (to other Business Departments) as the leaders of MOC Project Teams to facilitate exchange activities and performance evaluations in the plants.

In 2018, the MOC counseling and evaluation plan was completed. The results show that hazard identification, risk assessment, and development of related control measures can be carried out in advance for each alteration to avoid possible damage after the alteration.

3. Disaster Prevention Plan Promotion

To strengthen the disaster response capability at the Mailiao Industrial Complex, FPG works with the disaster-relief units from central and regional governments to organize joint disaster relief practice drills quarterly. This helps all employees and emergency response team members to be more accustomed to the response procedures and joint disaster prevention alert procedure. By working with government agencies, we can also unearth potential hazard factors throughout the complex as well as to perfect our disaster relief methods, helping us build a more complete disaster relief model.

In addition, we are committed to each practice drill, since each one of them represents a valuable learning experience for all production plants. Therefore, all factory supervisors are asked to observe and to exchange opinions during each joint practice drill held in every quarter, in order to enhance the overall disaster relief awareness and rescue competency throughout the Mailiao Plant.

5.5.2 Employee Benefits

FCFC views each and every employee as a member of our family. Initially, before a plant begins operation, we ensure that such basic needs as food, accommodations, and recreational infrastructure are already in place; furthermore, we actively promote a variety of employee benefits that aim to provide our employees and their families with basic necessities, education, and recreation.

Various employee benefits have been implemented according to the corporate welfare system with a number of benefits better than the statutory requirements. We have established the Employee Welfare Committee at each plant to organize employee trips, holiday gifts, birthday gifts, scholarships for employees' children, group insurance, recreation activities, and club funds. The Administration Department of each plant is responsible to support the implementation of welfare business welfare services. Such as:

1. Leave Benefits
   We provide annual leaves, marital leaves, bereavement leaves, official leaves, occupational injury leaves, paternity leaves, maternity leaves, sick leaves, menstrual leaves, personal leaves, family care leaves, relocation leaves, family

visit leaves for expatriates returning to Taiwan, etc.

2. Insurance Benefits

   In addition to labor insurance and national health insurance, the Employee Welfare Committee of each plant provides casualty insurance and medical insurance. Employees are offered a variety of group insurance policies with discounted premiums, such as casualty insurance, medical insurance, and cancer insurance, so that they can freely select more comprehensive insurance plans.

3. Retirement Benefits

   With monthly contributions to employees' pension funds and retirement reserves, we give pensions and souvenirs to employees joining the retirement plans when they meet the statutory conditions of retirement.

4. Marital and Parental Benefits

   a. Wedding or bereavement cash gifts and subsidies will be given when employees or their direct relatives get married or pass away.
   b. Breastfeeding rooms are provided in some plants for nursing (milk collecting) during work hours.
   c. Parental leaves are provided in accordance with related laws and regulations. Qualified employees may schedule their working hours flexibly as needed.
   d. Unpaid parental leaves are provided upon request. In 2018, a total of 11 female employees applied for the unpaid parental leaves.

5. Healthcare Benefits

   a. We provide employees routine health examinations that are better than the statutory requirements.
   b. We take the initiative to arrange special health examinations and health management at different levels for employees who perform specific operations with health hazards, such as noise and specific chemicals. The health examinations include such metabolic syndromes as high density lipoprotein (HDL) cholesterol, alpha-fetoprotein (AFP), and carcino embryonic antigen

(CEA) as well as oral examinations and cancer screening.

c. We provide subsidies for employees and their families receiving medical services at Chang Gung Memorial Hospital. Discounts are also given for health examinations.
d. We set up fitness and entertainment facilities in some plants, such as basketball courts, volleyball courts, table tennis courts, and fitness rooms.
e. We offer healthcare information and organize health lectures at each plant from time to time.
f. We arrange infirmary and medical staff at each plant to provide medical services and counseling. Health promotion activities, such as weight management, smoking cessation clinics, and preventive health care are also held occasionally. We partner with the John Tung Foundation to organize the Stress Relief Day.

6. Benefits for Everyday Living
   a. We provide cash prizes for Chinese New Year, Dragon Boat Festival, and Mid-Autumn Festival.
   b. We provide gifts for birthday and three Chinese festivals.
   c. We provide subsidies for employees' annual trips and gatherings.
   d. Employee cafeterias, dormitories for single employees and dependents, welfare buildings, canteens, salons, libraries, guest houses, and recreational facilities are established at the plants.
   e. We provide cash prizes for buying stocks of listed affiliated companies
   f. Scholarships are offered to employees' children.
   g. Favorable bank-issued mortgages are offered to employees.
   h. Employees can enjoy resource sharing between subsidiaries and discounts at cooperative stores.

7. Benefits of Employee Cafeteria
   a. We offer subsidies for employees' daily meals.
   b. Examination of any pesticide residue of ingredients used in the cafeteria is conducted periodically.

c. We have dietitians improve cooking, spices, ingredient selection, and menus and provide low-oil and low-sodium dining For example, FPG's employee cafeterias provide over 4,000 dishes each month, and less than 6% of them are fried dishes.
d. Special meals are provided on certain holidays and Chinese New Year to treat hardworking employees.

8. Promoting Employee Relations
   a. A spectacular year-end party with lucky draws is held each year.
   b. We subsidize club activities.
   c. We organize the corporate Sports Day to encourage sports and recognize outstanding employees with rewards and prizes.
   d. Employees with 5 years of service will be awarded a commemorative gold coin to express the Company's gratitude.
   e. We organize a variety of trips, hiking events, sports competitions, art exhibitions, and lifestyle seminars to help employees develop healthy bodies and minds.

9. Self-Learning Benefits

   We provide comprehensive training and continuing education opportunities for employees to obtain professional certificates and learn foreign languages. They are given rewards after obtaining the certificates.

10. Personal Safety and Family Care
    a. We provide employees flame-retardant uniforms and steel-toed shoes.
    b. We compensate for on-the-job deaths better than what is legally required without offsetting labor insurance benefits (although offsetting is allowable under the law); furthermore, we provide benefits that are better than what is legally required for deaths that are unrelated to official business. The minimum benefits are 6 months' average salary.

11. Expatriate Benefits
    a. Casualty insurance and travel accident insurance are provided for expatriates

and business trips.

b. Subsidies for family visits, medical services, and business trips are provided for expatriates in China and Vietnam.

c. Health examinations for expatriates are provided prior to dispatch and once every two years thereafter.

12. Retirees' Association

In appreciation of the tremendous contribution from our retired employees, we established the Retirees' Association in 2013. FCFC is in charge of the three branches in Yilan, Changhua and Chiayi. As of 2019, the Association had 1,159 members. We subsidize the Association's activities each year to strengthen the connections between our retirees.

5.5.2 Talent Development

Employees are the Company’s most valuable assets and the basis for sustainable development. FCFC has implemented a comprehensive employee training and development system that computerizes a variety of training courses, which allows the Company to ensure that is completed by each employee in a timely manner.

In addition to providing favorable compensation and benefits, FCFC also attaches great importance to our employees' career development. Appropriate training programs are arranged at each stage, from new recruits to entry level employees and then to the managerial level. Such training programs include orientation, basic training, professional training, manager reserve training and cross-functional training. To implement the talent development plan, we have established the Training Management Regulations. With the ERP training system, we can electronically monitor and keep track of each employee’s training progress to ensure that training is completed within the given time frame.; Therefore, we can ensure that each employee is equipped with the necessary expertise and skills in line with the objectives of the talent development plan.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Technological Collaboration Contract	LUMMUS/POLIMERI	Dec. 2010.12 to Dec. 2020	Provide phenol basic design, production technology knowhow	—
Technological Collaboration Contract	Idemitsu Petrochemical Co., Ltd.	To the effect of any clauses of the contract suspended	PC resins technology development	Obligations on the contract are not transferrable without approved by both contracting parties
Collateral Debenture	Mega Int'l. Commercial syndicated banks	April 2014. to April 2021.	To invest in Formosa Ha Tinh Steel Corporation	During period of credit granted, debt ratio should not exceed 150%；current assets ratio should over 100%.
Secured Debenture	Hua Nan syndicated banks	April 2018. to March 2021.	Guarantor for Formosa Taffeta Company Ltd.	—

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

A. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT$ thousands

Item / Year		Financial Summary for The Last Five Years					As of the March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		210,949,403	236,805,328	253,842,403	255,009,546	226,182,634	201,536,383
Property, Plant and Equipment		144,363,759	130,913,460	125,345,618	129,098,640	124,671,052	124,896,273
Intangible assets		3,386	1,583	1,042	586	1,288	3,744
Other assets		157,668,882	176,716,219	193,137,430	207,392,160	199,694,043	182,264,848
Total assets		512,985,430	544,436,590	572,326,493	591,500,932	550,549,017	508,701,248
Current liabilities	Before distribution	82,359,693	79,209,915	82,425,994	106,235,616	87,132,669	96,946,725
	After distribution	102,873,845	112,032,558	123,454,298	142,574,971	Note	Note
Non-current liabilities		97,548,204	85,586,263	71,399,423	51,942,817	54,125,385	54,601,426
Total liabilities	Before distribution	179,907,897	164,796,178	153,825,417	158,178,433	141,258,054	151,548,151
	After distribution	200,422,049	197,618,821	194,853,721	194,517,788	Note	Note
Equity attributable to shareholders of the parent		282,830,518	319,990,566	357,669,876	369,808,874	356,514,671	309,365,458
Capital stock		58,611,863	58,611,863	58,611,863	58,611,863	58,611,863	58,611,863
Capital surplus		8,875,002	8,622,642	8,682,798	9,084,142	9,138,869	9,143,367
Retained earnings	Before distribution	138,361,321	161,151,188	181,832,657	193,718,209	186,526,961	181,917,239
	After distribution	117,847,169	128,328,545	140,804,353	157,378,854	Note	Note
Other equity interest		77,334,641	91,965,445	109,169,026	108,933,674	102,560,930	60,016,941
Treasury stock		-352,309	-360,572	-626,468	-539,014	-323,952	-323,952
Non-controlling interest		50,247,015	59,649,846	60,831,200	63,513,625	52,776,292	47,787,639
Total equity	Before distribution	333,077,533	379,640,412	418,501,076	433,322,499	409,290,963	357,153,097
	After distribution	312,563,381	346,817,769	377,472,772	396,983,144	Note	Note

Note 1: Financial information of each fiscal year has been reviewed and verified by CPA.

Note 2: Where asset revaluation took place in a specific financial year, the revaluation date and revaluation gains need to be specified.

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

Note 4: Financial information as of March 31st, 2020has been reviewed by CPA.

Note 5: Distribution of earnings for 2019 has not yet been approved by the shareholders' meeting.

B. Individual Condensed Balance Sheet – Based on IFRS

Unit: NT$ thousands

Item / Year		Financial Summary for The Last Five Years					As of the March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		153,620,149	178,234,183	185,649,551	179,025,937	168,412,878	–
Property, Plant and Equipment		55,843,737	50,831,005	49,534,755	53,141,664	53,342,392	–
Intangible assets		–	–	–	–		–
Other assets		181,992,424	193,610,178	218,689,691	242,979,820	237,763,630	–
Total assets		391,456,310	422,675,366	453,873,997	475,147,421	459,518,900	–
Current liabilities	Before distribution	40,759,071	42,732,653	46,048,617	66,310,698	63,393,137	–
	After distribution	61,273,223	75,555,296	87,076,921	102,650,053	notes	–
Non-current liabilities		67,866,721	59,952,147	50,155,504	39,027,849	39,611,092	–
Total liabilities	Before distribution	108,625,792	102,684,800	96,204,121	105,338,547	103,004,229	–
	After distribution	129,139,944	135,507,443	137,232,425	141,677,902	notes	
Equity attributable to shareholders of the parent		–	–	–	–		–
Capital stock		58,611,863	58,611,863	58,611,863	58,611,863	58,611,863	–
Capital surplus		8,668,561	8,875,002	8,622,642	9,084,142	9,138,869	–
Retained earnings	Before distribution	138,361,321	161,151,188	181,832,657	193,718,209	186,526,961	–
	After distribution	117,847,169	128,328,545	140,804,353	157,378,854	notes	–
Other equity interest		77,334,641	91,965,445	109,169,026	108,933,674	102,560,930	–
Treasury stock		-352,309	-360,572	-626,468	-539,014	-323,952	–
Non-controlling interest		–	–	–	–		–
Total equity	Before distribution	282,830,518	319,990,566	357,669,876	369,808,874	356,514,671	–
	After distribution	262,316,366	287,167,923	316,641,572	333,469,519	notes	–

Note: 1. The Company reports only annual consolidated financial statements to public.

6.1.2 Condensed Statement of Condensed Statement of Income

A. Consolidated Condensed Statement of Income – Based on IFRS

Unit: NT$ thousands

Year / Item	Financial Summary for The Last Five Years					As of the March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	329,349,307	319,204,627	358,421,471	407,859,765	315,499,063	64,444,053
Gross profit	33,712,896	47,551,554	53,196,202	53,572,340	32,057,039	1,696,865
Income from operations	19,374,126	33,435,652	38,914,064	38,350,064	16,489,956	-1,922,884
Non-operating income	16,615,039	21,240,014	27,792,819	25,366,181	20,617,514	-2,175,671
Non-operating expenses	31,617,547	48,766,728	60,035,946	55,441,018	33,245,827	-4,342,288
Income before tax	—	—	—	—	1,202,530	-484
Net income (Loss)	31,617,547	48,766,728	60,035,946	55,441,018	34,448,357	-4,342,772
Other comprehensive income (income after tax)	-13,282,810	21,347,166	16,312,037	-16,366,251	-11,094,653	-47,284,088
Total comprehensive income	18,334,737	70,113,894	76,347,983	39,074,767	23,353,704	-51,626,860
Net income attributable to shareholders of the parent	27,578,193	43,833,045	54,410,802	48,769,317	29,702,242	-4,609,722
Net income attributable to non-controlling interest	4,039,354	4,933,683	5,625,144	6,671,701	4,746,115	266,950
Comprehensive income attributable to Shareholders of the parent	12,247,215	57,934,824	70,707,693	33,258,356	22,873,505	-47,153,711
Comprehensive income attributable to non-controlling interest	6,087,522	12,179,070	5,640,290	5,816,411	480,199	-4,473,149
Earnings per share	4.72	7.50	9.33	8.36	4.89	-0.79

Note 1: 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 2: The loss of discontinued business units should be presented as the net amount after the deduction of income tax.

Note 3: If the financial information is notified by the competent authority that it should be corrected or restated, it should be presented with the corrected or restated figures as well as indicating the circumstances and reasons.

B. Individual Condensed Statement of Income – Based on IFRS

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years					As of the March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	230,409,926	217,329,630	235,759,413	273,592,139	198,210,058	–
Gross profit	19,234,938	29,630,332	33,345,371	32,512,110	16,695,712	–
Income from operations	11,782,032	21,459,428	25,609,401	23,723,337	8,208,079	–
Non-operating income	18,380,383	26,101,345	33,239,431	30,625,500	23,690,459	–
Non-operating expenses	27,578,193	43,833,045	54,410,802	48,769,317	29,702,242	–
Income before tax	–	–	–	–	–	–
Net income (Loss)	27,578,193	43,833,045	54,410,802	48,769,317	29,702,242	–
Other comprehensive income (income after tax)	-15,330,978	14,101,779	16,296,891	-15,510,962	-6,828,737	–
Total comprehensive income	12,247,215	57,934,824	70,707,693	33,258,355	22,873,505	–
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	4.72	7.50	9.33	8.36	5.09	–

Note: 1. 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
2019	Price Waterhouse Coopers, Taiwan	Wu, Han Chi Chou, Chien Hung	Without reservation opinions
2018	Price Waterhouse Coopers, Taiwan	Wu, Han Chi Chou, Chien Hung	Without reservation opinions
2017	Price Waterhouse Coopers, Taiwan	Chou, Chien Hung Juanlu, Man Yu	Without reservation opinions
2016	Price Waterhouse Coopers, Taiwan	Chou, Chien Hung Juanlu, Man Yu	Without reservation opinions
2015	Price Waterhouse Coopers, Taiwan	Chou, Chien Hung Juanlu, Man Yu	Amended 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 2015	2016	2017	2018	2019	As of the March 31, 2020
Financial structure (%)	Debt Ratio	35.07	30.27	26.88	26.74	25.66	29.79
	Ratio of long-term capital to property, plant and equipment	289.79	349.85	384.81	370.20	365.37	323.51
Solvency (%)	Current ratio	256.13	298.96	307.96	240.04	259.58	207.88
	Quick ratio	202.01	240.96	256.72	195.82	206.64	158.80
	Interest earned ratio (times)	15.44	26.23	28.67	27.69	20.25	-8.48
Operating performance	Accounts receivable turnover (times)	10.11	10.52	9.57	9.44	8.67	2.28
	Average collection period	36.10	34.70	38.12	38.65	42.10	39.39
	Inventory turnover (times)	6.65	6.61	7.10	8.72	6.77	1.52
	Accounts payable turnover (times)	14.34	13.21	12.96	14.99	14.33	3.83
	Average days in sales	54.89	55.22	51.41	41.86	53.91	59.21
	Property, plant and equipment turnover (times)	2.28	2.43	2.85	3.15	2.52	0.51
	Total assets turnover (times)	0.64	0.58	0.62	0.69	0.57	0.13
Profitability	Return on total assets (%)	6.42	9.54	11.00	9.84	6.29	-0.76
	Return on stockholders' equity (%)	9.63	13.68	14.93	13.02	8.18	-1.13
	Pre-tax income to paid-in capital (%)	61.40	93.28	113.81	108.71	63.31	-6.99
	Profit ratio (%)	9.63	15.32	16.79	13.63	10.95	-6.76
	Earnings per share (NT$)	4.72	7.50	9.33	8.36	5.90	-0.79
Cash flow	Cash flow ratio (%)	81.80	75.39	86.43	57.03	65.82	-3.38
	Cash flow adequacy ratio (%)	120.55	137.45	145.51	136.26	136.10	123.14
	Cash reinvestment ratio (%)	7.40	4.05	4.35	3.70	5.45	-0.54
Leverage	Operating leverage	0.46	0.41	0.54	1.22	2.64	-3.06
	Financial leverage	1.14	1.06	1.06	1.06	1.13	0.82

6.2 Five-Year Financial Analysis

B. Individual Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Last Five Years					As of the March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt Ratio	27.75	24.29	21.20	22.17	22.42	–
	Ratio of long-term capital to property, plant and equipment	611.71	735.54	810.43	757.39	731.05	–
Solvency (%)	Current ratio	376.90	417.09	403.16	269.98	265.66	–
	Quick ratio	321.50	361.77	362.37	239.49	230.84	–
	Interest earned ratio (times)	20.49	41.58	55.98	50.80	35.19	–
Operating performance	Accounts receivable turnover (times)	13.20	11.38	10.13	10.55	8.84	–
	Average collection period	27.65	32.08	36.02	34.60	41.29	–
	Inventory turnover (times)	9.10	9.10	10.36	13.60	9.74	–
	Accounts payable turnover (times)	14.28	12.95	11.98	13.89	12.95	–
	Average days in sales	40.11	40.11	35.23	26.84	37.47	–
	Property, plant and equipment turnover (times)	4.12	4.27	4.76	5.15	3.71	–
	Total assets turnover (times)	0.59	0.51	0.52	0.58	0.43	–
Profitability	Return on total assets (%)	7.13	10.99	12.61	10.68	6.52	–
	Return on stockholders' equity (%)	9.84	14.54	16.06	13.41	8.18	–
	Pre-tax income to paid-in capital (%)	51.46	81.15	100.40	92.73	54.42	–
	Profit ratio (%)	11.97	20.17	23.08	17.83	14.99	
	Earnings per share (NT$)	4.72	7.50	9.33	8.36	5.09	–
Cash flow	Cash flow ratio (%)	113.51	102.31	122.28	77.83	53.97	–
	Cash flow adequacy ratio (%)	120.42	129.87	145.80	134.53	126.53	–
	Cash reinvestment ratio (%)	5.23	2.06	2.72	2.78	2.19	–
Leverage	Operating leverage	2.98	2.16	1.85	1.98	3.59	–
	Financial leverage	1.14	1.05	1.04	1.05	1.13	–

Note: 1. The Company reports only annual consolidated financial statements to public.

Note 2: 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 2020

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 2019, 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: Chen, Ruey Long

March 13, 2020

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

Please refer to page 197 of the annual report.

6.5 Individual Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

Please refer to page 313 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

Unit: NT$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current Assets	226,182,634	255,009,546	-28,826,912	-11.30
Non-Current Assets	324,366,383	336,491,386	-12,125,003	-3.60
Total Assets	550,549,017	591,500,932	-40,951,915	-6.92
Current Liabilities	87,132,669	106,235,616	-19,102,947	-17.98
Non-Current Liabilities	54,125,385	51,942,817	2,182,568	4.20
Total Liabilities	141,258,054	158,178,433	-16,920,379	-10.70
Capital stock	58,611,863	58,611,863	0	0
Capital surplus	9,138,869	9,084,142	54,727	0.60
Retained Earnings	186,526,961	193,718,209	-7,191,248	-3.71
Other Equity	102,560,930	108,933,674	-6,372,744	-5.85
Treasury Stock	-323,952	-539,014	215,062	-39.90
Equity attributable to shareholders of the parent	356,514,671	369,808,874	-13,294,203	-3.59
Non-controlling interest	52,776,292	63,513,625	-10,737,333	-16.91
Total Stockholders' Equity	409,290,963	433,322,499	-24,031,536	-5.55
Analysis of changes in financial ratios: In 2019 the Company's Treasury Stock decreased in NT$215 million, a decline of 39.90% compared to 2018.				

- **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

Unit: NT$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Gross Sales	315,499,063	407,859,765	-92,360,702	-22.65
Cost of Sales	283,442,024	354,287,425	-70,845,401	-20.00
Gross Profit	32,057,039	53,572,340	-21,515,301	-40.16
Operating Expenses	15,567,083	15,222,276	344,807	2.27
Operating Income	16,489,956	38,350,064	-21,860,108	-57.00
Non-operating Income and Losses	20,617,514	25,366,181	-4,748,667	-18.72
Income Before Tax	37,107,470	63,716,245	-26,608,775	-41.76
Tax Benefit (Expense)	3,861,643	8,275,227	-4,413,584	-53.33
Income from Continuing Operations, Net of Tax	33,245,827	55,441,018	-22,195,191	-40.03
Income from Discontinued Operations, Net of Tax	1,202,530	-	1,202,530	-
Net Income	34,448,357	55,441,018	-20,992,661	-37.86
Analysis of changes in financial ratios: In 2019 the Company’s gross sales, gross profit, operating income, income before tax and net income were reduced due to the abnormality encountered in the third aromatic hydrocarbon plant, the impacts were mainly from the trade friction between China and the US as mentioned above and the commissioning of the new production lines. The market is thickly on the lookout. Prices of petrochemical products dropped significantly. The margin is far greater than that with the oil price				

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

  The Company’s business scope has not changed significantly.

- **Future response actions:**

  Inapplicable

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
31,209,809	59,012,528	75,123,085	15,099,252	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$59 billion attributed to net income increased in NT$38.6 billion, together with depreciation and depletion expenses were NT$18.5 billion.
2. Cash flow from investing activities: Net cash outflow NT$25.4 billion in 2019 due to acquire properties expenditure on NT$17 billion, and acquire other non-current assets on NT$6.5 billion.
3. Cash flow from financing activities: Net cash outflow NT$47.4 billion in 2019 due to pay cash dividends NT$36.3 billion and pay back long term debt decreased in NT$24 billion and borrow long term debt increased in NT$15.8 billion.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Inapplicable

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
685,005	25,134,727	24,114,620	1,705,112	none	none

Base on individual company

1. Cash flow from operating activities: The Company predicted that net cash inflow in 2020 will be NT$25.1 billion.
2. Cash flow from investing activities: The Company predicted that the net

investment expenditure will be NT$17.4 billion for building new plant and acquiring equipment.

3. Cash flow from financing activities: The Company predicted that net cash outflow form financing NT$6.7 billion will be paying back long term debt and paying cash dividends.

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-I plant in Mai Liao industrial complex	Loan from banks or use working capital	183,797	193,615	2nd quarter of 2020
Improve facilities' efficiency of SM plant in Mai Liao industrial complex	Loan from banks or use working capital	209,508	400,636	3rd quarter of 2021
Improve facilities' efficiency of PTA plant in Mai Liao industrial complex	Loan from banks or use working capital	44,048	132,965	3rd quarter of 2020
Improve facilities' efficiency of ABS pellets plant in Xingang industrial complex	Loan from banks or use working capital	34,141	762,378	3rd quarter of 2020

The cash and cash equivalents at the beginning was NT$13.1 billion, in addition, the total of cash inflow was NT$40.4 billion attributed to pre-tax income NT$31.9 billion and depreciation and depletion expenses NT$8.5 billion. The total of cash outflow was NT$46.6 billion together with investing activities NT$17.9 billion and financing activities NT$28.7 billion, therefore, the capital expenditure has not changed the financial status. The short term liquidity ratio was staying strong due to current assets was in NT$168.4 billion and current liabilities was in NT$63.4 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$/ NT$

Remarks / Item	Amount of Investment	Policies	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
FG INC	US$ 57.9 million	Long term investment	The project is in progress	None	Increase capital according to capital requirements
Formosa Resources Corporation	US$ 81.25 million	Long term investment	For capacity expansion	None	Increase capital according to capital requirements
Formosa Synthetic Rubber Corporation trans-invested in Formosa Synthetic Rubber (Hong Kong) Corporation Limited and Formosa Synthetic Rubber (Ningbo) Corporation Limited	NT$ 46 million	Long term investment	To improve financial structure	None	None

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 2019 was 0.56%, and the annual growth rate of core consumer prices was 0.50%. The inflation risk was low and had no significant influence on the Company's profitability.

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

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

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

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

4. Procedures for Financial Derivatives Transactions:
   The Company's various derivative commodity transactions are for the purpose of avoiding market risks caused by fluctuations in exchange rates and interest rates instead of arbitrage and speculation. Any of the implementation of derivative product transactions is based on not only relevant regulations and International

Financial Reporting Standards (IFRS) promulgated by the competent authority, but also “Procedures for Derivatives Transaction Processing” and the “Foreign Exchange Trading and Risk Management Measures” defined by the Company.

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company will spend NT$762 million on research & development projects in 2019. One of the main projects is as follow.

NT$ thousands

Research Projects	Expected Research Expenditure
Build composite materials of ABS pellets plant	762,378

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 2019 to February 29, 2020, the following changes or developments in governmental policies and regulations may influence the Company’s business and financial operations:

1. Amendments to the Statute for Industrial Innovation, made on July 24, 2019, were mostly concerned with extending the tax benefits for research and development (R&D) investments to the end of 2029, and introducing regulations such as allowing investment expenditure to be listed as deductions to undistributed earnings. The Company will use such amendments as references for filing R&D and investment expenses to benefit from related tax exemptions.
2. The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, announced on July 24, 2019, is mostly concerned with the investment income derived from an offshore invested enterprise that profit-seeking enterprises have applied for repatriation for use toward substantial investments and meet other conditions including 25% cap on financial investment and cannot be used for acquisition of real property. Tax benefits including 8% tax rate in the first year, 10% tax rate in the second year, and a 50% refund of the tax paid upon competing the substantial investment can be applied toward such funds. The Company will apply for repatriation of investment income derived from an offshore invested enterprise pursuant to relevant regulations when necessary based on the business and financing

status of the Company and its offshore invested enterprises.

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

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

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

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

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

None.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

None

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

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

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

None

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management

Rights

None

7.6.12 Litigation or Non-litigation Matters

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.

Date of Occurrence: October 28, 2019
Counterparty: Taisi Breeding Right Promotion Foundation.
Value: NT$ 47,000,000.00
Current situation:
The third aromatic hydrocarbons plant of FCFC experienced an accident on April 7, 2019. No one was hurt yet it made nearby residents uncomfortable. Therefore, an agreement on compensation was reached with the Mailiao Township and Taisi Township Offices. Nevertheless, 821 people, including Zhen Ding of the Taisi Breeding Right Promotion Foundation were dissatisfied with the terms and conditions of the agreement. Therefore, they filed with the Yunlin County Government for mediation of public hazard-related disputes. The case is currently been handled by the Yunlin County Government.

7.6.13 Other Major Risks

Information Security Risk Assessment

1. In order to ensure the security and stability of the computer network, prevent the abnormality of the information system and the damage of computer files, strengthen the protection of personal data, effectively control the risk of enterprise information systems, and maintain the continuous operation of the enterprise, we have established relevant administration regulations and processing guidelines for employees to follow, and constructs layer-by-layer control and protection mechanisms to protect application programs, operating systems and computer network.

In order to ensure the safe use of information and the establishment of a reliable information environment, our company's information security policy is as follows:

(1) Comply with government laws and regulations, and popularize awareness of information security.
(2) Pay attention to risk management and protect data security.
(3) All the employees must participate, and we pursue continuous improvement.

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

7.6.14 Risk control organization

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

Risk Evaluation Items	Risk Management Unit	Risk Review
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%
	Tah Shih Spinning Co., Ltd.			86.4%
	Formosa Idemitsu Petrochemical Corporation			50%
	Formosa Biomedical Technology Corporation			88.59%
		Hong Jing Resource Co., Ltd.		71%
		Formosa Waters Technology Co., Ltd.		57%
		Formosa Biomedical Technology (Somoa) Co., Ltd.		100%
			Formosa Biomedical Trading (Shanghai) Co., Ltd.	100%
	Formosa BP Chemicals Corporation			50%
	Formosa Chemicals & Fibre International (Cayman) Ltd.			100%
	Formosa Taffeta Company Ltd.			37.4%
		Formosa Development Corporation Ltd.		100%
		Formosa Taffeta Vietnam Co., Ltd.		100%
		Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.		100%
		Formosa Taffeta Dong Nai Company Ltd.		100%
		Formosa Taffeta (Zhong Shan) Co., Ltd.		100%
		Schoeller FTC (Hong Kong) Co., Ltd.		50%
		Formosa Taffeta (Cayman) Ltd.		100%
		Formosa Taffeta (Hong Kong) Co., Ltd.		100%
			Formosa Taffeta (Chang Shu) Co., Ltd.	100%

8.1.2 Affiliated company's name Basic information

Unit: NT$ thousands；US$ thousands

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 Chemicals & Fibre International (Cayman) Ltd.	Jan 30,2016	P. O. Box 10335 Grand Cayman KYI-1003 Cayman Islands, British West Indies	USD50	Investment
Formosa FCFC Carpet Inc.	Sept 9,2005	No.24, 2F, 201Tun Hwa N. Rd, Taipei, R.O.C.	NT220,372	Carpet sale and production businesses
Formosa Idemitsu Petrochemical Corporation	Aug 20,2001	No.24, 2F, 201Tun Hwa N. Rd, Taipei, R.O.C.	NT1,200,000	Polycarbonate marking business
Formosa BP 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
Tah Shih Spinning Co., Ltd.	Dec 19,1972	No.38, 5F, 201Tun Hwa N. Rd, Taipei, R.O.C.	NT20,000	Spin yarn sale and production businesses
Formosa Biomedical Technology Corporation	Nov 10,2003	No.36, 5F, 201Tun Hwa N. Rd, Taipei, R.O.C.	NT1,665,565	Chemical materialand medical devices sale and manufacture
Formosa Biomedical Technology (Somoa) Co., Ltd.	Aprl 13,2006	Offshore Chambers, P. O. Box 217, Apia, Samos	USD1,000	Investment
Formosa Biomedical Trading (Shanghai) Co., Ltd.	Mar 20,2013	Room 202, Building23, No. 1618, I-San Rd, Shanghai City, China	USD1,000	Medical and healthful products sale and production
Hong Jing Resource Co., Ltd.	Oct 17,2007	No.8, Bengong E. 2nd Rd., Gangshan Dist., Kaohsiung City 820, Taiwan (R.O.C.)	NT385,024	Environmental examination and disposal of waste substance
Formosa Waters Technology Co., Ltd.	Dec 13,2017	1F., No.8, Gongyequ 36th Rd., Xitun Dist., Taichung City 407, Taiwan R.O.C.	NT13,421	Auxiliary chemicals produce and wholesale
Formosa Power (Ningbo) Limited Company	June 24,2002	Ningbo Economic & Technical Development Zone(NETD) Xiapu ,Zhejiang,China	USD145,830	Utilities of sale and production

Unit: NT$ thousands, US$ thousands

Enterprise's name	Established Date	Address	Amount of capital	Major business or production
Formosa Chemicals Industries (Ningbo) Limited Company	January 2,2018	Ningbo Economic & Technical Development Zone(NETD) Xiapu ,Zhejiang,China	USD1,139,880	PTA, Phenol and ABS pellets sale and production
Formosa Industries Corporation	Dec 26,2001	Nhon Trach 3 .Z., Hiep Phuoc Township, Nhon Trach Dist., Dong Nai Prov. Vietnam	USD700,000	Spun yarn and plastic products sale and production
Formosa Taffeta Company Ltd.	April 19,1973	317 Shig Liu Rd., Liu Chung Li, Touliu City, Yunlin Hsien, Taiwan, R.O.C.	NT16,846,646	Nylon, polyester and functional filaments manufacture
Formosa Development Corporation Ltd.	Sept 20,990	No.29, Ln. 224, Shiliu Rd., Douliu City, Yunlin County 640, Taiwan, R.O.C.	NT161,000	Land consolidation, dwelling house, plant building development and leasing
Schoeller FTC (Hong Kong) CO., Ltd.	Oct 31,2001	Room 6, 16F, Buld. 6, No. 33, guangdong Rd, Tsimshatsui, Kowloon, H.K.	NT6,879	Textile's export and import trade and promotion
Formosa Taffeta (Hong Kong) Co., Ltd.	Aprl 11,1989	Room 6, 16F, Buld. 6, No. 33, guangdong Rd, Tsimshatsui, Kowloon, H.K.	NT1,356,822	Filaments and Fiber sale
Formosa Taffeta (Zhong Shan) Co., Ltd.	Dec 3,1992	No. 167, Shenwen Ave. Shenwen County, Zhong Shen, Guangdong Province, China	NT1,402,085	Nylon and polyester manufacture, Umbrella shell manufacture and sale
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Aug 24,1994	B5, 7F, Xiangyu Buld. No. 22, Xiangxing four Road, Xiamen, 361006, Fujian, China	NT15,273	Import-export and transit trade
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.	Juny 25, 2004	Nhon Trach 3 .Z., Hiep Phuoc Com., Nhon Trach Dist., Dong Nai Prov. Vietnam	NT2,590,434	Produce and sale for processing and dyeing cloth
Formosa Taffeta (Chang Shu) Co., Ltd.	Aprl 4,2005	No. 15, Penghu Rd.South-east St. changshu city, Jiangsu, Chian	NT1,302,019	Coloration and posterior processing for hgh grade of cloth
Formosa Taffeta (Cayman) Limited	March 12,2014	Cassia Court, Suite 716,10 Market Street, Camana Bay, Grand Cayman, Island KYI-9006	NT5,284,775	Investment
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

December 31, 2019

Note: exchange rates: USD/NTD 30. 106，VND/NTD 0.001299，RMB/NTD 4.31553

8.1.3 Presumption of relationship between controller and subordinate

None

8.1.4 Major businesses operated in affiliate companies

1. FCFC Investment Corporation (Cayman) Limited is for investment.
2. Formosa Chemicals & Fibre (Hong Kong) Ltd. is for investment.
3. Formosa Chemicals & Fibre International (Cayman) Ltd. is for investment
4. Formosa FCFC Carpet Inc. is for carpet sale and production
5. Formosa Idemitsu Petrochemical Corporation is for polycarbonate marking
6. Formosa BP Chemicals Corporation for acetic acid is sale and production
7. Tah Shih Spinning Co., Ltd. is for spin yarn sale and production
8. Formosa Biomedical Technology Corporation is for medical devices sale and manufacture
9. Formosa Biomedical Technology (Somoa) Co., Ltd. for investment
10. Formosa Biomedical Trading (Shanghai) Co., Ltd. is for Medical and healthful products sale and production
11. Hong Jing Resource Co., Ltd. is for environmental examination and disposal of waste substance
12. Formosa Waters Technology Co., Ltd. is for auxiliary chemicals produce and wholesale
13. Formosa Power (Ningbo) Limited Company is for utilities of sale and production
14. Formosa Chemicals Industries (Ningbo) Limited Company is for petrochemical materials sale and production
15. Formosa Industries Corporation is for Spun yarn and plastic products sale and production
16. Formosa Taffeta Company Ltd. is for nylon, polyester and functional filaments manufacture
17. Formosa Development Corporation Ltd. is for land consolidation, dwelling house, plant building development and leasing
18. Textile's export and import trade and promotion is for textile's export and import trade and promotion
19. Formosa Taffeta (Hong Kong) Co., Ltd. is for nylon and polyester manufacture, Umbrella shell manufacture and sale
20. Formosa Taffeta (Zhong Shan) Co., Ltd. is for nylon and polyester manufacture, Umbrella shell manufacture and sale
21. Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. is for import-export and transit trade.
22. Formosa Taffeta Vietnam Co., Ltd. is for produce, processing for varieties of cloth
23. Formosa Taffeta Dong Nai Co., Ltd. is for produce and sale for processing and dyeing cloth
24. Formosa Taffeta (Chang Shu) Co., Ltd. is for coloration and posterior processing for hgh grade of cloth
25. Formosa Taffeta (Cayman) Limited is for investment
26. Public More International Company Ltd. is for Employment service, manpower dispatch and intermediary service

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

Unte: share, %

Name of enterprises	Title	Name or representive	Shareholdings	
			Number of shares	%
FCFC Investment Corporation (Cayman) Limited	Director	Representive of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong	56,000	100%
Formosa Chemicals & Fibre (Hong Kong) Ltd.	Director	Representive of FCFC Investment Corporation (Cayman) Limited: Wen Yuan Wong	—	100%
Formosa FCFC Carpet Inc.	Director	Representives of Formosa Chemicals & Fibre Corporation: Hong, Fu Yuan, Lee, Ching Fen, Leu,Chi Mou	22,037,185	100%
	Supervisor	Representive of FCFC: Liu,C hia Ju	22,037,185	100%
	President	Hong, Fu Yuan	0	0%
Formosa Biomedical Technology Corporation	Director	Representives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Wang, Ruey Yu, Hong, Fu Yuan, Wu De Lon, Pao, Chia Chu, Liu Thu Hua, Yang, Kuen Lieh	147,556,136	88.59%
			387,008	0.23%
	Supervisor	Li, Tsun Cheng	20,000	0.01%
	President	Yang, Kuen Lieh	307,008	0.18%
Formosa Waters Technology Co., Ltd.	Director	Representive of Formosa Biomedical Technology Corporation: Wang, Ruey Yu Yang, Kuen Lieh, Liu, Hui Chi	765,001	57%
		Representatives of HC Chemical CO., Ltd.: Huang, Tsan Tsung, Tseng, Huan Chung	577,105	43%
	Supervisor	Li, Tsun Cheng, Chou, Cheng Te	0	0%
	President	Tseng, Huan Chung	0	0%
Formosa Idemitsu Petrochemical Corporation	Director	Representives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Hong, Fu Yuan, Lu, Wen Chin, Lee, Ching Fen, Huang, Chen Ching	60,000,000	50%
		Representives of Formosa Idemitsu Petrochemical Corporation: Takashi Matsushita , Homma Kiyoshi, Fujikata.Y,Sasaki Kiyoo, Arashi Toshimi	60,000,000	50%
	Supervisor	Representive of Formosa Chemicals & Fibre Corp.: Liu, Chia Ju	60,000,000	50%
		Representive of Formosa Idemitsu Petrochemical Corporation: Yamada Motoki	60,000,000	50%
	President	Sasaki Kiyoo	0	0%
Formosa BP Chemicals Corporation	Director	Representives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Hong, Fu Yuan, Lu, Wen Chin,	120,150,000	50%
		Representive of BP PLC ADR: Nigel Clifford Dunn, Shiang Yee Lee, Lin, Shu Sen	120,150,000	50%
	Supervisor	Chang, Tsung Yuan, Lee, Yao Chung	0	0%
	President	Lin, Shu Sen	0	0%
Formosa Taffeta Company Ltd.	Director	Representives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Hong, Fu Yuan, Lu, Wen Chin, Lee, Ming Chang, Tsai, Tien Shuan	630,022,431	37.4%
		Representive Of Keyford Development Co., Ltd.: Hsie, Sshih Miing	113,000	0.007%
		Independent Director: Cheng, Yu, Wang, Kung	0	0%
		Independent Director: Kuo, Chia Chi	3,000	0.00002%
		Hshih, Ming Der	15,548,068	0.92%
		Representives of Lai Shu-Wang's Social Welfare Foundation, Chang Hwa County: Lee, Man Chun	4,151,942	0.25%
	President	Lee, Ming Chang	0	0%

Unte: share, %

Name of enterprises	Title	Name or representive	Shareholdings	
			Number of shares	%
Formosa Chemicals & Fibre International (Cayman) Ltd.	Director	Representive of Formosa Chemicals & Fibre Corp., Wen Yuan Wong	—	100%
Formosa Industries Corporation	Director	Wu, Chia Chau, Hong, Fu Yuan, Tzou, Ming Jen, Lu, Wen Chin, Lee, Ching Fen, Huang, Sin Yi, Lin, Fong Chin. Lee, Ming Chang 、 Hung, Chih Hsing	—	42.5%
	President	Hong, Fu Yuan	—	0%
Tah Shih Spinning Co., Ltd.	Director	Representives of Formosa Chemicals & Fibre Corp.: Wen Yuan Wong, Hong, Fu Yuan, Lu, Wen Chin, Lee, Ching Fen, Ke, Pai Rong	1,728,000	86.4%
	Supervisor	Liu, Chia Ju	0	0%
		Chang, Ting Liu	20,000	1%
Hong Jing Resource Co., Ltd.	Director	Representives of Formosa Biomedical Technology Corporation: Wang, Ruey Yu, Yang, Kuen Lieh, Liu, Hui Chi, Liu, Fu Lung	27,336,218	71%
		Representatives of HONG JING Environment Company: Sun, Yu Lung,	8,856,027	23%
	Supervisor	Li, Tsun Cheng, Ku, Cheng Chien	0	0%
	President	Wang, Yao Sheng	0	0%
Formosa Chemicals Industries (Ningbo) Limited Company	Director	Representives of Formosa Chemicals & Fibre (Hong Kong) Ltd.: Wen Yuan Wong, Hong, Fu Yuan, Lu, Wen Chin, Lee, Ching Fen, Chang, Tsung Yuan, Chien, Wei Keng, Huang, Kuo Hsien	—	100%
	Supervisor	Representive of Formosa Chemicals & Fibre (Hong Kong) Ltd.: Liu, Chia Ju	—	100%
	President	Lu, Wen Chin	—	0%
Formosa Power (Ningbo) Limited Company	Director	Representives of FCFC Investment Corporation (Cayman) Limited:Wen Yuan Wong, Hong, Fu Yuan, Lu, Wen Chin, Lin, Tien Po, Wang, Chi Chou	—	100%
	Supervisor	Representive of FCFC Investment Corporation (Cayman) Limited: Liu, Chia Ju	—	100%
	President	Lin, Tien Po	—	0%
Formosa Biomedical Technology (Somoa) Co., Ltd.	Director	Representive of Formosa Biomedical Technology Corporation: Wang, Ruey Yu	—	100%
Formosa Biomedical Trading(Shanghai) Co., Ltd.	Director	Representive of Formosa Biomedical Technology (Somoa) Co., Ltd.: Liu, Hui Chi	—	100%
	Director	Representive of Formosa Biomedical Technology (Somoa) Co., Ltd.: Sung, Yung Sheng	—	100%
	President	Liu, Hui Chi	—	0%
Formosa Taffeta (Cayman) Limited	Director	Representive of Formosa Taffeta Co., Ltd.: Wen Yuan Wong	—	100%
Public More Internation Company Ltd.	Director	Representive of Formosa Development Corporation Ltd.: Tseng, Ching Pin	500,000	100%

Unte: share, %

Name of enterprises	Title	Name or representive	Shareholdings	
			Number of shares	%
Formosa Development Corporation Ltd.	Director	Representives of Formosa Taffeta Company Ltd.: Wen Yuan Wong, Hsie, Shih Ming, Tseng,Ching Pin, Chang, Yung Chiao, Chang, Hsien Tang	16,100,000	100%
	Supervisor	Representives of Formosa Taffeta Company Ltd.: Lin, Chun Nan, Lee, Kuo Yi	16,100,000	100%
	President	Tseng,Ching Pin	0	0%
Schoeller FTC (Hong Kong) CO., Ltd.	Director	Representives of Formosa Taffeta Company Ltd.: Lee, Ming Chang, Chen, Jui Mao	780,000	50%
		Representives of Schoeller Textil AG: Hans Jurgen Hubner、Christine Jenni	702,000	45%
	President	Chen, Jui Mao	0	0%
Formosa Taffeta (Hong Kong) Co., Ltd.	Director	Representives of Formosa Taffeta Company Ltd.: Wen Yuan Wong, Lee, Ming Chang, Cheng, Hung Ning	—	100%
	President	Chen, Jui Mao	—	0%
Formosa Taffeta (Zhong Shan) Co., Ltd.	Director	Representives of Formosa Taffeta Company Ltd.: Wen Yuan Wong, Lee, Ming Chang, Wu, Li Jen	—	100%
	Supervisor	Representives of Formosa Taffeta Company Ltd.: Cheng, Hung Ning		
	President	Lee, Ming Chang	—	0%
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Director	Representives of Formosa Taffeta Company Ltd.: Wen Yuan Wong, Hsie, Shih Ming, Lee, Ming Chang	—	100%
	President	Hsie, Shih Ming	—	0%
Formosa Taffeta Vietnam Co., Ltd.	Director	Representives of Formosa Taffeta Company Ltd.: Hong, Fu Yuan, Lee, Ming Chang, Lee, Kuo Yi, Lee, Chien Kuan, Chang, Jin Long	—	100%
	Supervisor	Representive of Formosa Taffeta Company Ltd.: Cheng, Hung Ning	—	100%
	President	Lee, Chien Kuan	—	100%
Formosa Taffeta Dong Nai Co., Ltd.	Director	Representives of Formosa Taffeta Company Ltd.: Hong, Fu Yuan, Lee, Ming Chang, Tsai, Tien Shuan, Lin, Chun Nan, Lee, Kuo Yi, Lee, Chien Kuan	—	100%
	Supervisor	Representive of Formosa Taffeta Company Ltd.: Cheng, Hung Ning	—	100%
	President	Lee, Chien Kuan	—	100%
Formosa Taffeta (Chang Shu) Co., Ltd.	Director	Representatives of Formosa Taffeta (Hong Kong) Co., Ltd.: Wen Yuan Wong, Hong, Fu Yuan, Lee, Ming Chang, Lin, Chun Nan, Lee, Kuo Yi, Wu, Li Jen	—	100%
	Supervisor	Representative of Formosa Taffeta (Hong Kong) Co., Ltd.: Cheng, Hung Ning	—	100%
	President	Lee, Ming Chang	—	0%

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

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

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	52,477,831	0	52,477,831	0	0	3,939,931	—
Formosa Chemicals & Fibre (Hong Kong) Ltd.	35,575,404	37,946,987	0	37,946,987	0	0	2,765,576	—
Formosa Chemicals & Fibre International (Cayman) Ltd.	1,495	11,407,818	0	11,407,818	0	-80	-80	—
Formosa FCFC Carpet Inc.	220,372	244,608	32,694	211,914	241,450	-1,840	-1,854	-0.08
Formosa Idemitsu Petrochemical Corporation	1,200,000	4,296,941	1,185,784	3,111,157	12,952,233	783,605	633,237	5.28
Formosa BP Chemicals Corporation	2,403,000	4,045,378	701,868	3,343,510	5,498,033	503,435	434,170	1.81
Tah Shih Spinning Co., Ltd.	20,000	39,201	1,576	37,625	4,964	-8,667	-8,361	-4.18
Formosa Biomedical Technology Corporation	1,665,565	2,649,238	1,352,333	1,296,905	2,430,914	104,521	323,178	1.94
Formosa Biomedical Technology (Somoa) Co., Ltd.	29,610	-1,414	0	-1,414	0	0	-689	—
Formosa Biomedical Trading(Shanghai) Co., Ltd.	29,610	18,284	19,698	-1,414	22,901	-198	-689	—
Hong Jing Resource Co., Ltd.	385,024	905,043	85,918	819,125	591,811	255,154	309,267	8.03
Formosa Waters Technology Co., Ltd.	13,421	36,950	13,784	23,166	85,314	9,303	7,195	5.36
Formosa Power (Ningbo) Limited Company	4,834,511	15,266,467	484,002	14,782,465	7,129,245	1,389,482	1,174,355	—
Formosa Chemicals Industries (Ningbo) Limited Company	35,575,404	59,675,812	21,728,825	37,946,987	77,376,690	3,096,745	2,765,576	—
Formosa Industries Corporation	22,890,683	31,931,145	12,726,079	19,205,066	27,385,174	997,084	350,580	—

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	75,380,191	11,160,942	64,219,249	27,468,794	280,100	5,188,729	3.08
Formosa Development Corporation Ltd.	161,000	321,968	37,306	284,662	2,771	-1,754	11,263	0.70
Schoeller FTC (Hong Kong) CO., Ltd.	6,879	45,074	33,227	11,847	114,468	1,212	1,593	—
Formosa Taffeta (Hong Kong) Co., Ltd.	1,356,822	1,902,342	749,450	1,152,892	1,592,249	75,916	60,120	—
Formosa Taffeta (Zhong Shan) Co., Ltd.	1,402,085	1,963,528	222,365	1,741,163	1,891,909	149,755	110,956	—
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	15,273	91	76	15	0	-268	-334	—
Formosa Taffeta Vietnam Co., Ltd.	2,340,866	3,262,355	1,121,625	2,140,730	2,962,921	278,622	211,388	—
Formosa Taffeta Dong Nai Co., Ltd.	2,590,434	6,205,529	3,871,435	2,334,094	4,881,878	174,466	45,844	—
Formosa Taffeta (Chang Shu) Co., Ltd.	1,302,019	1,768,503	732,592	1,035,911	1,584,213	81,413	58,678	—
Formosa Taffeta (Cayman) Limited	5,284,775	3,775,536	0	3,775,536	0	0	0	—
Public More International Company Ltd.	5,000	17,388	4,936	12,452	37,207	8,606	4,834	—

Exchange rate：USD/NTD 30.106，VND/NTD 0.001299，RMB/NTD 4.31553。 December31, 2019

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	Year2019	—	—	—	12,169,610 $1,064,841	—	—	—
			37.4	As of the printing date of this annual report	—	—	—	12,169,610 $815,364	—	—	—

Note: Formosa Taffeta Co., Ltd. hold outstanding stock ratios is 0.21% ,respectively that is not significant effects on operation results or finance status of the Company. The company had not increased shares of the Company by the end of March, 2020.

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 REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

FORMOSA CHEMICALS & FIBRE CORPORATION
AND SUBSIDIARIES

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000297

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 its subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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, 2019, the Group's accounts receivable amounted to NT$21,188,124 thousand, net of loss allowance in the amount of NT$284,724 thousand.

The Group assessed 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 recognised impairment with a credit to accounts receivable. Management evaluates the reasonableness of estimated provision periodically. As the estimation of loss allowance is subject to management's judgement and business indicators, the amount of provision is based on the collectability of accounts receivable, and considering that accounts receivable and loss allowance are material to the financial statements, we consider the loss allowance for accounts receivable a key audit matter.

How our audit addressed the matter

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

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

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

Evaluation 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, 2019, the inventory and allowance for inventory valuation losses were NT$43,048,548 thousand and NT$1,779,284 thousand, respectively.

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

How our audit addressed the matter

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

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

Other matter – audits of the other independent accountants

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for under equity method) of NT$151,374,296 thousand and NT$153,033,742 thousand, constituting 27% and 26% of consolidated total assets as of December 31, 2019 and 2018, respectively, operating income of NT$32,963,852 thousand and NT$37,429,243 thousand, constituting 10% and 9% of consolidated total operating income for the years then ended, respectively, and comprehensive income of NT$8,097,645thousand and NT$12,222,715 thousand, constituting 35% and 31% of consolidated total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein insofar as it relates to the amounts included in the financial statements relative to the subsidiary and investee companies, is based solely on the audit reports of the other independent accountants.

Other matter – parent company only financial statements

We have audited the parent company only financial statements of Formosa Chemicals & Fibre Corporation as of and for the years ended December 31, 2019 and 2018, and have expressed an unqualified opinion on such financial statements.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Han-Chi　　　　　　　　　　Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2020

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 otber than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 15,099,252	3	$ 31,209,809	5
1110	Financial assets at fair value through profit or loss - current	6(2)	4,044,087	1	4,496,354	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	110,143,905	20	104,751,478	18
1140	Current contract assets	6(19)	-	-	788,643	-
1150	Notes receivable, net	6(4)	6,898,955	1	15,086,776	3
1160	Notes receivable - related parties	6(4) and 7	6,395	-	4,429	-
1170	Accounts receivable, net	6(4)	16,050,769	3	20,920,208	4
1180	Accounts receivable - related parties	6(4) and 7	5,137,355	1	8,471,495	1
1200	Other receivables	7	7,781,218	1	8,185,916	1
1210	Other receivables - related parties	7	12,798,836	2	11,376,802	2
130X	Inventory	6(5)	41,269,264	8	42,405,175	7
1470	Other current assets	7	6,952,598	1	7,312,461	1
11XX	**Total current assets**		226,182,634	41	255,009,546	43
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	67,540,577	12	82,170,244	14
1550	Investments accounted for under equity method	6(6) and 7	118,395,626	22	114,476,472	19
1600	Property, plant and equipment	6(7) and 7	124,671,052	23	129,098,640	22
1755	Right-of-use assets	6(8)	1,645,199	-	-	-
1780	Intangible assets		1,288	-	586	-
1840	Deferred income tax assets	6(25)	2,447,969	-	2,312,859	-
1900	Other non-current assets		9,664,672	2	8,432,585	2
15XX	**Total non-current assets**		324,366,383	59	336,491,386	57
1XXX	**Total assets**		$ 550,549,017	100	$ 591,500,932	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 32,369,623	6	$ 31,948,041	5
2110	Short-term notes and bills payable	6(10)	14,396,370	3	12,490,543	2
2120	Financial liabilities at fair value through profit or loss - current	6(11)	80	-	774	-
2150	Notes payable		225,514	-	255,580	-
2170	Accounts payable		6,363,844	1	5,916,930	1
2180	Accounts payable - related parties	7	11,377,993	2	15,898,101	3
2200	Other payables	7	9,603,144	2	12,264,130	2
2230	Current income tax liabilities		1,156,151	-	5,014,075	1
2280	Current lease liabilities		158,053	-	-	-
2320	Long-term liabilities, current portion	6(12)(13)	6,687,482	1	16,555,497	3
2399	Other current liabilities		4,794,415	1	5,891,945	1
21XX	**Total current liabilities**		87,132,669	16	106,235,616	18
	Non-current liabilities					
2530	Corporate bonds payable	6(12)	32,100,000	6	27,850,000	5
2540	Long-term borrowings	6(13)	14,114,083	3	16,751,958	3
2570	Deferred income tax liabilities	6(25)	426,880	-	351,022	-
2580	Non-current lease liabilities		750,716	-	-	-
2600	Other non-current liabilities	6(14)	6,733,706	1	6,989,837	1
25XX	**Total non-current liabilities**		54,125,385	10	51,942,817	9
2XXX	**Total liabilities**		141,258,054	26	158,178,433	27
	Equity attributable to owners of parent					
	Share capital	6(15)				
3110	Common stock		58,611,863	11	58,611,863	10
	Capital surplus	6(16)				
3200	Capital surplus		9,138,869	2	9,084,142	1
	Retained earnings	6(17)				
3310	Legal reserve		61,364,852	11	56,487,920	9
3320	Special reserve		60,171,925	11	53,131,385	9
3350	Unappropriated retained earnings		64,990,184	12	84,098,904	14
	Other equity interest	6(18)				
3400	Other equity interest		102,560,930	18	108,933,674	19
3500	Treasury stocks	6(15)	(323,952)	-	(539,014)	-
31XX	**Equity attributable to owners of the parent**		356,514,671	65	369,808,874	62
36XX	**Non-controlling interest**		52,776,292	9	63,513,625	11
3XXX	**Total equity**		409,290,963	74	433,322,499	73
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 550,549,017	100	$ 591,500,932	100

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

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

	Items	Notes	For the years ended December 31 2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	**Operating revenue**	6(19) and 7	$ 315,499,063	100	$ 399,074,240	100
5000	**Operating costs**	6(5)(14)(23)(24) and 7	(283,442,024)	(90)	(347,236,195)	(87)
5900	**Net operating margin**		32,057,039	10	51,838,045	13
	Operating expenses	6(14)(23)(24) and 7				
6100	Selling expenses		(9,478,091)	(3)	(9,173,135)	(2)
6200	General and administrative expenses		(6,088,992)	(2)	(5,889,442)	(2)
6000	**Total operating expenses**		(15,567,083)	(5)	(15,062,577)	(4)
6900	**Operating profit**		16,489,956	5	36,775,468	9
	Non-operating income and expenses					
7010	Other income	6(20) and 7	11,543,840	4	11,570,164	3
7020	Other gains and losses	6(21)	1,694,104	1	881,934	-
7050	Finance costs	6(7)(22) and 7	(1,834,684)	(1)	(2,299,698)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	9,214,254	3	15,037,424	4
7000	**Total non-operating income and expenses**		20,617,514	7	25,189,824	7
7900	**Profit before income tax**		37,107,470	12	61,965,292	16
7950	Income tax expense	6(25)	(3,861,643)	(1)	(7,944,567)	(2)
8000	**Profit for the year from continuing operations**		33,245,827	11	54,020,725	14
8100	Profit from discontinued operations	6(9)	1,202,530	-	1,420,293	-
8200	**Profit for the year**		$ 34,448,357	11	$ 55,441,018	14

(Continued)

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	For the years ended December 31: 2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
	Other comprehensive income (net)	6(18)(25)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial losses on defined benefit plans		($ 354,337)	-	($ 165,987)	-
8316	Unrealised loss (gain) on financial assets measured at fair value through other comprehensive income		327,244	-	(10,354,331)	(2)
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(7,884,276)	(3)	(6,405,415)	(2)
8310	**Other comprehensive loss that will not be reclassified to profit or loss**		(7,911,369)	(3)	(16,925,733)	(4)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(3,068,798)	(1)	(45,862)	-
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method		(657,412)	-	489,240	-
8399	Income tax relating to the components of other comprehensive income		542,926	-	116,104	-
8360	**Other comprehensive (loss) income that will be reclassified to profit or loss**		(3,183,284)	(1)	559,482	-
8300	**Total other comprehensive loss for the year**		($ 11,094,653)	(4)	($ 16,366,251)	(4)
8500	**Total comprehensive income for the year**		$ 23,353,704	7	$ 39,074,767	10
	Net income attributable to:					
8610	Owners of the parent		$ 29,702,242	9	$ 48,769,317	12
8620	Non-controlling interest		4,746,115	2	6,671,701	2
			$ 34,448,357	11	$ 55,441,018	14
	Total comprehensive income attributable to:					
8710	Owners of the parent		$ 22,873,505	7	$ 33,258,356	9
8720	Non-controlling interest		480,199	-	5,816,411	1
			$ 23,353,704	7	$ 39,074,767	10

	Items	Notes	2019 Before Tax	2019 After Tax	2018 Before Tax	2018 After Tax
	Basic earnings per share	6(26)				
9710	Profit for the year from continuing operations		$ 6.62	$ 5.91	$ 10.92	$ 9.50
	Profit for the year from discontinued operations		(0.26)	(0.20)	(0.30)	(0.24)
9720	Non-controlling interest		(1.15)	(0.82)	(1.60)	(1.14)
9750	**Profit attributable to common shareholders of the parent**		$ 5.21	$ 4.89	$ 9.02	$ 8.12
	Assuming shares held by subsidiary are not deemed as treasury stock:					
	Profit for the year from continuing operations		$ 6.59	$ 5.88	$ 10.87	$ 9.46
	Profit for the year from discontinued operations		(0.26)	0.21)	(0.30)	(0.24)
	Non-controlling interest		(1.15)	(0.81)	(1.60)	(1.14)
	Profit attributable to common shareholders of the parent		$ 5.18	$ 4.86	$ 8.97	$ 8.08

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

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

		Equity attributable to owners of the parent													
				Retained Earnings			Other Equity Interest								
	Notes	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 effective portion of cash flow hedges	Unrealised gain or loss on available-for-sale financial assets	Gains (losses) on hedging instruments	Treasury stocks	Total	Non-controlling interest	Total equity
For the year ended December 31, 2018															
Balance at January 1, 2018		$ 58,611,863	$ 8,682,798	$ 51,046,840	$ 46,567,089	$ 84,218,728	($ 2,052,251)	$ -	$ -	$ 111,213,200	$ 8,077	($ 626,468)	$ 357,669,876	$ 60,831,200	$ 418,501,076
Effects of retrospective application and retrospective restatement		-	-	-	-	5,114,398	-	125,624,639	-	(111,213,200)	-	-	19,525,837	65,223	19,591,060
Balance at January 1 after adjustments		58,611,863	8,682,798	51,046,840	46,567,089	89,333,126	(2,052,251)	125,624,639	-	-	8,077	(626,468)	377,195,713	60,896,423	438,092,136
Profit for the year		-	-	-	-	48,769,317	-	-	-	-	-	-	48,769,317	6,671,701	55,441,018
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	(188,215)	239,000	(15,537,804)	-	-	(23,942)	-	(15,510,961)	(855,290)	(16,366,251)
Total comprehensive income		-	-	-	-	48,581,102	239,000	(15,537,804)	-	-	(23,942)	-	33,258,356	5,816,411	39,074,767
Appropriations of 2017 earnings	6(17)														
Legal reserve		-	-	5,441,080	-	(5,441,080)	-	-	-	-	-	-	-	-	-
Special reserve		-	-	-	6,564,296	(6,564,296)	-	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(41,028,304)	-	-	-	-	-	-	(41,028,304)	-	(41,028,304)
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	58,076	-	-	-	-	-	-	-	-	-	58,076	-	58,076
Changes in net interest of associates recognised under the equity method	6(16)	-	(22,638)	-	-	-	-	-	-	-	-	-	(22,638)	-	(22,638)
Expired cash dividends reclassified to capital surplus	6(16)	-	2,178	-	-	-	-	-	-	-	-	-	2,178	-	2,178
Expired dividends paid from capital surplus	6(16)	-	(532)	-	-	-	-	-	-	-	-	-	(532)	-	(532)
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(4,729,511)	(4,729,511)
Shares returned from reduction in consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(12,536)	(12,536)
Adjustments in treasury stocks due to changes in proportion to its ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	87,454	87,454	-	87,454
Changes in ownership interests in subsidiaries		-	364,260	-	-	(105,892)	-	-	-	-	-	-	258,368	488,282	746,650
Disposal of equity instruments measured at fair value through other comprehensive income		-	-	-	-	(675,752)	-	675,955	-	-	-	-	203	(1,128,807)	(1,128,604)
Increase in non-controlling interest-disposal of ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	2,183,363	2,183,363
Balance at December 31, 2018		$ 58,611,863	$ 9,084,142	$ 56,487,920	$ 53,131,385	$ 84,098,904	($ 1,813,251)	$ 110,762,790	$ -	$ -	($ 15,865)	($ 539,014)	$ 369,808,874	$ 63,513,625	$ 433,322,499

(Continued)

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

		Equity attributable to owners of the parent													
				Retained Earnings			Other Equity Interest								
	Notes	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 effective portion of cash flow hedges	Unrealised gain or loss on available-for-sale financial assets	Gains (losses) on hedging instruments	Treasury stocks	Total	Non-controlling interest	Total equity
For the year ended December 31, 2019															
Balance at January 1, 2019		$ 58,611,863	$ 9,084,142	$ 56,487,920	$ 53,131,385	$ 84,098,904	($ 1,813,251)	$ 110,762,790	$ -	$ -	($ 15,865)	($ 539,014)	$ 369,808,874	$ 63,513,625	$ 433,322,499
Profit for the year		-	-	-	-	29,702,242	-	-	-	-	-	-	29,702,242	4,746,115	34,448,357
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	(454,682)	(2,747,355)	(3,643,224)	-	-	16,524	-	(6,828,737)	(4,265,916)	(11,094,653)
Total comprehensive income		-	-	-	-	29,247,560	(2,747,355)	(3,643,224)	-	-	16,524	-	22,873,505	480,199	23,353,704
Appropriations of 2018 earnings	6(17)														
Legal reserve		-	-	4,876,932	-	(4,876,932)	-	-	-	-	-	-	-	-	-
Special reserve		-	-	-	7,040,540	(7,040,540)	-	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(36,339,355)	-	-	-	-	-	-	(36,339,355)	-	(36,339,355)
Changes in net interest of associates recognised under the equity method	6(16)	-	(4,649)	-	-	-	-	-	-	-	-	-	(4,649)	-	(4,649)
Expired cash dividends reclassified to capital surplus	6(16)	-	6,869	-	-	-	-	-	-	-	-	-	6,869	-	6,869
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	44,726	-	-	-	-	-	-	-	-	-	44,726	-	44,726
Expired dividends paid from capital surplus	6(16)	-	(156)	-	-	-	-	-	-	-	-	-	(156)	-	(156)
Changes in ownership interests in subsidiaries	6(16)	-	7,937	-	-	(98,142)	-	-	-	-	-	-	(90,205)	13,282	(76,923)
Disposal of equity instruments measured at fair value through other comprehensive income		-	-	-	-	(1,311)	-	1,311	-	-	-	-	-	467	467
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(5,185,510)	(5,185,510)
Adjustments in treasury stocks due to changes in proportion to its ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	215,062	215,062	-	215,062
Increase in non-controlling interest-disposal of ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(6,045,771)	(6,045,771)
Balance at December 31, 2019		$ 58,611,863	$ 9,138,869	$ 61,364,852	$ 60,171,925	$ 64,990,184	($ 4,560,606)	$ 107,120,877	$ -	$ -	$ 659	($ 323,952)	$ 356,514,671	$ 52,776,292	$ 409,290,963

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

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

	Notes	For the years ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from continuing operations before tax		$ 37,107,470	$ 61,965,292
Profit from discontinued operations before tax	6(9)	1,526,054	1,750,953
Profit before tax		38,633,524	63,716,245
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(23)	14,881,648	14,431,281
Amortisation	6(24)	3,601,074	4,404,062
Net gain on financial assets and liabilities at fair value through profit or loss	6(21)	(29,303)	(217,379)
Interest expense	6(22)	1,840,275	2,299,699
Interest income	6(20)	(426,898)	(678,987)
Dividend income	6(20)	(10,027,034)	(9,633,949)
Gain on disposal of discontinued operations	6(9)	(2,016,760)	-
Share of profit or loss of associates accounted for under the equity method		(9,214,254)	(15,037,424)
Impairment loss on property, plant and equipment	6(7)(21)	-	313,855
Gain on disposal and scrap of property, plant and equipment	6(21)	(8,364)	(843,722)
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets-current		(550,812)	(297,011)
Notes receivable		8,186,536	(4,115,490)
Notes receivable-related parties		(1,966)	8,577
Accounts receivable		4,314,446	732,877
Accounts receivable-related parties		2,031,485	578,066
Other receivables		381,954	(808,302)
Inventories		691,546	(3,960,364)
Other current assets		292,395	(3,021,210)
Changes in operating liabilities			
Notes payable		(30,066)	56,062
Notes payable-related parties		41,545	-
Accounts payable		790,057	(1,583,233)
Accounts payable-related parties		(4,459,043)	(2,051,838)
Other payables		(1,807,792)	559,066
Other current liabilities		(1,087,240)	752,278
Accrued pension liabilities		(136,101)	(365,335)
Cash inflow generated from operations		45,890,852	45,237,824
Interest received		445,745	662,438
Dividends received		21,752,336	24,442,383
Interest paid		(1,926,634)	(2,331,390)
Income tax paid		(7,149,771)	(7,379,703)
Net cash flows from operating activities		59,012,528	60,631,552

(Continued)

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

	Notes	For the years ended December 31, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in other receivables-related parties		($ 1,422,034)	$ 2,351,004
Acquisition of financial assets at fair value through profit or loss		(300,000)	-
Acquisition of financial assets at fair value through other comprehensive income		(320,901)	(2,442,128)
Proceeds from disposal of financial assets at fair value through profit or loss		780,875	926,098
Shares returned from reduction in financial assets at fair value through other comprehensive income		8,204	5,780
Proceeds from disposal of financial assets at fair value through other comprehensive income		445	771,198
Acquisition of investments accounted for under the equity method		(2,379,580)	(2,011,490)
Proceeds from disposal of subsidiaries	6(27)	1,556,230	-
Acquisition of property, plant and equipment	6(27)	(16,972,497)	(18,444,308)
Proceeds from disposal of property, plant and equipment		187,845	1,406,983
Acquisition of intangible assets		(1,031)	(130)
Increase in non-current assets		(6,554,233)	(3,229,177)
Net cash flows used in investing activities		(25,416,677)	(20,666,170)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		421,582	8,805,907
Increase in short-term notes and bills payable		1,905,827	10,910,780
Decrease in other payables-related parties		-	(118,800)
Increase in corporate bonds payable		7,000,000	-
Increase in long-term borrowings		15,155,886	2,861,228
Payment of long-term borrowings		(23,993,392)	(12,207,924)
Payment of bonds payable		(6,200,000)	(5,700,000)
Payment of lease liabilities		(155,845)	-
(Decrease) increase in other non-current liabilities		(1,097)	8,749
(Decrease) increase in guarantee deposits		(26,729)	52,267
Payment of cash dividends	6(27)	(36,329,900)	(41,009,931)
Payment of expired cash dividends reclassified to capital surplus		(156)	(532)
Payment of cash dividends - non-controlling interest		(5,185,510)	(4,729,511)
Changes in ownership interests in subsidiaries		-	734,114
Changes in non-controlling interest		-	2,183,363
Net cash flows used in financing activities		(47,409,334)	(38,210,290)
Effect of foreign exchange translations		(2,297,074)	(229,882)
Net (decrease) increase in cash and cash equivalents		(16,110,557)	1,525,210
Cash and cash equivalents at beginning of year		31,209,809	29,684,599
Cash and cash equivalents at end of year		$ 15,099,252	$ 31,209,809

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

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 13, 2020.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments as endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' (including reclassification of long-term prepaid rents) by $1,627,373 and increased 'lease liability' by $839,352 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

(d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rates of 1.01% to 1.413%.

E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 914,040
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$ 914,040
Incremental borrowing interest rate at the date of initial application	1.01% and 1.413%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 839,352

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 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, 2021
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
The Company	Formosa Carpet Corp.	Spinning, dyeing, printing, finishing and manufacturing synthetic fibre, rug and carpet	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC Investment Corp. (Cayman)	Investing	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC International Limited (Cayman)	Investing	100.00	100.00	The Company holds more than 50% of voting rights.
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. (Note 1)	Producing and marketing of PTA	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)
The Company	Formosa Biomedical Technology Corp.	Manufacturing and sale of cleaner and cosmetics	88.59	88.59	The Company holds more than 50% of voting rights.

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Removal and disposal of waste	71.00	61.00	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 (SAMOA) Co., Ltd.	Formosa Biomedical Trading (Shanghai) Co., Ltd.	Importing, exporting and wholesale of heatlhy food	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights through a 100% owned company - Formosa Biomedical Technology (SAMOA) Co., Ltd.
The Company	Ta Shin Spining Corp.	Spinning	86.40	86.40	The Company holds more than 50% of voting rights.
The Company	Formosa Idemitsu Petrochemical Corp.	Wholesale and retail of petrochemical and plastic raw materials	50.00	50.00	The Company has substantial control and thus regards Formosa Idemitsu Petrochemical Corp. as a subsidiary.
The Company	Formosa BP Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	50.00	The Company has substantial control and thus regards Formosa BP Chemicals Corp. as a subsidiary.

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
The Company	Formosa Industries Corp., Vietnam	Production and marketing of textile, polyester staple fibre, cotton, hydropower	42.50	42.50	The Company has substantial control and thus regards Formosa Industries Corp. as a subsidiary.
The Company	Formosa Taffeta Co., Ltd.	Production and marketing of Polyamine fabric, Polyester fabric, cotton fabric, blended fabric and tire cord fabric	37.40	37.40	The Company has substantial control and thus regards Formosa Taffeta Corp. as a subsidiary.
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	30.68	46.68	Formosa Taffeta Co., Ltd. has substantial control and thus regards Formosa Advanced Technologies Co., Ltd. as a subsidiary.(Note 2)
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co., Ltd.	Production of cotton, Terylene greige cloth, coloured cloth and textured processing yarn products	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Production and marketing of textile, polyester staple fibre, cotton, hydropower	100.00	100.00	Formosa Taffeta Co., Ltd. hold more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residenes and buildings, and development of new community and specialised zones.	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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of Nylon and Polyamine fabric	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric of 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	50.00	50.00	Formosa Taffeta Co., Ltd. has substantial control and thus regards Schoeller F.T.C. (Hong Kong) Co., Ltd. as a subsidiary.
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Investment	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing of processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Taffeta (Hong Kong) Co., Ltd.
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Employment services and temporary worker services	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Development Co., Ltd.

Note 1: The Company reorganised its investment structure through a merger of 4 investees in Mainland China, namely, Formosa Chemicals Industries (Ningbo) Co., Ltd., Formosa ABS Plastics (Ningbo) Co., Ltd., Formosa PS (Ningbo) Co., Ltd. and Formosa Phenol (Ningbo) Limited Co. After the effective date of January 2, 2018, Formosa Chemicals Industries (Ningbo) Co., Ltd. was the surviving entity. The proposal had been resolved by Board of Directors on November 4, 2016.

Note2: On December 13, 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dispose its 16% equity interest in Formosa Advanced Technologies Co. Consequently, on December 16, 2019, Formosa Taffeta Co., Ltd. lost control but retained significant influence over Formosa Advanced Technologies Co. After the disposal, it was reclassified from a consolidated subsidiary to 'investments accounted for using equity method'. Details are provided in Note 6 (6).

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, 2019 and 2018, the non-controlling interest amounted to $52,776,292 and $63,513,625, respectively. The information on non-controlling interest and respective subsidiary is as follows:

		Non-controlling interest				
		December 31, 2019		December 31, 2018		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)	Description
Formosa Taffeta Co., Ltd.	Taiwan	$ 40,054,780	62.60	$ 42,991,749	62.60	-

Summarised financial information of the subsidiary:

Balance sheets

	Formosa Taffeta Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 17,512,757	$ 23,771,559
Non-current assets	63,249,116	69,254,934
Current liabilities	(8,482,750)	(9,191,230)
Non-current liabilities	(8,055,223)	(8,866,573)
Total net assets	$ 64,223,900	$ 74,968,690

Statements of comprehensive income

	Formosa Taffeta Co., Ltd.	
	Year ended December 31, 2019	Year ended December 31, 2018
Revenue	$ 36,762,189	$ 35,759,528
Profit before income tax	5,163,958	4,529,407
Income tax expense	(537,021)	(629,000)
Profit for the year from continuing operations	4,626,937	3,900,407
Profit from discontinued operations	1,202,530	1,420,293
Profit for the year	5,829,467	5,320,700
Other comprehensive (loss) income, net of tax	(6,364,452)	(3,151,652)
Total comprehensive (loss) income for the year	($ 534,985)	$ 2,169,048
Comprehensive income attributable to non-controlling interest	$ 640,738	$ 438,852

Statements of cash flows

	Formosa Taffeta Co., Ltd.	
	Year ended Decemberr 31, 2019	Year ended Decemberr 31, 2018
Net cash provided by (used in) operating activities	$ 6,751,805	$ 5,567,339
Net cash provided by (used in) investing activities	(1,070,887)	(3,051,784)
Net cash provided by (used in) financing activities	(5,831,702)	(4,041,122)
Effect of exchange rates on cash	(4,488)	(25,456)
Decrease in cash and cash equivalents	(155,272)	(1,551,023)
Cash and cash equivalents, beginning of year	3,391,896	4,942,919
Cash and cash equivalents, end of year	$ 3,236,624	$ 3,391,896

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements 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, even when the Group 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) <u>Classification of current and non-current items</u>

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 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.

(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 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.

(9) 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.

(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 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.

(11) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(12) Inventories

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

(13) Investments accounted for using equity method /associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 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.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

Effective 2019

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.

(16) Operating leases (lessee)

Prior to 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

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

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. 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.

(19) Borrowings

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

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

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

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Employees', directors' and supervisors' remuneration

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

(27) Income tax

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

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

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(28) Treasury shares

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

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are 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.

(30) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells a variety of petrochemical products, including the spinning, weaving, dyeing and finishing of rayon and nylon fiber. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) The amount of sales revenue recognised is equal to the contract price net of volume discounts and sales discounts and allowances. Volume discounts and sales discounts and allowances are estimated based on historical information, and a refund liability is recognised for expected volume discounts and sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 to 120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Formosa Advanced Technologies Co., Ltd. renders IC packaging and testing services. Considering that the highly customised products have no alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognised in the reporting period in which the services are delivered to the customers. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the costs incurred relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of accounts receivable

In the process of assessing impairment of accounts receivable, the Group must use judgements and assumptions to determine the collectability of accounts receivable. The collectability is affected by various factors: customers' financial conditions, the Group's internal credit ratings, historical experience, etc. When sales are not expected to be collected, the Group recognises a specific allowance for doubtful receivables after the assessment. The assumptions and estimates of loss allowance provided for accounts receivable are based on concerning future events as that on the balance sheet date. Assumptions and estimates may differ from the actual results which may result in material adjustments.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2019, the carrying amount of inventories was $41,269,264.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 51,308	$ 156,976
Checking accounts and demand deposits	3,433,014	6,914,206
Cash equivalents		
Time deposits	8,544,398	19,819,195
Bonds repurchased and commercial paper	3,070,532	4,319,432
	$ 15,099,252	$ 31,209,809

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, 2019 and 2018, the Group did not recognise any loss allowance.

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

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

Items	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificate	$ -	$ 466,353
Fund	4,085,299	4,085,299
Derivatives	119	-
	4,085,418	4,551,652
Valuation adjustments	(41,331)	(55,298)
	$ 4,044,087	$ 4,496,354

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, 2019	For the year ended December 31, 2018
Financial assets mandatorily measured at fair value		
Beneficiary certificates	$ -	$ 2,681
Fund	28,490	215,870
Derivatives	119	(398)
Valuation adjustments	28,609	218,153
Less: Income (Loss) from discontinued operations	(1,385)	-
	$ 27,224	$ 218,153

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2019	
Derivative Instruments	Contract Amount (Notional Principal)	Contract Period
Current items:		
Forward exchange contracts:		
Taipei Fubon	JPY 86,800	2019.12~2020.02

December 31, 2018：None.

The Group entered into forward exchange contracts to buy USD and JPY to hedge exchange rate risk of Ninth Naphtha Cracker Project from syndicated long-term borrowings. However, these forward exchange contracts are not accounted for under hedge accounting.

C. The Group did not pledge financial assets at fair value through profit or loss to others as collateral.

D. Information relating to credit risk is provided in Note 12(3).

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

	December 31, 2019		December 31, 2018	
Current items:				
Equity instruments				
Listed stocks	$	24,450,527	$	25,828,364
Unlisted stocks		825,839		825,839
Valuation adjustment		84,867,539		78,097,275
	$	110,143,905	$	104,751,478
Non-current items:				
Equity instruments				
Listed stocks	$	8,163,126	$	8,739,607
Unlisted stocks		27,703,119		28,284,257
Valuation adjustment		31,674,332		45,146,380
	$	67,540,577	$	82,170,244

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

	For the year ended December 31, 2019		For the year ended December 31, 2018	
Equity instruments at fair value through other comprehensive income				
Fair value change recognised in other comprehensive income	($	6,571,738)	($	13,693,635)
Cumulative losses reclassified to retained earnings due to derecognition (including losses included in non-controlling interest)	$	1,778	($	1,804,559)

B. As at December 31, 2019 and 2018, 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 $177,684,482 and $186,921,722, respectively.

C. The Group did not pledge financial assets at fair value through other comprehensive income to others as collateral.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 6,898,955	$ 15,086,776
Less: Allowance for uncollectible accounts	-	-
	$ 6,898,955	$ 15,086,776
Notes receivable - related parties	$ 6,395	$ 4,429
Accounts receivable	$ 16,335,493	$ 21,172,293
Less: Allowance for uncollectible accounts	(284,724)	(252,085)
	$ 16,050,769	$ 20,920,208
Accounts receivable - related parties	$ 5,137,355	$ 8,471,495

A. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $41,686,938.

B. As of December 31, 2019 and 2018, 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 $6,905,350 and $15,091,205, and accounts receivable were $21,188,124 and $29,391,703, respectively.

C. Information relating to credit risk is provided in Note 12(3).

(5) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 14,155,110	($ 133,127)	$ 14,021,983
Materials	8,278,632	(560,981)	7,717,651
Work in progress	5,889,679	(8,280)	5,881,399
Finished goods	14,527,395	(1,076,814)	13,450,581
Other inventory	197,732	(82)	197,650
	$ 43,048,548	($ 1,779,284)	$ 41,269,264

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 14,396,836	($ 192,566)	$ 14,204,270
Materials	6,545,784	(521,058)	6,024,726
Work in progress	6,899,028	(16,258)	6,882,770
Finished goods	15,836,707	(784,724)	15,051,983
Other inventory	241,497	(71)	241,426
	$ 43,919,852	($ 1,514,677)	$ 42,405,175

A. Expense and loss incurred on inventories for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Cost of inventories sold	$ 288,139,787	$ 353,517,812
Loss on inventory valuation (Note)	283,017	261,996
Idle capacity	1,841,074	707,976
Others	480,282	(140,001)
	290,744,160	354,347,783
Less: Cost of discontinued department	(7,302,136)	(7,111,588)
	$ 283,442,024	$ 347,236,195

Note: As the market value of related products decreased for the years ended December 31, 2019 and 2018, the Group recognised related allowance for inventory valuation loss after assessment.

B. As of December 31, 2019 and 2018, inventories pledged are described in Note 8.

(6) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Formosa Heavy Industries Corp.	$ 7,168,024	$ 7,794,074
Formosa Fairway Corp.	82,161	98,624
Formosa Plastics Transport Corp.	1,062,761	1,057,580
Formosa Petrochemical Corp.	79,497,235	81,480,476
Mai Liao Power Corp.	11,049,766	11,162,579
Hwa Ya Science Park Management Consulting Co.,	2,530	1,503
Chia-Nan Enterprise Corp.	225,553	265,338
Formosa Environmental Technology Corp.	225,692	225,861
Formosa Synthetic Rubber Corp.	292,611	253,916
Formosa Synthetic Rubber Corp. (Hong Kong)	2,326,752	2,541,840
Formosa Resourse Corp.	6,615,934	5,370,047
Formosa Group (Cayman) Corp.	653,576	631,060
Formosa Construction Corp.	75,523	82,300
FG INC.	2,873,408	2,208,034
Beyoung International Corp.	96,502	95,576
Formosa Advanced Technologies Co., Ltd.	4,884,465	-
Kuang Yueh Co., Ltd.	1,247,694	1,191,261
Changshu Yu Yuan Co., Ltd.	15,439	16,403
	$ 118,395,626	$ 114,476,472

A. On December 13, 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dispose its 16% equity interest in Formosa Advanced Technologies Co. Consequently, on December 16, 2019, Formosa Taffeta Co., Ltd. lost control but retained significant influence over Formosa Advanced Technologies Co. After the disposal, it was reclassified from a consolidated subsidiary to 'investments accounted for using equity method'. Details are provided in Note 6 (6).

B. Associates

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

		Shareholding ratio			
Company name	Principal place of business	December 31, 2019	December 31, 2018	Nature of relationship	Method of measurement
Formosa Petrochemical Corp.	Taiwan	24.15%	24.15%	Investments accounted for using equity method	Equity method

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

Balance sheets

	Formosa Petrochemical Corp.	
	December 31, 2019	December 31, 2018
Current assets	$ 227,523,818	$ 232,518,997
Non-current assets	159,513,535	168,219,257
Current liabilities	(35,694,376)	(50,039,507)
Non-current liabilities	(21,119,916)	(12,960,539)
Total net assets	$ 330,223,061	$ 337,738,208
Share in associate's net assets	$ 79,748,869	$ 81,563,777
Unrealised profit from sale of upstream transactions eliminations	(140,915)	27,418
Net differences in share capital	(110,719)	(110,719)
Carrying amount of the associate	$ 79,497,235	$ 81,480,476

Statements of comprehensive income

	Formosa Petrochemical Corp.	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue	$ 643,824,935	$ 765,493,218
Profit for the year from continuing operations	$ 36,798,213	$ 60,090,225
Other comprehensive income (loss), net of tax	1,397,296	(10,066,058)
Total comprehensive income	$ 38,195,509	$ 50,024,167
Dividends received from associates	$ 11,043,840	$ 14,495,039

(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, 2019 and 2018, the carrying amount of the Group's individually immaterial associates amounted to $38,898,391 and $32,995,996, respectively.

	For the year ended December 31, 2019	For the year ended December 31, 2018
Profit for the year from continuing operations	$ 4,054,495	$ 1,785,163
Other comprehensive loss, net of tax	(5,586,192)	(2,647,098)
Total comprehensive loss	($ 1,531,697)	($ 861,935)

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

	December 31, 2019	December 31, 2018
Formosa Petrochemical Corp.	$ 224,327,981	$ 250,787,178
Kuang Yueh Co., Ltd.	2,826,494	1,952,512
Formosa Advanced Technologies Co., Ltd.	5,061,105	-
	$ 232,215,580	$ 252,739,690

C. The investments accounted for using equity method were based on the investees' audited financial statements for the years ended December 31, 2019 and 2018.

D. The Board of Directors resolved to invest USD 45,450 thousand on March 15, 2019. The actual investment amounted to USD 24,750 thousand, equivalent to 33% ownership, in FG INC. on March 28, 2019.

E. On August 8, 2019, the Board of Directors of the Company resolved to increase its investment in the reinvested company, Formosa Environmental Technology Corp. The Company participated in the capital increase proportionately to its shareholding ratio, 25%, in the amount of USD 81,250 thousand. The actual investment was USD 50,000 thousand on August 19, 2019.

F. On December 13, 2019, the Board of Directors resolved to increase its capital in Formosa Synthetic Rubber Corp. amounting to US$46,000 thousand, equivalent to a 33.33% equity interest.

G. On May 4, 2018, the Board of Directors resolved to increase its capital in Formosa Synthetic Rubber Corp. (Hong Kong) amounting to US$65,000 thousand, equivalent to a 31.82% equity interest.

H. The Group's associate, Formosa Plastic Transport Corp., merged with Su Hua Transport Corp. on July 1, 2018, and Formosa Plastic Transport Corp. was the surviving company after the merger.

I. As of December 31, 2019 and 2018, no equity investments by the Group were pledged to others.

(7) Property, plant and equipment

	Land and land improvements	Buildings	Machinery equipment	Transportation and other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2019						
Cost	$ 12,007,208	$ 48,572,743	$ 305,388,135	$ 14,832,983	$ 14,084,103	$ 394,885,172
Accumulated depreciation and impairment	(170,353)	(25,280,326)	(227,553,031)	(12,782,822)	-	(265,786,532)
	$ 11,836,855	$ 23,292,417	$ 77,835,104	$ 2,050,161	$ 14,084,103	$ 129,098,640
2019						
Opening net book amount	$ 11,836,855	$ 23,292,417	$ 77,835,104	$ 2,050,161	$ 14,084,103	$ 129,098,640
Additions	16,285	-	196,121	165,386	16,429,467	16,807,259
Disposals	(7,229)	(150)	(166,475)	(5,627)	-	(179,481)
Reclassifications	(7,892)	(289,895)	9,993,366	333,244	(9,286,494)	742,329
Depreciation charge	(2,886)	(1,486,989)	(11,362,798)	(345,858)	-	(13,198,531)
Depreciation charge-discontinued operations	-	-	(1,406,502)	(77,599)	-	(1,484,101)
Disposals-discontinued operations	-	-	(4,569,118)	(83,206)	(690,867)	(5,343,191)
Net exchange difference	1,618	(365,318)	(1,006,303)	(17,158)	(384,711)	(1,771,872)
Closing net book amount	$ 11,836,751	$ 21,150,065	$ 69,513,395	$ 2,019,343	$ 20,151,498	$ 124,671,052
At December 31, 2019						
Cost	$ 12,006,023	$ 47,389,611	$ 287,677,051	$ 11,160,902	$ 20,151,498	$ 378,385,085
Accumulated depreciation and impairment	(169,272)	(26,239,546)	(218,163,656)	(9,141,559)	-	(253,714,033)
	$ 11,836,751	$ 21,150,065	$ 69,513,395	$ 2,019,343	$ 20,151,498	$ 124,671,052

	Land and land improvements	Buildings	Machinery equipment	Transportation and other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2018						
Cost	$ 8,736,490	$ 46,210,594	$ 297,714,457	$ 14,717,555	$ 12,297,410	$ 379,676,506
Accumulated depreciation and impairment	(170,336)	(23,839,792)	(217,765,081)	(12,555,679)	-	(254,330,888)
	$ 8,566,154	$ 22,370,802	$ 79,949,376	$ 2,161,876	$ 12,297,410	$ 125,345,618
2018						
Opening net book amount	$ 8,566,154	$ 22,370,802	$ 79,949,376	$ 2,161,876	$ 12,297,410	$ 125,345,618
Additions	3,613,705	1,030,848	332,403	161,642	14,332,403	19,471,001
Disposals	(342,679)	(283)	(187,840)	(7,444)	(25,015)	(563,261)
Reclassifications	-	1,488,140	10,848,784	186,088	(12,453,806)	69,206
Depreciation charge	(294)	(1,485,971)	(12,494,837)	(450,179)	-	(14,431,281)
Impairment loss	-	(37,937)	(275,918)	-	-	(313,855)
Net exchange difference	(31)	(73,261)	(336,074)	(2,533)	(66,889)	(478,788)
Closing net book amount	$ 11,836,855	$ 23,292,338	$ 77,835,894	$ 2,049,450	$ 14,084,103	$ 129,098,640
At December 31, 2018						
Cost	$ 12,007,208	$ 48,397,930	$ 299,599,240	$ 14,826,895	$ 14,084,103	$ 388,915,376
Accumulated depreciation and impairment	(170,353)	(25,105,592)	(221,763,346)	(12,777,445)	-	(259,816,736)
	$ 11,836,855	$ 23,292,338	$ 77,835,894	$ 2,049,450	$ 14,084,103	$ 129,098,640

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,	
	2019	2018
Amount capitalised	$ 88,772	$ 84,574
Interest rate	0.98%~4.45%	0.98%~4.45%

B. On May 4, 2018, the Board of Directors, considering the future growth of the business, resolved to purchase office buildings and other property in the Taipei CBD complex, located on Nanjing East Road of the Neihu District in Taipei, from non-related parties, Trans Globe Life Insurance Inc. and Meifu Development Co., Ltd. The total transaction amount was $4,675 million.

C. 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, 2019 and 2018, the pledged amount was $822,993.

D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

E. The Group recognised impairment loss for the years ended December 31, 2019 and 2018. Details of such loss are as follows:

	For the years ended December 31,			
	2019		2018	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss — Buildings	$ -	$ -	$ 37,937	$ -
Impairment loss — Machinery and equipment	-	-	275,918	-
	$ -	$ -	$ 313,855	$ -

F. The impairment loss reported by operating segments is as follows:

	For the years ended December 31,			
	2019		2018	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Engineering and Utility Division	$ -	$ -	$ 313,855	$ -

(8) <u>Leasing arrangements — lessee</u>

<u>Effective 2019</u>

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 2 to 49 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	For the year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 1,608,932	$ 166,894
Buildings	36,267	32,122
	$ 1,645,199	$ 199,016

C. For the year ended December 31, 2019, the additions to right-of-use assets was $216,013.

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

	For the year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 11,725
Expense on short-term lease contracts	7,371
Expense on leases of low-value assets	49
Expense on variable lease payments	6,895
Gain on sublease of right-of-use assets	5,427

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was $170,160.

(9) Non-current assets held for sale and discontinued operations.

A. On December 13, 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dispose its 16% equity interest in Formosa Advanced Technologies Co. to Nab Ya Technology Corp. and Nan Ya PCB Corp. Consequently, on December 16, 2019, Formosa Taffeta Co., Ltd. lost control but retained significant influence over Formosa Advanced Technologies Co. After the disposal, it was reclassified from a consolidated subsidiary to 'investments accounted for using equity method'. Please refer to Note 6(6) for more information. The disposal was presented as discontinued operation for meeting the definition of discontinued operation. Accordingly, the Group made a restatement to the recognised profit or loss in relation to Formosa Advanced Technologies Co. rather than retrospective adjustment for the year ended December 31, 2018.

B. The cash flow information of the discontinued operations is as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Operating cash flows	$ 2,328,305	$ 2,266,218
Investing cash flows	(1,495,386)	(3,372,679)
Financing cash flows	(1,142,420)	(1,105,556)
Total cash flows	($ 309,501)	($ 2,212,017)

C. Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue	$ 8,867,872	$ 8,785,525
Cost	(7,302,136)	(7,111,588)
Expenses	(163,405)	(161,002)
Non-operating income and expenses	123,723	238,018
Profit before tax of discontinued operations	1,526,054	1,750,953
Income tax	(323,524)	(330,660)
Profit after tax of discontinued operations	$ 1,202,530	$ 1,420,293

Analysis of the result of the Group's disposal of equity interest in Formosa Advanced Technologies Co., and the gain recognised in profit and loss on disposal, is as follows:

	For the year ended December 31, 2019
Gain on disposal of equity	$ 684,314
Gain on remeasurement of remaining investments at fair value	1,332,446
Gain on disposal of discontinuing operations	$ 2,016,760

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

Type of loans	December 31, 2019	Interest rate range	Collateral
OA loans	$ 12,324	0.37%	None
Secured loans	3,741,053	1.40%~3.88%	Note 8
Unsecured loans	28,616,246	0.85%~3.49%	None
Total short-term loans	$ 32,369,623		
Short-term notes and bills payable	$ 14,400,000	0.61%~0.88%	None
Short-term notes and bills payable discount	(3,630)		
Net short-term notes and bills payable	$ 14,396,370		

Type of loans	December 31, 2018	Interest rate range	Collateral
Secured loans	3,638,538	1.40%~3.88%	Note 8
Unsecured loans	28,309,503	0.90%~4.35%	None
Total short-term loans	$ 31,948,041		
Short-term notes and bills payable	$ 12,500,000	0.50%~0.88%	None
Short-term notes and bills payable discount	(9,457)		
Net short-term notes and bills payable	$ 12,490,543		

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

Items	December 31, 2019	December 31, 2018
Current items:		
Derivatives	$ 80	$ 774

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

Items	December 31, 2019	December 31, 2018
Derivatives	$ 694	($ 774)

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

Derivative Financial Liabilities	December 31, 2019 Contract Amount (Notional Principal) (in thousands)	December 31, 2019 Contract Period	December 31, 2018 Contract Amount (Notional Principal) (in thousands)	December 31, 2018 Contract Period
Current items:				
Forward foreign exchange				
Taipei Fubon	JPY 86,800	2019.02~2020.02	JPY 50,000	2018.12~2019.02
Taipei Fubon	-	-	JPY 56,800	2018.12~2019.02
Chang Hwa	-	-	JPY 50,000	2018.12~2019.01
Chang Hwa	-	-	JPY 50,210	2018.12~2019.01

(12) Bonds payable

	December 31, 2019	December 31, 2018
Bonds payable		
Domestic unsecured nonconvertible corporate bonds	$ 34,850,000	$ 34,050,000
Less: Current portion	(2,750,000)	(6,200,000)
	$ 32,100,000	$ 27,850,000

The terms of nonconvertible corporate bonds were as follows:

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2019	December 31, 2018	Note
2012							
First issued domestic unsecured nonconvertible corporate bonds - B	2012.7.26	2018.7.26~ 2019.7.26	1.40	$ 3,000,000	$ -	$ 1,500,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - B	2012.12.7	2018.12.7~ 2019.12.7	1.36	3,900,000	-	1,950,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7~ 2022.12.7	1.51	4,100,000	4,100,000	4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2019.1.22~ 2020.1.22	1.34	2,800,000	1,400,000	2,800,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22~ 2023.1.22	1.50	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%
2013							
First issued domestic unsecured nonconvertible corporate bonds - B	2013.7.8	2019.7.8~ 2020.7.8	1.38	$ 2,700,000	$ 1,350,000	$ 2,700,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2019	December 31, 2018	Note
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8~ 2023.7.8	1.52	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.1.17	2025.1.17~ 2026.1.17	2.03	10,000,000	10,000,000	10,000,000	Serial bonds, to be settled 50%, 50%
2014							
First issued domestic unsecured nonconvertible corporate bonds-A	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	1,400,000	1,400,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds-B	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	4,600,000	4,600,000	4,600,000	Serial bonds, to be settled 50%, 50%
2019							
First issued domestic unsecured nonconvertible corporate bonds - A	2019.5.13	2019.5.13~ 2029.5.13	0.75	3,300,000	3,300,000	-	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2019.5.13	2019.5.13~ 2026.5.13	0.83	3,000,000	3,000,000	-	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2019.5.13	2019.5.13~ 2029.5.13	0.93	$ 700,000	$ 700,000	$ -	Serial bonds, to be settled 50%, 50%
					36,200,000	36,750,000	
Less: Current portion of bonds payable					(2,750,000)	(6,200,000)	
					$ 33,450,000	$ 30,550,000	

(13) Long-term bank loans and notes payable

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral		December 31, 2019
Long-term bank loans					
Unsecured loans					
Taipei Fubon Bank	Jun. 10, 2019 ~ Jun. 10, 2024, each 50% of principal is payable starting from 4 years and 5 years after the first drawdown	LIBOR+0.78% (if TAIFX is higher than LIBOR+0.42%, the difference between TAIFX and LIBOR+0.42% is payable by the borrower)	None	$	4,526,367
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.55%	"		1,151,507
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, principal payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.45% and TAIFX+0.4% higher	"		55,523

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2019
Mega International Commercial Bank	Oct. 23, 2017 ~ Oct. 23, 2022, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	None	$ 403,934
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	1,179,866
Chang Hwa Bank	Sep. 7, 2017 ~ Sep. 7, 2022, principal payable semi-annually after 36 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	181,252
Hua Nan Bank	Apr. 15, 2019 ~ Jan. 15, 2020, principal payable at maturity date	1.03%	"	500,000
Sino Pac Bank	Jun. 19, 2019 ~ Jun. 19, 2021, payable in full at maturity	1.02%	"	300,000
First Commercial Bank	Sep. 10, 2019 ~ Sep. 10, 2021, payable in full at maturity	1.02%	"	1,500,000
Mizuho Corporate Bank	Aug. 16, 2019 ~ Aug. 16, 2021, payable in full at maturity	1.00%	"	500,000
E. Sun Bank	Nov. 20, 2018 ~ Nov. 19, 2021, payable in full at maturity	1.03%	"	200,000
China Trust Bank	Sep. 17, 2019~ Sep. 17, 2021, payable in full at maturity	1.03%	"	500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral		December 31, 2019
Taipei Fubon Bank	Oct. 22, 2019 ~ Apr. 17, 2022, payable in full at maturity	0.89%	"	$	1,000,000
Bangkok Bank	Dec. 3, 2018 ~ Dec. 2, 2022, payable in full at maturity	1.03%	"		200,000
Far Eastern International Bank	Sep. 20, 2019 ~ Sep. 6, 2022, payable in full at maturity	1.00%	"		700,000
Mega International Commercial Bank	Aug. 21, 2019 ~ Aug. 21, 2021, payable in full at maturity	0.98%	"		1,000,000
Secured loans					
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-annually after Apr. 21, 2017; interest payable monthly	1.63%	Land		4,033,333
Hua Nan Bank China Trust Bank ANZ	Apr. 1, 2018 ~ Mar. 31, 2021, principal payable annually	4.40%~4.45%	Endorsement and guarantees of Formosa Taffeta Co,. Ltd.		119,783
					18,051,565
Less: Current portion of long-term loans				(	3,937,482)
				$	14,114,083

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 29, 2016 ~ Mar. 29, 2019, payable at maturity date; interest payable monthly	1.05%~1.08%	None	$ 3,000,000
Sumitomo Mitsui Banking Corporation	Dec. 6, 2018 ~ Dec. 6, 2020, principal payable semi-annually; interest payable monthly	0.80%	"	800,000
China Trust Bank	Aug. 24, 2015 ~ Aug. 24, 2020, payable in full after Aug. 24, 2018 or payable in full at maturity with a two-year extension	LIBOR+1.25% (if TAIFX is higher than LIBOR+0.35%, the difference between TAIFX and LIBOR+0.35% is payable by the borrower)	"	2,047,950
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.55%	"	1,847,774
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, principal payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.45% and TAIFX+0.4% higher	"	1,662,997

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
Mega International Commercial Bank	Oct. 23, 2017 ~ Oct. 23, 2022, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	None	$ 465,706
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	〃	1,382,340
Mega International Commercial Bank	Jan. 5, 2018 ~ Jan. 5, 2023, interest payable quarterly, principal payable in 5 installments semi-annually from Jan. 2021	1 to 5 years (including 5 years) rate of CBC, 4.75%	〃	461,228
Chang Hwa Bank	Sep. 7, 2017 ~ Sep. 7, 2022, principal payable semi-annually after 36 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	〃	376,147
Hua Nan Bank	Feb. 3, 2017 ~ Feb. 3, 2020, principal payable at maturity date	LIBOR+1.35%	〃	148,892
Hua Nan Bank	Nov. 15, 2018 ~ Jan. 15, 2020, payable in full at maturity	1.03%	〃	700,000
Sino Pac Bank	Jun. 19, 2018 ~ Jun. 19, 2020, payable in full at maturity	1.02%	〃	300,000
First Commercial Bank	Sep. 20, 2018 ~ Sep. 15, 2020, payable in full at maturity	1.02%	〃	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
Mizuho Corporate Bank	Aug. 17, 2018 ~ Aug. 17, 2020, payable in full at maturity	1.03%	None	$ 900,000
E. Sun Bank	Nov. 20, 2018 ~ Nov. 19, 2021, payable in full at maturity	1.03%	"	200,000
China Trust Bank	Sep. 20, 2018 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	500,000
KGI Bank	Oct. 23, 2018 ~ Jun. 20, 2020, payable in full at maturity	1.04%	"	200,000
Taipei Fubon Bank	Oct. 23, 2018 ~ Mar. 23, 2020, payable in full at maturity	1.04%	"	200,000
Bangkok Bank	Dec. 3, 2018 ~ Dec. 2, 2020, payable in full at maturity	1.03%	"	200,000
Far Eastern International Bank	Sep. 22, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	700,000
HSBC	Dec. 10, 2018 ~ Dec. 10, 2020, payable in full at maturity	1.01%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
Mega International Commercial Bank	Sep. 20, 2018 ~ Sep. 20, 2020, payable in full at maturity	0.98%	None	$ 1,000,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	6,722,222
Hua Nan Bank China Trust Bank ANZ	Apr. 1, 2018 ~ Mar. 31, 2021, principal payable annually	4.40%~4.45%	Endorsement and guarantees of Formosa Taffeta Co,. Ltd.	292,199
				27,107,455
Less: Current portion of long-term loans				(10,355,497)
				$ 16,751,958

A. The collaterals for long-term bank loans are described in Note 8.

B. The Group has signed contracts for syndicated loans with Mega Bank and others on November 14, 2013 to finance plant construction for Formosa Ha Tinh Steel Corp. Information is as follows:

(a) Total credit line: $12,100,000

(b) Interest rate: Based on the agreement with the banks

(c) Period: 7 years

(d) Collateral: Land in Six Naphtha Cracking Plant, Mailiao Township, Yunlin County

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

C. Formosa Industries Corp.'s long-term borrowing from banks is for the plant construction. The borrowing is guaranteed by Nan Ya Plastics Corp.'s drawn note of $602,120.

(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:

	December 31, 2019		December 31, 2018	
Present value of defined benefit obligations	$	10,966,252	$	11,410,796
Fair value of plan assets	(	4,518,815)	(	4,736,712)
Net defined benefit liability	$	6,447,437	$	6,674,084

(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
Year ended December 31, 2019			
Balance at January 1	$ 11,410,796	($ 4,736,712)	$ 6,674,084
Current service cost	106,300	-	106,300
Interest expense (income)	140,466	(58,984)	81,482
Settlement profit or loss	-	-	-
	11,657,562	(4,795,696)	6,861,866
Remeasurements:			
Return on plan assets	-	(159,271)	(159,271)
Change in financial assumptions	153,401	-	153,401
Experience adjustments	445,637	-	445,637
Disposal-discontinued operations	(173,512)	88,887	(84,625)
	425,526	(70,384)	355,142
Pension fund contribution	-	(126,548)	(126,548)
Paid pension	(1,116,836)	473,813	(643,023)
Balance at December 31	$ 10,966,252	($ 4,518,815)	$ 6,447,437

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 11,640,955	($ 4,601,536)	$ 7,039,419
Current service cost	118,619	-	118,619
Interest expense (income)	145,511	(58,502)	87,009
Settlement profit or loss	(60)	60	-
	11,905,025	(4,659,978)	7,245,047
Remeasurements:			
Return on plan assets	-	(127,505)	(127,505)
Change in financial assumptions	4,890	-	4,890
Experience adjustments	141,995	-	141,995
	146,885	(127,505)	19,380
Pension fund contribution	-	(241,790)	(241,790)
Paid pension	(641,114)	292,561	(348,553)
Balance at December 31	$ 11,410,796	($ 4,736,712)	$ 6,674,084

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from twoyear time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 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, 2019	Year ended December 31, 2018
Discount rate	1.5%	1.5%
Future salary increases	1%~2.85%	1%~2.85%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.35%	Decrease 0.35%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 181,420)	$ 188,556	$ 271,185	($ 254,361)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.35%	Decrease 0.35%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 202,857)	$ 211,283	$ 304,064	($ 343,959)

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, 2020 amount to $130,914.

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, 2019 and 2018. 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, 2019 and 2018 were $426,974 and $407,794, respectively

(15) Capital stock

A. As of December 31, 2019, 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, 2019 and 2018 are set forth below:

		For the year ended December 31, 2019			
Reason for reacquisition	Subsidiary	Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	12,169,610	-	-	12,169,610
	Formosa Advanced Technologies Co.	15,249,000	1,563,000	(16,812,000)	-
		27,418,610	1,563,000	(16,812,000)	12,169,610

Reason for reacquisition	Subsidiary	For the year ended December 31, 2018 Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	12,169,610	-	-	12,169,610
	Formosa Advanced Technologies Co.	15,249,000	-	-	15,249,000
		27,418,610	-	-	27,418,610

Note: On December 16, 2019, since Formosa Taffeta Co., Ltd. lost control over Formosa Advanced Technologies Co., it was excluded from the consolidated financial statements of the Company.

C. The market value of treasury stocks was $87.5 and $105 (in dollars) per share at December 31, 2019 and 2018, 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, 2019					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2019	$ 2,710,554	$ 5,514,032	$ 269,792	$ 371,892	$ -	$ 217,872
Dividends allocated to subsidiaries	-	-	44,726	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	(4,649)	-	-
Changes in ownership interests in subsidiaries	-	-	2,170	5,604	163	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(156)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	6,869
At Decembe 31, 2019	$ 2,710,554	$ 5,514,032	$ 316,688	$ 372,847	$ 163	$ 224,585

	For the year ended December 31, 2018					
	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, 2018	$ 2,710,554	$ 5,514,032	$ 203,232	$ 24,905	$ 13,789	$ 216,226
Dividends allocated to subsidiaries	-	-	58,076	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	(22,638)	-	-
Changes in ownership interests in subsidiaries	-	-	8,484	369,565	(13,789)	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(532)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	2,178
At December 31, 2018	$ 2,710,554	$ 5,514,032	$ 269,792	$ 371,832	$ -	$ 217,872

(17) Retained earnings

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

The special reserve includes:

(a) Reserve for a special purpose;

(b) Investment income recognised under equity method and deferred income tax assets arising from unused investment tax credits which are deemed unrealised and transferred to special reserve. Such investment income and deferred income tax assets are reclassified to unappropriated earnings only when they are realised;

(c)Net unrealised gains from financial instruments transactions. The special reserve for unrealised gains from financial instruments is reduced when the accumulated value of the unrealised gains also decreases; and

(d) Other special reserves as stipulated by other laws.

B. The Group is in the mature stage and the profit is stable. The Board of Directors shall establish the cash dividend or stock dividend percentage. At least 50% of the distributable earnings after deducting the legal reserve, directors' and supervisors' remuneration, employee bonus and special reserves shall be distributed to stockholders. The Group would prefer cash dividend. If the Group requires funds for significant investments or needs to improve its financial structure, part of the dividend will be in the form of stocks which shall not exceed 50% of the total dividends.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.

D. In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriations of 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 5, 2019 and June 15, 2018, respectively. Details are as follows:

	For the years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 4,876,932		$ 5,441,080	
Special reserve	7,040,540		6,564,296	
Cash dividends	36,339,355	$ 6.20	41,028,304	$ 7.00
	$ 48,256,827		$ 53,033,680	

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Group as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. The resolution of the appropriations of the 2019 net income was approved by the Board of Directors during its meeting on March 13, 2020 as follows:

	For the year ended December 31, 2019	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 2,970,224	
Special reserve	6,156,414	
Cash dividends	22,272,508	$ 3.80
	$ 31,399,146	

G. Information relating to employees' bonuses and directors' and supervisors' remuneration is summarised in Note 6(24).

(18) Other equity items

	Hedging reserve	Unrealised gain (loss)	Currency translation	Total
At January 1, 2019	($ 15,865)	$ 110,762,790	($ 1,813,251)	$ 108,933,674
Revaluation:				
–Group	-	(2,944,594)	-	(2,944,594)
–Associates	-	(698,630)	-	(698,630)
Revaluation transferred to retaned earnings:				
–Group	-	1,311	-	1,311
–Associates	-	-	-	-
Cash flow hedges:				
–Associates	16,524	-	-	16,524
Currency translation differences:				
–Group	-	-	(2,732,538)	(2,732,538)
–Tax of Group	-	-	542,926	542,926
–Associates	-	-	(557,743)	(557,743)
At December 31, 2019	$ 659	$ 107,120,877	($ 4,560,606)	$ 102,560,930

	Hedging reserve	Gains (losses) on effective portion of cash flow hedges	Unrealised gain (loss)	Available-for-sale investment	Currency translation	Total
At January 1, 2018	$ -	$ 8,077	$ -	$ 111,213,200	($ 2,052,251)	$ 109,169,026
Effects of retrospective application and retrospective restatement	8,077	(8,077)	125,624,639	(111,213,200)	-	14,411,439
Balance at January 1, 2018 after restatment	8,077	-	125,624,639	-	(2,052,251)	123,580,465
Revaluation:						
–Group	-	-	(12,149,629)	-	-	(12,149,629)
–Associates	-	-	(3,388,175)	-	-	(3,388,175)
Revaluation transferred to retained earnings:						
–Group	-	-	675,556	-	-	675,556
–Associates	-	-	399	-	-	399
Cash flow hedges:						
–Associates	(23,942)	-	-	-	-	(23,942)
Currency translation differences:						
–Group	-	-	-	-	(326,915)	(326,915)
–Tax of Group	-	-	-	-	116,104	116,104
–Associates	-	-	-	-	449,811	449,811
At December 31, 2018	($ 15,865)	$ -	$ 110,762,790	$ -	($ 1,813,251)	$ 108,933,674

(19) Operating revenue

	For the years ended December 31, 2019	2018
Sales revenue	$ 323,481,616	$ 406,840,725
Service revenue	475,094	521,498
Other operating revenue	410,225	497,542
	324,366,935	407,859,765
Less: Income from discontinued operations	(8,867,872)	(8,785,525)
	$ 315,499,063	$ 399,074,240

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

B. Contract assets

Formosa Advanced Technologies Co., Ltd. derives revenue from the transfer of IC packaging and testing services over time. The related contract assets are as follows:

	December 31, 2019	December 31, 2018
Contract assets—revenue	$ -	$ 788,643

C. The IC packaging and testing service contracts of Formosa Advanced Technologies Co., Ltd. all expire within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(20) Other income

	For the years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 262,524	$ 401,947
Interest from current account with others	151,813	253,268
Other interest income	12,561	23,772
	426,898	678,987
Rental revenue	142,056	139,011
Dividend income	10,027,034	9,633,949
Other revenue-others	1,140,955	1,315,551
	11,736,943	11,767,498
Less: Other income from discontinued operations	(193,103)	(197,334)
	$ 11,543,840	$ 11,570,164

(21) Other gains and losses

	For the years ended December 31,	
	2019	2018
Gain on disposal of property, plant and equipment	$ 8,364	$ 843,722
Gain on disposal of investments	2,016,760	-
Net currency exchange gain	7,490	526,467
Net gain on financial assets (liabilities) at fair value through profit or loss	29,303	217,379
Impairment loss from reversal of property, plant and equipment	-	(313,855)
Other losses	(431,602)	(351,093)
	1,630,315	922,619
Less: Other gains and losses from discontinued operations	63,789	(40,685)
	$ 1,694,104	$ 881,934

(22) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense:		
Bank loans	$ 1,111,568	$ 1,536,209
Corporate bonds	579,479	632,286
Current account with others	12,223	2,119
Discount	181,058	170,878
Other interest expenses	44,719	42,781
	1,929,047	2,384,273
Less: Capitalisation of qualifying assets	(88,772)	(84,574)
	1,840,275	2,299,699
Less: Finance costs of discontinued operations	(5,591)	(1)
Finance costs	$ 1,834,684	$ 2,299,698

(23) Expenses by nature

	For the years ended December 31,	
	2019	2018
Depreciation charges on property, plant and equipment and right-of-use assets	$ 14,881,648	$ 14,431,281
Employee benefit expense	16,898,756	15,556,789
Amortisation	3,601,074	4,404,062
	35,381,478	34,392,132
Less: Employee benefit expense of discontinued operations	(1,417,256)	(1,503,576)
Less: Depreciation charges on property, plant and equipment and right-of-use assets of discontinued operations	(1,484,101)	(1,094,060)
Less: Amortisation of discontinued operations	(115,760)	(83,382)
	$ 32,364,361	$ 31,711,114

(24) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	$ 14,325,448	$ 13,248,674
Labor and health insurance fees	1,268,742	1,027,251
Pension costs	668,571	613,422
Other personnel expenses	635,995	667,442
	16,898,756	15,556,789
Less: employee benefit expense of discontinued operations	(1,417,256)	(1,503,576)
	$ 15,481,500	$ 14,053,213

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 not lower than 0.05% and not higher than 0.5% for employees' compensation.

B. For the years ended December 31, 2019 and 2018, employees' remuneration (bonuses) was accrued at $31,930 and $54,403, respectively. The aforementioned amount was recognised in salary expenses.

For the years ended December 31, 2019 and 2018, the employees' compensation was estimated and accrued based on approximately 0.1% of the retained earnings.

Employees' compensation for 2018 as resolved by the Board of Directors was in agreement with the amount of $54,403 recognised in profit or loss for 2018. Employees' compensation for 2018 has 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.

(25) Income tax

A. Income tax expense

(a)Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	$ 2,602,293	$ 7,385,863
Land value increment tax is included in profit or loss	-	129,638
Alternative Minimum Tax	46,026	-
Tax on undistributed surplus earnings	828,903	753,050
Adjustments in respect of prior years	239,621	226,234
Total current tax	3,716,843	8,494,785
Deferred tax:		
Origination and reversal of temporary differences	467,100	8,093
Impact of tax rate changes	-	(229,688)
Effect of exchange rate	1,224	2,037
Total deferred tax	468,324	(219,558)
Less: Income tax of discontinued operations	(323,524)	(330,660)
Income tax expense	$ 3,861,643	$ 7,944,567

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

	For the years ended December 31,	
	2019	2018
Currency translation differences	$ 542,926	$ 63,416
Impact of change in tax rate	-	52,688
	$ 542,926	116,104

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31, 2019	For the years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	$ 9,537,836	$ 14,285,845
Expenses disallowed by tax regulation	(5,284,376)	(6,564,204)
Tax exempt and repealed income by tax regulation	(364,951)	(225,653)
Effect from net operating loss carryforward	(751,411)	(3,997)
Effect from changes in tax regulation of overseas subsidiaries	(66,481)	(325,686)
Additional tax on undistributed earnings	828,903	753,050
Under provision of prior year's income tax	239,621	226,234
Effect from Alternative Minimum Tax	46,026	-
Land value increment tax included in profit or loss	-	129,638
	4,185,167	8,275,227
Less: Income tax of discontinued operatior	(323,524)	(330,660)
Income tax expense	$ 3,861,643	$ 7,944,567

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

	For the year ended December 31, 2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Disposal of discontinued operations	December 31
Deferred tax assets:					
Temporary differences:					
Currency translation differences	$ 414,672	$ -	$ 542,926	$ -	$ 957,598
Unrealised gain from downstream transactions	107,991	(50,956)	-	-	57,035
Loss on inventory	200,858	69,675	-	(5,676)	264,857
Accrued pension liabilities	1,000,467	(103,197)	-	(9,235)	888,035
Impairment loss	221,986	(27,841)	-	-	194,145
Others	366,885	(278,923)	-	(1,663)	86,299
	2,312,859	(391,242)	542,926	(16,574)	2,447,969
Deferred tax liabilities:					
Temporary differences:					
Investment income accounted for using equity methed	(284,293)	(93,315)	-	-	(377,608)
Depreciation useful life difference	(58,857)	9,585	-	-	(49,272)
Others	(7,872)	7,872	-	-	-
	(351,022)	(75,858)	-	-	(426,880)
	$ 1,961,837	($ 467,100)	$ 542,926	($ 16,574)	$ 2,021,089

	For the year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Currency translation differences	$ 298,568	$ -	$ 116,104	$ 414,672
Unrealised gain from downstream transactions	50,246	57,745	-	107,991
Loss on inventory	141,336	59,522	-	200,858
Accrued pension liabilities	925,362	75,105	-	1,000,467
Impairment loss	156,623	65,363	-	221,986
Others	262,306	104,579	-	366,885
Net operating loss carryforward	49,388	(49,388)	-	-
	1,883,829	312,926	116,104	2,312,859
Deferred tax liabilities:				
Temporary differences:				
Unrealised gain on financial assets	(641)	641	-	-
Investment income accounted for using equity methed	(170,157)	(114,136)	-	(284,293)
Unrealised exchange gain	(28,934)	28,934	-	-
Depreciation useful life difference	(59,959)	1,102	-	(58,857)
Others	-	(7,872)	-	(7,872)
	(259,691)	(91,331)	-	(351,022)
	$ 1,624,138	$ 221,595	$ 116,104	$ 1,961,837

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

Year incurred	Amount filed/ assessed	December 31, 2019 Unused amount	Tax assets	Expiry year
2010	Assessed	$ 16,770	$ 16,770	2020
2011	Assessed	21,568	21,568	2021
2012	Assessed	29,604	29,604	2022
2013	Assessed	7,312	7,312	2023
2014	Assessed	11,448	11,448	2024
2015	Assessed	855,247	855,247	2025
2016	Assessed	1,739,957	1,739,957	2026
2017	Amount filed	120,868	120,868	2027
		$ 2,802,774	$ 2,802,774	

Year incurred	Amount filed/ assessed	December 31, 2018 Unused amount	Tax assets	Expiry year
2009	Assessed	$ 26,982	$ 26,982	2019
2010	Assessed	16,770	16,770	2020
2011	Assessed	21,568	21,568	2021
2012	Assessed	29,604	29,604	2022
2013	Assessed	7,312	7,312	2023
2014	Assessed	1,628,743	1,628,743	2024
2015	Assessed	2,479,959	2,479,959	2025
2016	Amount filed	1,802,222	1,802,222	2026
2017	Amount filed	123,516	123,516	2027
		$ 6,136,676	$ 6,136,676	

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

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 31,855	$ 31,475

F. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share

A. Basic earnings per share

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

	For the year ended December 31, 2019				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Consolidated net income	$ 38,633,523	$ 34,448,357		$ 6.62	$ 5.91
Net income of non-controlling interest	(6,734,985)	(4,746,115)		(1.15)	(0.82)
Profit attributable to ordinary shareholders of the parent	31,898,538	29,702,242		5.47	5.09
Profit attributable to discontinued operations of the parent	(1,526,054)	(1,202,530)		(0.26)	(0.20)
Profit attributable to continuing operations of the parent	$ 30,372,484	$ 28,499,712	5,832,942	$ 5.21	$ 4.89

	For the year ended December 31, 2018				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Consolidated net income	$ 63,716,223	$55,441,018		$ 10.92	$ 9.50
Net income of non-controlling interest	(9,367,386)	(6,671,701)		(1.60)	(1.14)
Profit attributable to ordinary shareholders of the parent	54,348,837	48,769,317		9.32	8.36
Profit attributable to discontinued operations of the parent	(1,750,953)	(1,420,293)		(0.30)	(0.24)
Profit attributable to continuing operations of the parent	$ 52,597,884	$47,349,024	5,832,942	$ 9.02	$ 8.12

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, 2019				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Consolidated net income	$ 38,633,523	$ 34,448,357		$ 6.59	$ 5.88
Net income of non-controlling interest	(6,734,985)	(4,746,115)		(1.15)	(0.81)
Profit attributable to ordinary shareholders of the parent	31,898,538	29,702,242		5.44	5.07
Profit attributable to discontinued operations of the parent	(1,526,054)	(1,202,530)		(0.26)	(0.21)
Profit attributable to continuing operations of the parent	$ 30,372,484	$ 28,499,712	5,861,186	$ 5.18	$ 4.86

	For the year ended December 31, 2018				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Consolidated net income	$ 63,716,223	$ 55,441,018		$ 10.87	$ 9.46
Net income of non-controlling interest	(9,367,386)	(6,671,701)		(1.60)	(1.14)
Profit attributable to ordinary shareholders of the parent	54,348,837	48,769,317		9.27	8.32
Profit attributable to discontinued operations of the parent	(1,750,953)	(1,420,293)		(0.30)	(0.24)
Profit attributable to continuing operations of the parent	$ 52,597,884	$ 47,349,024	5,861,186	$ 8.97	$ 8.08

(27) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2019	2018
Purchase of fixed assets	$ 16,807,259	$ 19,471,001
Add: Opening balance of payable on equipment	1,604,309	577,616
Less: Ending balance of payable on equipment	(1,439,071)	(1,604,309)
Cash paid during the year	$ 16,972,497	$ 18,444,308

B. Financing activities with partial cash payments

	For the years ended December 31,	
	2019	2018
Cash dividend distributed	$ 36,339,355	$ 41,028,304
Add: Opening balance of cash dividend payable	62,429	44,056
Less: Ending balance of cash dividend payable	(71,884)	(62,429)
Cash dividends paid	$ 36,329,900	$ 41,009,931

C. On December 13, 2019, the Board of Directors of Formosa Taffeta Co., Ltd. resolved to dispose its 16% equity interest in Formosa Advanced Technologies Co. (Details are provided in Note 4(3) B. Note 2). The trading consideration information is listed below:

	For the year ended December 31, 2019
Disposal proceeds	$ 2,514,064
Less: Book value of cash and cash equivalents	(957,834)
Cash received	$ 1,556,230

(28) 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 financial activities-gross
At January 1, 2019	$31,948,041	$ 12,490,543	$34,050,000	$27,107,455	$ 105,596,039
Changes in cash flow from financing activities	421,582	1,905,827	800,000	(8,837,506)	(5,710,097)
Impact of changes in foreign exchange rate	-	-	-	(218,384)	(218,384)
At December 31, 2019	$32,369,623	$ 14,396,370	$34,850,000	$18,051,565	$ 99,667,558

	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowings (including current portion)	Liabilities from financial activities-gross
At January 1, 2018	$23,142,134	$ 1,579,763	$39,750,000	$36,270,554	$ 100,742,451
Changes in cash flow from financing activities	8,805,907	10,910,780	(5,700,000)	(9,346,696)	4,669,991
Impact of changes in foreign exchange rate	-	-	-	183,597	183,597
At December 31, 2018	$31,948,041	$ 12,490,543	$34,050,000	$27,107,455	$ 105,596,039

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.	〃
Su Hua Transport Corp. (Su Hua Transport Corp. was merged into Formosa Plastics Transport Corp. on July 1, 2018, and Formosa Plastics Transport Corp. was the surviving company.)	〃
Formosa Synthetic Rubber Corp.	〃
Formosa Synthetic Rubber (Ningbo) Corp.	〃
Mai Liao Power Corp.	〃
Formosa Environmental Technology Corp.	〃
Hwa Ya Science Park Management Consulting Corp.	〃
Formosa Resourses Corp.	〃
Formosa Construction Corp.	〃
Formosa Fairway Corporation	〃
Kuang Yueh Co., Ltd.	〃
Formosa Group (Cayman) Corp.	〃
FG Inc.	〃
Formosa Advanced Technologies Co., Ltd.	〃
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 Optical Corp.	〃
Nan Ya PCB Corp.	〃
Nan Ya Electronic Materials Co., Ltd.	〃
Formosa Automobile Sales Corporation	〃
Formosa Petrochemical Transportation	〃
Formosa Lithium Iron Oxide Corp.	〃
Chang Gung University	〃
Chang Gung Memorial Hospital	〃
Chang Gung Biotechnology Co., Ltd.	〃
Yue Chi Development Corp	〃
PFG Fiber Glass Corp.	〃
Formosa Plastics Marine Corp.	〃

Names of related parties	Relationship with the Group
Formosa Plastics Marine Co., Ltd.	Other related party
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 Corp.	〃
Bio Trust International Corp.	〃
Formosa Ha Tinh (Cayman) Ltd.	〃
Formosa Ha Tinh Steel Corp. -TW	〃
Formosa Ha Tinh Steel Corp.	〃
BP Chemicals (Malaysia) SDN Corp.	〃
Idemitsu Kosan Co., Ltd.	〃
Idemitsu Chemicals (Hong Kong) Co., Ltd.	〃
Idemitsu Chemicals U.S.A Corp.	〃
Yugen Co., Ltd.	〃
Yumaowu Enterprise Co., Ltd.	〃
Yu Yuang Textile Co., Ltd.	〃
Yu Maowu Complex Co., Ltd.	〃
Kuang Yueh (Vietnam) Co., Ltd.	〃
Hua Ya Power Corp.	〃
Asia Pacific Technology Corp	〃
Ya Tai Development Co., Ltd.	〃
Kong You Industrial Co., Ltd.	〃
Hong Jing Metal Corp.	〃
Formosa Industrues (Ningbo) Co., Ltd.	〃
Nanya Plastic Industry (Anshan) Co., Ltd.	〃
South Asia Electronic Materials (Kunshan) Co., Ltd.	〃
Nan Ya Plastics Film (Nantong) Co., Ltd.	〃
Nan Ya Plastics (Hui Zhou) Co., Ltd.	〃
Nan Ya Chemical Fiber (Kunshan) Co., Ltd.	〃
Nanya (Xiamen) Plastic Co., Ltd.	〃
NanYa Rigid Film (Guangzhou) Co., Ltd.	〃
Asia Pactfic Investnent Co.	〃
Nan Ya Printed Circuit Board Corp.	〃
Formosa Automobile Corp.	〃
Taisuwang Commerce and Trade Co., Ltd.	〃

Names of related parties	Relationship with the Group
Huaya Steel Co., Ltd.	Other related party
Fuxin Special Steel Co., Ltd.	〃

(2) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,			
	2019		2018	
Sales of goods:				
— Associates	$	19,485,957	$	33,510,757
— Other related parties		45,946,643		58,844,020
	$	65,432,600	$	92,354,777

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,			
	2019		2018	
Purchases of goods:				
— Associates				
Formosa Petrochemical Corp.	$	115,927,530	$	167,550,868
Others		2,130		1,286
— Other related parties		20,892,945		28,628,521
	$	136,822,605	$	196,180,675

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, 2019		December 31, 2018	
Receivables from related parties:				
— Associates	$	1,444,696	$	2,606,441
— Other related parties		3,699,054		5,869,483
	$	5,143,750	$	8,475,924

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, 2019	December 31, 2018
Payables to related parties:		
— Associates		
Formosa Petrochemical Corp.	$ 9,419,596	$ 12,554,549
Others	-	54
— Other related parties	1,958,397	3,343,498
	$ 11,377,993	$ 15,898,101

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,	
	2019	2018
Expansion and repair works of factory sites		
— Other related parties	$ 385,576	$ 419,893
— Associates	301,754	270,484
	$ 687,330	$ 690,377

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

	December 31, 2019	December 31, 2018
Payables to related parties:		
— Associates	$ 250	$ 35
— Other related parties	13,070	10,126
	$ 13,320	$ 10,161

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, 2019	December 31, 2018
— Associates		
Formosa Heavy Industries Corp.	$ 7,150,000	$ 5,900,000
Others	-	170,160
	7,150,000	6,070,160
— Other related parties		
Formosa Plastics Marine Co., Ltd.	5,648,836	5,306,642
	5,648,836	5,306,642
	$ 12,798,836	$ 11,376,802

(ii)Interest income

	For the years ended December 31,	
	2019	2018
— Associates		
Formosa Group (Cayman) Corp.	$ -	$ 32,211
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	-	97,427
Formosa Heavy Industries Corp.	63,193	36,920
Others	6,302	4,739
	69,495	171,297
— Other related parties		
Formosa Plastics Marine Co., Ltd.	81,476	64,582
Formosa Ha Tinh (Cayman) Limited	-	17,373
Others	835	-
	82,311	81,955
	$ 151,806	$ 253,252

The loan terms to related parties are in accordance with the contract's repayment schedule after the loan is made; interest was collected at 1.41%~3.48% per annum for the years ended December 31, 2019 and 2018.

(b) Loans from related parties:

i.Interest expense

	For the years ended December 31, 2019	2018
— Associates	$ 3	$ 349

The loan terms from associates are in accordance with the contract's repayment schedule after the loan is made; interest is paid at a rate of 1.41%~1.42% and 1.41% per annum for the years ended December 31, 2019 and 2018, respectively.

G. Receivables for payment on behalf of others

	December 31, 2019	December 31, 2018
— Other related parties	$ 27	$ 3,369

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

H. Operating expenses

	For the years ended December 31, 2019	2018
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	$ 1,435,511	$ 1,275,615
Formosa Plastics Transport (Ningbo) Corp.	925,829	873,302
Others	192,074	-
	$ 2,553,414	$ 2,148,917

I. Rental revenue

	For the years ended December 31, 2019	2018
— Associates		
Formosa Petrochemical Corp.	$ 21,215	$ 20,144
Others	12,346	11,394
	33,561	31,538
— Other related parties		
Nan Ya Plastics Corp.	26,391	26,489
Formosa Plastics Building Parking Lot	15,130	15,365
Formosa Network Technology Corp.	15,400	15,400
Others	30,028	31,448
	86,949	88,702
	$ 120,510	$ 120,240

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

J. Property transactions:

(a) Acquisition of property, plant and equipment

	For the years ended December 31,	
	2019	2018
Purchase of property, plant and equipment		
— Associates	$ 276,397	$ 276,376
— Other related parties	70,849	147,998
	$ 347,246	$ 424,374

(b) Disposal of property, plant and equipment

	For the years ended December 31,			
	2019		2018	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
— Associates	$ -	$ -	$ 24,967	$ -

(c) Acquisition of financial assets

	Accounts	No. of shares	Objects	For the year ended December 31, 2019 Consideration
Formosa Synthetic Rubber Corp. (Taiwan)	Investments accounted for using equity method	4,600,000	Formosa Synthetic Rubber Corp. (Taiwan)	$ 46,000
Formosa Resourses Corp.	Investments accounted for using equity method	157,000,000	Formosa Resources Corp. (Cayman)	1,570,000
FG Inc.	Investments accounted for using equity method	-	FG Inc.	764,280
				$ 2,380,280

	Accounts	No. of shares	Objects	For the year ended December 31, 2018 Consideration	
Formosa Synthetic Rubber Corp. (Hong Kong)	Investments accounted for using equity method	65,000,000	Formosa Synthetic Rubber Corp. (Hong Kong)	$	2,011,490
Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	56,470,747	Formosa Ha Tinh (Cayman) Limited		2,242,487
				$	4,253,977

(d) Disposal of financial assets

	Accounts	No. of shares	Objects	For the year ended December 31, 2019 Proceeds	Gain/(Loss)	
Nan Ya Technology Corporation	Investments accounted for using equity method	57,489,000	Formosa Advanced Technologies Co., Ltd.	$ 2,042,668	$ 1,638,610	
Nan Ya PCB Corp.	Investments accounted for using equity method	13,267,000	Formosa Advanced Technologies Co., Ltd.	471,396	378,150	
				$ 2,514,064	$ 2,016,760	Note 1

	Accounts	No. of shares	Objects	For the year ended December 31, 2018 Proceeds	Gain/(Loss)
Nan Ya Technology Corporation	Investments accounted for using equity method	84,022,000	Formosa Advanced Technologies Co., Ltd.	$ 3,039,857	Note 2

Note 1: Includes gain on remeasurement of remaining investments at fair value amounting to $1,332,446. Please refer to Note 6(9) for further information.

Note 2: The gain on disposal (including the portion attributable to non-controlling interests) of $980,948 was reclassified to capital surplus

K. Donation:

	For the years ended December 31,	
	2019	2018
— Other related parties	$ 14,839	$ 3,612

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

M.Details of affiliates endorsed/guaranteed and commitment letter for the associate are provided in Notes 9(3) and (4).

(3) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries	$ 158,679	$ 172,209
Post-employment benefits	1,605	1,627
	$ 160,284	$ 173,836

8. Pledged Assets

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

	Book value		
Pledged assets	December 31, 2019	December 31, 2018	Purpose
Property, plant and equipment	$ 5,888,149	$ 5,908,848	Collateral for bank loans
Inventory	21,264	21,264	Limited transfer for land tax reassessment and collateral
	$ 5,909,413	$ 5,930,112	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

The details of commitments and contingencies as of December 31, 2019 were as follows:

(1) Capital expenditures of property, plant and equipment that were contracted but not yet paid amounted to $8,081,401 thousand, RMB 949,109 thousand and VND 251,166,924 thousand.

(2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 17,571 thousand, JPY 1,009 thousand and EUR 6,174 thousand.

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

	December 31, 2019	December 31, 2018
Formosa Industries Corp.	$ 602,120	$ 5,043,547
Formosa Resources Corp.	3,236,395	3,303,798
Formosa Group (Cayman) Corp.	7,526,500	19,208,125
Formosa Ha Tinh (Cayman) Corp.	27,708,143	21,268,361
Formosa Taffeta (Zhong Shan) Co., Ltd.	29,980	230,363
Formosa Taffeta (Vietnam) Co., Ltd.	603,494	307,028
Formosa Taffeta (Changshu) Co., Ltd.	293,174	272,011
Formosa Taffeta (Dong Nai) Co., Ltd.	2,876,937	3,080,801
Public More Internation Co., Ltd.	3,000	3,000
	$ 42,879,743	$ 52,717,034

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

A. The Group's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided with a bank loan facility of USD 2.22 billion to meet the operational needs. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower fulfills its obligation for repayment.

B. The Group's consolidated entity, Formosa Chemicals Industries (Ningbo) Limited Co., entered into a syndicated loan contract with the syndicated banking group led by Mega International Commercial Bank, arranging the credit facilities of USD 155 million or equal value of RMB to meet the capital needs of building the plant. The Company is required to issue a promissory note and is obliged to facilitate the repayment of the borrower whenever necessary.

(5) Contingencies - litigation

A. In August 2019, Taiwan Cooperative Bank Ltd. and DBS Bank (Taiwan) Ltd. filed a complaint against the Group's subsidiaries, Formosa Taffeta Co., Ltd. ("Formosa Taffeta") and Formosa Taffeta Dong Nai Co., Ltd. ("Formosa Taffeta Dong Nai"), alleging that several employees of Formosa Taffeta and Formosa Taffeta Dong Nai, instead of making truthful representations during the credit assessment procedures, cooperated with New Site Industries, Inc. ("New Site") and New Brite Industries, Inc. ("New Brite") in making false statements and providing misleading information with regard to the fact that New Site and New Brite owned the accounts receivable due from Formosa Taffeta and Formosa Taffeta Dong Nai, thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that Formosa Taffeta and Formosa Taffeta Dong Nai shall be liable for the losses incurred due to the poor supervision. Formosa Taffeta and Formosa Taffeta Dong Nai Co., Ltd. have appointed an attorney to represent them. Based on the opinion of the Group's legal counsel, it is difficult to predict the judge's decision at this stage as the case is still in the course of preliminary proceedings at the court of first instance. Therefore, the outcome and impact of the case cannot yet be determined.

B. In February 2020, O-Bank Co., Ltd. filed a complaint against the Group's subsidiaries, Formosa Taffeta Co., Ltd. ("Formosa Taffeta"), alleging that several employees of Formosa Taffeta, instead of making truthful representations during the credit assessment procedures, cooperated with New Site Industries, Inc. ("New Site"), New Brite Industries., Inc. ("New Brite"), Highlite Industries, Inc. and Loomtech Industries, Inc. (collectively referred herein as "New Brite Group") in making false statements and providing misleading information with regard to the fact that New Brite Group owned the accounts receivable due from Formosa Taffeta, thereby causing losses to the plaintiffs. As a result, the plaintiffs alleged that Formosa Taffeta shall be liable for the losses incurred due to the poor supervision. Formosa Taffeta has appointed an attorney to represent them. Based on the opinion of the Group's legal counsel, it is difficult to predict the judge's decision at this stage as the case is still in the course of preliminary proceedings at the court of first instance. Therefore, the outcome and impact of the case cannot yet be determined.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

(1) The Board of Directors has resolved the appropriations of 2019 earnings on March 13, 2020. Details are provided in Note 6(16) F.

(2) On January 13, 2020, the Group's subsidiary, Formosa Taffeta, officially invested in Schoeller Textil AG for a consideration of CHF 39,580 thousand. Formosa Taffeta will acquire 50% equity interest when the capital increase is completed, and the transfer of shares will be completed in March 2020.

(3) On March 13, 2020, the Board of Directors of the Company and its subsidiary, Formosa Taffeta, during their meeting resolved to increase their capital in the reinvested company, FG INC., in proportion to their shareholding ratios of 30% and 3%, respectively. The Company and its subsidiary, Formosa Taffeta, additionally invested in FG INC. amounting to USD 12,900 thousand and USD 1,290 thousand, respectively, and the Group's accumulated investments in FG INC. amounted to USD 136,290 thousand.

12. Others

(1) Litigation

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

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

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

Because of the Changhua plant shutdown, the Company has assessed that part of idle production equipment may not be recoverable. Accordingly, the Company recognised impairment loss on property, plant and equipment amounting to $466,785 for the year ended December 31, 2016. On November 16, 2017, the Company received a violation decision from Changhua County Government of an enhanced fine amounting to NT$1.244 billion pursuant to Article 7 of Environmental Impact Assessment Act. The fine was levied on the ground that the indigenous coal used in the combined heat and power system is contrary to that indicated in the Environmental Impact Statement. The lawyers have filed an appeal with the Environmental Protection Administration (EPA) on behalf of the Company on November 22, 2017. On December 19, 2017, Changhua Country Government consented to suspend the fine until the appeal was concluded as stated in Letter No. Fu-Sho-Huan-Zong-Zi-1060429733. On December 11, 2017, the Company stated its opinion in EPA to dispute the fine. On February 14, 2018, the Company was informed that the decision on the appeal was postponed for two months in EPA's Letter No. Huan-Shu-Zi-1070014111. On March 8, 2018, the EPA ruled to revoke the violation decision of Changhua County Government amounting to NT$1.244 billion and dismiss the Company's suspension application. Subsequently, the Company submitted an application to the EPA for the withdrawal of the appeal on April 18, 2019, which has been approved by the EPA on April 19, 2019.

(2) Capital management

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

The Group's management strategy of its debt-to-capital ratio for the year ended December 31, 2019 is the same as that for the year ended December 31, 2018. As of December 31, 2019 and 2018, the Group's debt-to-capital ratio was 17% and 15%, respectively.

(3) Financial instruments

A. Financial instruments by category

		December 31, 2019		December 31, 2018
Financial assets				
Financial assets at fair value through profit or loss	$	4,044,087	$	4,496,354
Financial assets at fair value through other comprehensive income		177,684,482		186,921,722
Financial assets at amortised cost		63,980,006		95,487,943
	$	245,708,575	$	286,906,019
Financial liabilities				
Financial liabilities at fair value through profit or loss	$	80	$	774
Financial liabilities at amortised cost		127,501,867		140,218,069
Lease liability		908,769		-
	$	128,410,716	$	140,218,843

Note: Financial assets measured at amortised cost including cash, contract assets, accounts and notes receivable, other receivables, and refundable deposits. Financial liabilities measured at amortised cost including short-term borrowings, accounts and notes payable, other payables, long-term borrowings (including those maturing within one year or one business cycle), corporate bonds payable (including those maturing within one year or one business cycle), and guarantee deposits received.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk.

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

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Notes 6 (2) and (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, 2019				
		Foreign Currency Amount (In Thousands)	Exchange Rate		Book Value (NTD)
Financial assets					
Monetary items					
USD：NTD	$	472,123	30.11	$	14,215,624
JPY：NTD		260,581	0.28		72,963
Non-monetary items					
RMB：NTD	$	12,218,534	4.32	$	52,784,067
USD：NTD		534,034	30.11		16,079,764
VND：NTD		7,761,862,792	0.0013		10,090,422
JPY：NTD					-
Financial liabilities					
Monetary items					
USD：NTD	$	42,257	30.11	$	1,272,358
JPY：NTD		137,348	0.28		38,457
USD：RMB		5,930	30.11		178,552
USD：VND		327,003	30.11		9,846,060

	December 31, 2018		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ 689,795	30.73	$ 21,197,400
JPY：NTD	481,746	0.28	134,889
Non-monetary items			
RMB：NTD	$ 10,526,674	4.48	$ 47,159,500
USD：NTD	683,546	30.73	21,005,369
VND：NTD	7,623,579,853	0.0013	9,910,654
Financial liabilities			
Monetary items			
USD：NTD	$ 55,502	30.73	$ 1,705,576
JPY：NTD	113,665	0.28	31,826
USD：RMB	80,857	30.73	2,484,736
USD：VND	365,100	30.73	11,219,523

v. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to $26,569 and $526,467, respectively.

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

	For the year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD：NTD	1%	$ 142,156	$ -
JPY：NTD	1%	730	-
EUR:NTD		-	
Non-monetary items			
RMB：NTD	1%	$ -	$ 527,841
USD：NTD	1%	-	160,798
VND：NTD	1%	-	100,904
JPY：NTD			
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 12,724	$ -
JPY：NTD	1%	385	-
USD：RMB	1%	1,786	-
USD：VND	1%	98,461	-

	For the year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD：NTD	1%	$ 211,974	$ -
JPY：NTD	1%	1,349	-
Non-monetary items			
RMB：NTD	1%	$ -	$ 471,595
USD：NTD	1%	-	210,054
VND：NTD	1%	-	99,107
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 17,056	$ -
JPY：NTD	1%	318	-
USD：RMB	1%	24,847	-
USD：VND	1%	112,195	-

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, 2019 and 2018 would have increased/decreased by $32,352 and $35,965, 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 $1,776,845 and $1,869,217, 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, 2019 and 2018, 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, 2019 and 2018, if interest rates on denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years then ended would have been $144,413 and $216,860 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, and the contract cash flows of instruments stated at fair value through other comprehensive income.

ii. The Group manages their 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, 2019 and 2018, the Group has no written-off financial assets that are still under recourse procedures.

v. The Group used the forecastability of Directorate-General of Budget, Accounting and Statistics, Executive Yuan and Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31 to 90 days past due	Over 91 days past due
December 31, 2019				
Expected loss rate	0.07%~0.87%	5.49%~7.50%	55.23%~100.00%	97.34%~100.00%
Total book value	$ 27,956,124	$ 184,961	$ 59,370	$ 177,743
Loss allowance	$ 59,989	$ 11,897	$ 37,863	$ 177,644
December 31, 2018				
Expected loss rate	0.03%~0.77%	1.88%~9.11%	47.41%~100.00%	74.95%~100.00%
Total book value	$ 43,811,791	$ 720,658	$ 63,551	$ 138,993
Loss allowance	$ 60,447	$ 24,747	$ 34,165	$ 137,695

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

	December 31, 2019	December 31, 2018
Not past due	$ 27,956,124	$ 43,811,791
Up to 30 days past due	184,961	720,658
31 to 90 days past due	59,370	63,551
Over 91 days past due	177,743	138,993
	$ 28,378,198	$ 44,734,993

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, 2019		
	Accounts receivable	Contract assets	Notes receivable
At January 1	$ 252,085	$ -	$ -
Impairment loss	40,437	-	-
Effect of exchange rate changes	(7,798)	-	-
At December 31	$ 284,724	$ -	$ -

	For the year ended December 31, 2018		
	Accounts receivable	Contract assets	Notes receivable
At January 1	$ 257,573	$ -	$ -
Effect of exchange rate changes	-	-	-
At December 31	$ 257,573	$ -	$ -

(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:

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Lease liability	$ 51,006	$ 43,646	$ 22,056	$ 12,771
Bonds payable	2,750,000	-	13,800,000	18,300,000
Long-term borrowings	3,937,482	6,657,498	7,456,585	-

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Bonds payable	$ 6,200,000	$ 2,750,000	$ 6,600,000	$ 18,500,000
Long-term borrowings	10,355,497	14,069,212	2,682,746	-

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

Derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Forward exchange contracts	$ 80	$ -	$ -	$ -

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Forward exchange contracts	$ 774	$ -	$ -	$ -

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

(4) Fair value estimation

A. 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 of 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:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Beneficiary certificate	$ -	$ 119	$ -	$ 119
Fund	-	4,043,968	-	4,043,968
Financial assets at fair value through other comprehensive income				
Equity securities	143,847,398	2,553,194	31,283,890	177,684,482
	$ 143,847,398	$ 6,597,281	$ 31,283,890	$ 181,728,569
Liabilities:				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 80	$ -	$ 80

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Beneficiary certificate	$ 479,490	$ -	$ -	$ 479,490
Derivative instruments	-	-	-	-
Fund	-	4,016,864	-	4,016,864
Financial assets at fair value through other comprehensive income				
Equity securities	142,424,813	2,970,628	41,526,281	186,921,722
	$ 142,904,303	$ 6,987,492	$ 41,526,281	$ 191,418,076

December 31, 2018	Level 1	Level 2	Level 3	Total
Liabilities:				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 774	$ -	$ 774

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:

	Listed shares	Open-end fund
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, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the year ended December 31, 2019 and 2018:

		For the year ended December 31, 2019
		Non-derivative equity instrument
At January 1	$	41,526,281
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	10,310,780)
Effect of exchange rate changes		68,389
At December 31	$	31,283,890

		For the year ended December 31, 2018
		Non-derivative equity instrument
At January 1	$	25,093,528
Effect of retrospective adjustment and retrospective restatement		17,468,376
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	(	1,210,334)
Effect of exchange rate changes		174,711
At December 31	$	41,526,281

G. For the years ended December 31, 2019 and 2018, 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, 2019	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 14,897,653	$ 18,453,269	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
	1,199,050	1,116,542	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
	15,187,187	21,956,470	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 of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2019	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	± 1%	$ 148,977	$ 148,977
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%	$ 11,991	$ 11,991

			December 31, 2018	
			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%	$ 184,533	$ 184,533
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%	$ 11,165	$ 11,165

13. Supplementary Disclosures

(1) Significant transactions information

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

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

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

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

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

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: 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: Please refer to Notes 6(2), and (9); 12(3) and (4).

J. Significant intragroup transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. Segment Information

(1) General information

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

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

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

3rd Petrochemical Div: responsible for production of purified terephthalic acid.

Plastics Division: responsible for production of ABS resin, polypropylene and PS.

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

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

(2) Measurement of segment information

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

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

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

	For the year ended December 31, 2019									
	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div	Plastics Division	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Other divisions	Reconciliation and offset	Discontinued operations	Total
External revenue	$ 26,686,021	$ 41,705,961	$ 62,906,487	$ 100,157,654	$ 27,037,943	$ 8,867,872	$ 57,004,997	$ -	($ 8,867,872)	$ 315,499,063
Internal revenue	64,086,511	26,896,779	3,454,634	14,061,828	430,851	-	11,374,532	(120,305,135)	-	-
Total revenue	$ 90,772,532	$ 68,602,740	$ 66,361,121	$ 114,219,482	$ 27,468,794	$ 8,867,872	$ 68,379,529	($ 120,305,135)	($ 8,867,872)	$ 315,499,063
Segment profit (loss)	$ 3,151,252	$ 4,307,235	$ 479,519	$ 5,117,590	$ 5,593,387	$ 1,526,054	$ 25,528,414	($ 7,069,927)	($ 1,526,054)	$ 37,107,470
Segment income (loss): Total depreciation and amortisation	$ 3,518,215	$ 2,596,700	$ 2,410,656	$ 2,269,816	$ 784,268	$ 1,599,861	$ 5,320,517	($ 17,311)	($ 1,599,861)	$ 16,882,861
Interest expense	$ 210,167	$ 215,411	$ 100,740	$ 315,676	$ 78,786	$ 5,591	$ 1,100,801	($ 186,897)	($ 5,591)	$ 1,834,684
Investment income accounted for using										$ 9,214,254
Not included in segments' income measurement, but regularly provided to operating decision-maker:										
Income tax expense										$ 3,861,643
Total assets of segments	$ 35,888,905	$ 29,633,438	$ 32,990,500	$ 41,235,313	$ 75,380,191	$ -	$ 455,650,853	($ 120,230,183)	$ -	$ 550,549,017

For the year ended December 31, 2018

	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div	Plastics Division	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Other divisions	Reconciliation and offset	Discontinued operations	Total
External revenue	$ 58,349,628	$ 61,240,514	$ 70,701,049	$ 118,074,185	$ 27,207,360	$ 8,785,525	$ 63,501,504	$ -	($ 8,785,525)	$ 399,074,240
Internal revenue	84,842,999	35,661,638	4,898,096	17,329,694	386,125	-	12,124,178	(155,242,730)	-	-
Total revenue	$ 143,192,627	$ 96,902,152	$ 75,599,145	$ 135,403,879	$ 27,593,485	$ 8,785,525	$ 75,625,682	($ 155,242,730)	($ 8,785,525)	$ 399,074,240
Segment profit (loss)	$ 8,596,978	$ 12,857,003	$ 4,805,996	$ 6,643,628	$ 5,255,762	$ 1,750,953	$ 31,851,030	($ 8,045,105)	($ 1,750,953)	$ 61,965,292
Segment income (loss):										
Total depreciation and amortisation	$ 3,832,045	$ 2,633,442	$ 3,130,805	$ 2,188,764	$ 715,860	$ 1,177,441	$ 5,156,986	$ -	($ 1,177,441)	$ 17,657,902
Interest expense	$ 238,403	$ 418,244	$ 112,981	$ 426,453	$ 103,358	$ 1	$ 1,024,447	($ 24,188)	($ 1)	$ 2,299,698
Investment income accounted for using										$ 15,037,424
Not included in segments' income measurement, but regularly provided to operating decision-maker:										
Income tax expense										$ 8,275,227
Total assets of segments	$ 38,733,909	$ 30,995,726	$ 35,938,602	$ 52,609,221	$ 80,499,503	$ 12,674,574	$ 462,209,074	($ 122,159,677)	$ -	$ 591,500,932

The Group adopts IFRS 16, 'Leases', effects of the adoption to segment on December 31, 2019 are listed below:

	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div	Plastics Division	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Other divisions	Reconciliation and offset	Discontinued operations	Total
Depreciation expense	$ -	$ 2,142	$ 23,232	$ 6,766	$ 134,480	$ -	$ 49,707	($ 17,311)	$ -	$ 199,016
Asset of segment	$ -	$ 70,958	$ 151,107	$ 80,380	$ 784,563	$ -	$ 617,831	($ 59,640)	$ -	$ 1,645,199
Liabilities of segment	$ -	$ -	$ 57,859	$ 23,152	$ 788,594	$ -	$ 99,210	($ 60,046)	$ -	$ 908,769

(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, 2019	For the years ended December 31, 2018
Sales revenue	$ 323,481,616	$ 406,840,725
Service revenue	475,094	521,498
Other operating income	410,225	497,542
	324,366,935	407,859,765
Less: discontinued operations	(8,867,872)	(8,785,525)
	$ 315,499,063	$ 399,074,240

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 94,690,143	$ 72,591,040	$ 167,225,945	$ 77,947,452
China	168,654,005	37,771,003	171,382,664	35,579,188
Others	61,022,787	25,620,168	69,251,156	24,005,171
	324,366,935	135,982,211	407,859,765	137,531,811
Less: discontinued operations	(8,867,872)	-	(8,785,525)	-
	$ 315,499,063	$ 135,982,211	$ 399,074,240	$ 137,531,811

(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, 2019 and 2018: None.

FORMOSA CHEMICALS & FIBRE CORPORATION

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

FORMOSA CHEMICALS & FIBRE CORPORATION

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000237

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

Opinion

We have audited the accompanying parent company only balance sheets of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the *Other Matter – Audits of the Other Independent Accountants* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of FORMOSA CHEMICALS & FIBRE CORPORATION as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

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

Key audit matters

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

Assessment of loss allowance for accounts receivable

Description

Refer to Note 4(9) of parent company only financial statements for accounting policy on accounts receivable, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, and Note 6(4) for details of loss allowance for accounts receivable. As of December 31, 2019, the Company's accounts receivable amounted to NT$18,475,337 thousand, net of loss allowance in the amount of NT$200,834 thousand.

The Company assessed 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 recognised impairment with a credit to accounts receivable. Management evaluates the reasonableness of estimated provision periodically. As the estimation of loss allowance is subject to management's judgement and business indicators, the amount of provision is based on the collectability of accounts receivable, and considering that accounts receivable and loss allowance are material to the financial statements, we consider the loss allowance for accounts receivable a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

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

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

Evaluation of inventories

Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for detailed information on allowance for inventory valuation losses. As of December 31, 2019, the inventory and allowance for inventory valuation losses were NT$19,737,670 thousand and NT$691,634 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 allowance for inventory valuation losses as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

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

Other matter – audits of the other independent accountants

We did not audit the financial statements of certain investments accounted for under the equity method. Investments accounted for under the equity method amounted to NT$116,967,421 thousand and NT$117,816,823 thousand, both constituting 25% of total assets as of December 31, 2019 and 2018, respectively and comprehensive income was NT$7,912,093 thousand and NT$12,678,194 thousand, constituting 35% and 38% of total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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

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

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

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

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

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

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

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

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

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

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

Wu, Han-Chi Chou, Chien-Hung

for and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2020

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

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

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

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 685,005	-	$ 13,078,861	3
1110	Financial assets at fair value through profit or loss - current	6(2)	4,043,968	1	4,016,864	1
1120	Current financial assets at fair value through other comprehensive income	6(3)	109,009,928	24	101,602,443	21
1150	Notes receivable, net	6(4)	216,389	-	390,702	-
1160	Notes receivable - related parties	6(4) and 7	44,999	-	331,826	-
1170	Accounts receivable, net	6(4)	5,635,861	1	7,578,823	2
1180	Accounts receivable - related parties	6(4) and 7	12,839,476	3	17,772,122	4
1200	Other receivables	7	1,059,415	-	2,780,938	1
1210	Other receivables - related parties	7	12,798,836	3	11,253,442	2
130X	Inventory	6(5)	19,046,036	4	18,218,122	4
1470	Other current assets	7	3,032,965	1	2,001,794	-
11XX	**Total current assets**		168,412,878	37	179,025,937	38
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	15,802,133	3	19,076,660	4
1550	Investments accounted for under equity method	6(6)	212,083,684	46	215,607,318	45
1600	Property, plant and equipment	6(7)	53,342,392	12	53,141,664	11
1755	Right-of-use assets	6(8)	25,272	-	-	-
1840	Deferred income tax assets	6(23)	2,245,198	-	2,173,083	1
1900	Other non-current assets		7,607,343	2	6,122,759	1
15XX	**Total non-current assets**		291,106,022	63	296,121,484	62
1XXX	**Total assets**		$ 459,518,900	100	$ 475,147,421	100

(Continued)

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

	Liabilities and equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)	$ 21,057,000	5	$ 9,637,300	2
2110	Short-term notes and bills payable	6(9)	14,396,370	3	12,490,543	3
2170	Accounts payable		2,111,358	1	2,550,526	-
2180	Accounts payable - related parties	7	10,027,809	2	13,340,105	3
2200	Other payables	7	5,982,156	1	7,969,928	2
2230	Current income tax liabilities		461,912	-	3,726,016	1
2280	Current lease liabilities		4,721	-	-	-
2320	Long-term liabilities, current portion	6(10)(11)	5,438,889	1	11,888,889	2
2399	Other current liabilities		3,912,922	1	4,707,391	1
21XX	**Total current liabilities**		63,393,137	14	66,310,698	14
	Non-current liabilities					
2530	Corporate bonds payable	6(10)	32,100,000	7	27,850,000	6
2540	Long-term borrowings	6(11)	1,344,444	-	4,833,333	1
2570	Deferred income tax liabilities	6(23)	49,271	-	58,857	-
2580	Non-current lease liabilities		20,726	-	-	-
2600	Other non-current liabilities	6(12)	6,096,651	1	6,285,659	1
25XX	**Total non-current liabilities**		39,611,092	8	39,027,849	8
2XXX	**Total liabilities**		103,004,229	22	105,338,547	22
	Equity					
	Share capital	6(13)				
3110	Common stock		58,611,863	13	58,611,863	12
	Capital surplus	6(14)				
3200	Capital surplus		9,138,869	2	9,084,142	2
	Retained earnings	6(15)				
3310	Legal reserve		61,364,852	14	56,487,920	12
3320	Special reserve		60,171,925	13	53,131,385	11
3350	Unappropriated retained earnings		64,990,184	14	84,098,904	18
	Other equity interest					
3400	Other equity interest	6(16)	102,560,930	22	108,933,674	23
3500	Treasury stocks	6(13)	(323,952)	-	(539,014)	-
3XXX	**Total equity**		356,514,671	78	369,808,874	78
	Significant contingent liabilities and unrecognised contract commitments	9 and 11				
	Significant events after the balance sheet date					
3X2X	**Total liabilities and equity**		$ 459,518,900	100	$ 475,147,421	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
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	**Operating revenue**	6(17) and 7	$ 198,210,058	100	$ 273,592,139	100
5000	**Operating costs**	6(5)(21)(22) and 7	(181,514,346)	(92)	(241,080,029)	(88)
5900	**Net operating margin**		16,695,712	8	32,512,110	12
5910	Unrealised profit from sales		(285,173)	-	(539,952)	-
5920	Realised profit from sales		539,952	-	295,568	-
5950	**Net operating margin**		16,950,491	8	32,267,726	12
	Operating expenses	6(12)(21)(22) and 7				
6100	Selling expenses		(4,834,267)	(2)	(4,809,461)	(2)
6200	General and administrative expenses		(3,908,145)	(2)	(3,734,928)	(1)
6000	**Total operating expenses**		(8,742,412)	(4)	(8,544,389)	(3)
6900	**Operating profit**		8,208,079	4	23,723,337	9
	Non-operating income and expenses					
7010	Other income	6(18) and 7	8,787,965	4	8,337,339	3
7020	Other gains and losses	6(19)	15,227	-	888,791	-
7050	Finance costs	6(7)(20) and 7	(933,004)	-	(1,023,172)	-
7070	Share of profit of associates and joint ventures accounted for under equity method	6(6)	15,820,271	8	22,422,542	8
7000	**Total non-operating income and expenses**		23,690,459	12	30,625,500	11
7900	**Profit before income tax**		31,898,538	16	54,348,837	20
7950	Income tax expense	6(23)	(2,196,296)	(1)	(5,579,520)	(2)
8200	**Profit for the year**		$ 29,702,242	15	$ 48,769,317	18
	Other comprehensive income (net)					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gains (losses) on defined benefit plans	6(12)	($ 354,337)	-	($ 165,987)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(16)	4,140,707	2	(9,154,617)	(4)
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(7,884,276)	(4)	(6,405,416)	(2)
8310	**Other comprehensive loss that will not be reclassified to profit or loss**		(4,097,906)	(2)	(15,726,020)	(6)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(16)	(2,616,345)	(1)	(390,286)	-
8380	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method		(657,412)	-	489,240	-
8399	Income tax relating to the components of other comprehensive income	6(16)(23)	542,926	-	116,104	-
8360	**Other comprehensive (loss) income that will be reclassified to profit or loss**		(2,730,831)	(1)	215,058	-
8300	**Other comprehensive loss for the year**		($ 6,828,737)	(3)	($ 15,510,962)	(6)
8500	**Total comprehensive income for the year**		$ 22,873,505	12	$ 33,258,355	12

		Notes	2019 Before Tax	2019 After Tax	2018 Before Tax	2018 After Tax
	Basic earnings per share (in dollars)	6(23)				
9750	**Net income**		$ 5.47	$ 5.09	$ 9.32	$ 8.36
	Assuming shares held by subsidiary are not deemed as treasury stock:					
	Basic earnings per share (in dollars)					
	Net income		$ 5.44	$ 5.07	$ 9.27	$ 8.32

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

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

				Retained Earnings			Other Equity Interest						
	Notes	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	Unrealised gain on available-for-sale financial assets	Hedging instrument gain on effective hedge of cash flow hedges	Gains (losses) on hedging instruments	Treasury stocks	Total
For the year ended December 31, 2018													
Balance at January 1, 2018		$ 58,611,863	$ 8,682,798	$ 51,046,840	$ 46,567,089	$ 84,218,728	($ 2,052,251)	$ -	$ 111,213,200	$ 8,077	$ -	($ 626,468)	$ 357,669,876
Effects of retrospective application and retrospective restatement		-	-	-	-	5,114,398	-	125,624,639	(111,213,200)	(8,077)	8,077	-	19,525,837
Balance at January 1 after adjustments		58,611,863	8,682,798	51,046,840	46,567,089	89,333,126	(2,052,251)	125,624,639	-	-	8,077	(626,468)	377,195,713
Profit for the year		-	-	-	-	48,769,317	-	-	-	-	-	-	48,769,317
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	(188,215)	239,000	(15,537,805)	-	-	(23,942)	-	(15,510,962)
Total comprehensive income (loss)		-	-	-	-	48,581,102	239,000	(15,537,805)	-	-	(23,942)	-	33,258,355
Appropriations of 2017 earnings	6(15)												
Legal reserve		-	-	5,441,080	-	(5,441,080)	-	-	-	-	-	-	-
Special reserve		-	-	-	6,564,296	(6,564,296)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(41,028,304)	-	-	-	-	-	-	(41,028,304)
Dividends paid to subsidiaries to adjust capital surplus	6(14)	-	58,076	-	-	-	-	-	-	-	-	-	58,076
Changes in the net interest of associates recognised under the equity method	6(14)	-	(22,638)	-	-	-	-	-	-	-	-	-	(22,638)
Expired cash dividends reclassified to capital surplus	6(14)	-	2,178	-	-	-	-	-	-	-	-	-	2,178
Expired dividends paid from capital surplus	6(14)	-	(532)	-	-	-	-	-	-	-	-	-	(532)
Adjustments in treasury stocks due to changes in proportion to its ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	87,454	87,454
Changes in ownership interests in subsidiaries	6(14)	-	364,260	-	-	(105,892)	-	-	-	-	-	-	258,368
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	(675,752)	-	675,956	-	-	-	-	204
Balance at December 31, 2018		$ 58,611,863	$ 9,084,142	$ 56,487,920	$ 53,131,385	$ 84,098,904	($ 1,813,251)	$ 110,762,790	$ -	$ -	($ 15,865)	($ 539,014)	$ 369,808,874
For the year ended December 31, 2019													
Balance at January 1, 2019		$ 58,611,863	$ 9,084,142	$ 56,487,920	$ 53,131,385	$ 84,098,904	($ 1,813,251)	$ 110,762,790	$ -	$ -	($ 15,865)	($ 539,014)	$ 369,808,874
Profit for the year		-	-	-	-	29,702,242	-	-	-	-	-	-	29,702,242
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	(454,682)	(2,747,355)	(3,643,224)	-	-	16,524	-	(6,828,737)
Total comprehensive income (loss)		-	-	-	-	29,247,560	(2,747,355)	(3,643,224)	-	-	16,524	-	22,873,505
Appropriations of 2018 earnings	6(15)												
Legal reserve		-	-	4,876,932	-	(4,876,932)	-	-	-	-	-	-	-
Special reserve		-	-	-	7,040,540	(7,040,540)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(36,339,355)	-	-	-	-	-	-	(36,339,355)
Dividends paid to subsidiaries to adjust capital surplus	6(14)	-	44,726	-	-	-	-	-	-	-	-	-	44,726
Changes in the net interest of associates recognised under the equity method	6(14)	-	(4,649)	-	-	-	-	-	-	-	-	-	(4,649)
Expired cash dividends reclassified to capital surplus	6(14)	-	6,869	-	-	-	-	-	-	-	-	-	6,869
Expired dividends paid from capital surplus	6(14)	-	(156)	-	-	-	-	-	-	-	-	-	(156)
Adjustments in treasury stocks due to changes in proportion to its ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	215,062	215,062
Changes in ownership interests in subsidiaries	6(14)	-	7,937	-	-	(98,142)	-	-	-	-	-	-	(90,205)
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	(1,311)	-	1,311	-	-	-	-	-
Balance at December 31, 2019		$ 58,611,863	$ 9,138,869	$ 61,364,852	$ 60,171,925	$ 64,990,184	($ 4,560,606)	$ 107,120,877	$ -	$ -	$ 659	($ 323,952)	$ 356,514,671

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
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 31,898,538	$ 54,348,837
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(21)	5,497,457	5,875,223
Amortization	6(21)	3,038,884	3,808,155
Net gain on financial assets and liabilities at fair value through profit or loss	6(19)	(27,104)	(215,870)
Interest expense	6(20)	933,004	1,023,172
Interest income	6(18)	(248,856)	(432,743)
Dividend income	6(18)	(7,935,339)	(7,010,822)
Share of profit or loss of associates accounted for under the equity method		(15,820,271)	(22,422,542)
Impairment loss on property, plant and equipment	6(7)(19)	-	313,855
Gain on disposal and scrap of property, plant and equipment	6(19)	(24,641)	(5,981)
Realised (gain) loss from sales		(254,779)	244,384
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		174,313	56,840
Notes receivable-related parties		286,827	(92,274)
Accounts receivable		1,942,962	1,291,712
Accounts receivable-related parties		4,932,646	(1,560,624)
Other receivables		1,700,334	(104,192)
Inventory		(827,914)	(978,667)
Other current assets		(1,031,171)	(459,602)
Changes in operating liabilities			
Accounts payable		(439,168)	(727,398)
Accounts payable-related parties		(3,312,296)	(2,207,546)
Other payables		(1,876,723)	675,931
Other current liabilities		(794,469)	672,554
Accrued pension liabilities		(531,098)	(232,158)
Cash inflow generated from operations		17,281,136	31,860,244
Interest received		270,745	426,472
Dividends received		22,594,777	25,618,054
Interest paid		(936,581)	(1,044,268)
Income tax paid		(4,999,175)	(5,271,852)
Net cash flows from operating activities		34,210,902	51,588,650

(Continued)

FORMOSA CHEMICALS & FIBRE CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in other receivables-related parties		($ 1,545,394)	$ 301,850
Proceeds from disposal of financial assets at fair value through profit or loss		-	772,909
Proceeds fom capital reduction of financial assets at fair value through other comprehensive income		7,749	-
Acquisition of investments accounted for under the equity method		(6,054,554)	(8,266,061)
Proceeds from disposal of investments accounted for under the equity method		-	79,640
Acquisition of property, plant and equipment	6(25)	(5,824,832)	(9,306,445)
Proceeds from disposal of property, plant and equipment		46,830	7,978
Increase in non-current assets		(4,522,873)	(2,616,960)
Net cash flows used in investing activities		(17,893,074)	(19,027,089)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		11,419,700	4,688,900
Increase in short-term notes and bills payable		1,905,827	12,490,543
Increase in long-term borrowings		700,000	800,000
Payment of long-term borrowings		(7,188,889)	(2,716,355)
Increase in corporate bonds payable		7,000,000	-
Payment of corporate bonds payable		(6,200,000)	(5,700,000)
Payment of lease liabilities		(6,020)	-
(Decrease) increase in other non-current liabilities		(12,246)	57,389
Payment of cash dividends	6(25)	(36,329,900)	(41,009,931)
Expired dividends paid from capital surplus		(156)	(532)
Net cash flows used in financing activities		(28,711,684)	(31,389,986)
Net (decrease) increase in cash and cash equivalents		(12,393,856)	1,171,575
Cash and cash equivalents at beginning of year		13,078,861	11,907,286
Cash and cash equivalents at end of year		$ 685,005	$ 13,078,861

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

FORMOSA CHEMICALS & FIBRE CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

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

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 13, 2020.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

A. IFRS 16, 'Leases'

(a) IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

(b) The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Company increased 'right-of-use asset' by $31,204, and increased 'lease liability' by $31,204 with respect to the lease contracts of lessees on January 1, 2019.

(c) The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

iii. The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

iv. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(d) The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.413%.

(e) The Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	33,663
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	33,663
Incremental borrowing interest rate at the date of initial application		1.413%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	31,204

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 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, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

These parent company only financial statements are prepared by the Company in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the"IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'

B. Translation of foreign operations

(a) The operating results and financial position of all associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

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

(4) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

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

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

(5) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
  (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred ; however, the Company has not retained control of the financial asset.

(11) Inventories

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

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

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

B. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to comply with the Company's accounting policies.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

E. Upon loss of significant influence over a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. The amount previously recognised in other comprehensive income in relation to the subsidiary is reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. When the Company loses significant influence over the subsidiary, the profit or loss is reclassified from equity to profit or loss.

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

G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership

I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

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

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

   Lease payments are comprised of the following:

   (a) Fixed payments, less any lease incentives receivable;

   (b) Variable lease payments that depend on an index or a rate;

   (c) Amounts expected to be payable by the lessee under residual value guarantees;

   (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

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

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

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

   (a) The amount of the initial measurement of lease liability;

   (b) Any lease payments made at or before the commencement date;

   (c) Any initial direct costs incurred by the lessee; and

   (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

   The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

   When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(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 shortterm 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) Offsetting financial instruments

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

(21) 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.

(22) 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 ofdefined 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.

(23) <u>Income tax</u>

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.

(24) 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.

(25) 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.

(26) Revenue recognition

A. Sales of goods

(a) The Company manufactures and sells a variety of petrochemical products, including the spinning, weaving, dyeing and finishing of rayon and nylon fiber. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) The amount of sales revenue recognised is equal to the contract price net of volume discounts and sales discounts and allowances. Volume discounts and sales discounts and allowances are estimated based on historical information, and a refund liability is recognised for expected volume discounts and sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 to 120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of accounts receivable

In the process of assessing impairment of accounts receivable, the Company must use judgements and assumptions to determine the collectability of accounts receivable. The collectability is affected by various factors: customers' financial conditions, the Company's internal credit ratings, historical experience, etc. When sales are not expected to be collected, the Company recognises a specific allowance for doubtful receivables after the assessment. The assumptions and estimates of loss allowance provided for accounts receivable are based on concerning future events as that on the balance sheet date. Assumptions and estimates may differ from the actual results which may result in material adjustments.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2019, the carrying amount of inventories was $19,046,036.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 380	$ 348
Checking accounts and demand deposits	684,625	2,413,881
Cash equivalents		
Time deposits	-	9,742,642
Bonds repurchased and commercial paper	-	921,990
	$ 685,005	$ 13,078,861

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. Loss allowance is measured using 12-month expected credit losses. For the years ended December 31, 2019 and 2018, the Company did not recognise any loss allowance.

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

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

		December 31, 2019		December 31, 2018
Current item:				
Financial assets mandatorily measured at fair value through profit or loss				
Fund	$	4,085,299	$	4,085,299
Valuation adjustment	(	41,331)	(	68,435)
	$	4,043,968	$	4,016,864

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

	For the years ended December 31,			
		2019		2018
Financial assets mandatorily measured at fair value through profit or loss				
Fund	$	27,104	$	215,870

B. The Company did not pledge financial assets at fair value through profit or loss to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

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

		December 31, 2019		December 31, 2018
Current items:				
Equity instruments				
Listed stocks	$	23,864,654	$	23,872,403
Unlisted stocks		725,839		725,839
Valuation adjustment		84,419,435		77,004,201
	$	109,009,928	$	101,602,443
Non-current items:				
Equity instruments				
Unlisted stocks	$	2,463,536	$	2,463,536
Valuation adjustment		13,338,597		16,613,124
	$	15,802,133	$	19,076,660

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

	For the years ended December 31,			
		2019		2018
Equity instruments at fair value through other comprehensive income				
Fair value change recognised in other comprehensive income	$	4,140,707	($	9,154,617)

B. As at December 31, 2019 and 2018, 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 $124,812,061 and $120,679,103, respectively.

C. The Company did not pledge financial assets at fair value through other comprehensive income to others as collateral.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 216,389	$ 390,702
Less: Allowance for uncollectible accounts	-	-
	$ 216,389	$ 390,702
Notes receivable - related parties	$ 44,999	$ 331,826
Accounts receivable	5,836,695	7,739,220
Less: Allowance for uncollectible accounts	(200,834)	(160,397)
	$ 5,635,861	$ 7,578,823
Accounts receivable - related parties	$ 12,839,476	$ 17,772,122

A. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $25,769,127.

B. As at December 31, 2019 and 2018, 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 $261,388 and $722,528 and accounts receivable were $18,475,337 and $25,350,945, respectively.

C. Information relating to credit risk is provided in Note 12(3).

(5) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 7,274,806	($ 37,676)	$ 7,237,130
Materials	3,695,338	(553,878)	3,141,460
Work in progress	1,945,836	(1,974)	1,943,862
Finished goods	6,819,216	(98,106)	6,721,110
Other inventory	2,474	-	2,474
	$ 19,737,670	($ 691,634)	$ 19,046,036

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 6,132,638	($ 97,596)	$ 6,035,042
Materials	3,165,776	(514,857)	2,650,919
Work in progress	2,541,279	(9,615)	2,531,664
Finished goods	7,029,448	(32,240)	6,997,208
Other inventory	3,289	-	3,289
	$ 18,872,430	($ 654,308)	$ 18,218,122

Expense and loss incurred on inventories for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Cost of inventories sold	$ 179,508,824	$ 240,210,951
Loss (gain) on inventory valuation (Note)	37,326	(1,221)
Idle capacity	1,841,074	707,976
Others	127,122	162,323
	$ 181,514,346	$ 241,080,029

Note: As the market value of petroleum related products decreased for the year ended December 31, 2019, the Company recognised related allowance for inventory valuation losses after assessment. For the year ended December 31, 2018, disposal of excess inventory resulted in gain from price recovery of inventory.

(6) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Subsidiaries		
FCFC Investment Corp. (Cayman)	$ 52,477,831	$ 46,663,473
Formosa Taffeta Co., Ltd.	23,552,658	25,099,714
FCFC International Corp. (Cayman)	11,407,819	16,418,149
Formosa Industries Corp., Vietnam	8,156,669	8,130,115
Formosa Idemitsu Petrochemical Corp.	1,553,085	2,631,258
Formosa BP Chemicals Corp.	1,666,159	2,124,803
Formosa Biomedical Technology Corp.	1,146,295	1,310,614
Formosa Carpet Corp.	206,770	208,442
Tah Shin Spinning Corp.	32,508	45,584
Associates		
Formosa Petrochemical Corp.	79,497,235	81,480,476
Mai Liao Power Corp.	11,049,766	11,162,579
Formosa Heavy Industries Corp.	7,168,024	7,794,074
Formosa Resourse Corp.	6,615,934	5,370,047
Formosa Synthetic Rubber Corp. (Hong Kong)	2,326,752	2,541,840
FG INC.	2,605,772	2,009,968
Formosa Plastics Transport Corp.	1,062,761	1,057,580
Formosa Group (CAYMAN) Corp.	653,576	631,060
Chia-Nan Enterprise Corp.	225,553	265,338
Formosa Synthetic Rubber Corp.	292,611	253,916
Formosa Environmental Technology Corp.	225,692	225,861
Formosa Fairway Corp.	82,161	98,624
Formosa Construction Corp.	75,523	82,300
Hwa Ya Science Park Management Consulting Co., Ltd.	2,530	1,503
	$ 212,083,684	$ 215,607,318

A. The related information on subsidiaries is provided in Note 4(3) of consolidated financial statements for 2019.

B. The investments accounted for using equity method were based on the investees' audited financial statements for the years ended December 31, 2019 and 2018.

C. The financial information of the associate that is material to the Company is as follows:

		Shareholding ratio			
Company name	Principal place of business	December 31, 2019	December 31, 2018	Nature of relationship	Method of measurement
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, 2019	December 31, 2018
Current assets	$ 227,523,818	$ 232,518,997
Non-current assets	159,513,535	168,219,257
Current liabilities	(35,694,376)	(50,039,507)
Non-current liabilities	(21,119,916)	(12,960,539)
Total net assets	$ 330,223,061	$ 337,738,208
Share in associate's net assets	$ 79,748,869	$ 81,563,777
Unrealised (gain) loss from sales of upstream transactions eliminations	(140,915)	27,418
Net differences in share capital	(110,719)	(110,719)
Carrying amount of the associate	$ 79,497,235	$ 81,480,476

Statement of comprehensive income

	Formosa Petrochemical Corp.	
	Year ended December 31, 2019	Year ended December 31, 2018
Revenue	$ 643,824,935	$ 765,493,218
Profit for the year from continuing operations	$ 36,798,213	$ 60,090,225
Other comprehensive income (loss), net of tax	1,397,296	(10,066,058)
Total comprehensive income	$ 38,195,509	$ 50,024,167
Dividends received from associates	$ 11,043,840	$ 14,495,039

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, 2019 and 2018, the carrying amount of the Company's individually immaterial associates amounted to $32,386,655 and $31,494,690, respectively.

	Year ended December 31, 2019	Year ended December 31, 2018
Profit for the year from continuing operations	$ 1,682,296	$ 925,436
Other comprehensive loss, net of tax	(5,507,152)	(2,628,004)
Total comprehensive loss	($ 3,824,856)	($ 1,702,568)

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

	December 31, 2019	December 31, 2018
Formosa Petrochemical Corp.	$ 224,327,981	$ 250,787,178

G. On March 15, 2019, the Board of Directors resolved to increase its capital in FG INC. amounting to USD 45 million. On March 28, 2019, actual investment amount was USD 50 million, equivalent to a 30% equity interest.

H. The Board of Directors resolved to invest USD 81,250 thousand, equivalent to 25% of ownership, in Formosa Resourse Corp. on August 8, 2019. Actual investment amount was USD 50 million on August 19, 2019.

I. On December 13, 2019, the Board of Directors resolved to increase its capital in Formosa Synthetic Rubber Corp. amounting to $46,000, equivalent to a 33.33% equity interest.

J. On May 4, 2018, the Board of Directors resolved to increase its capital in Formosa Synthetic Rubber Corp. (Hong Kong) amounting to US$65 million, equivalent to a 31.82% equity interest.

K. On November 2, 2018, the Board of Directors resolved to increase its investment in FCFC Investment Corp. (Cayman), and invest USD 121,160 thousand in the investee company in Mainland China through Formosa Chemicals & Fibre (Hong Kong).

L. The Company's associate, Formosa Plastics Transport Corp., merged with Su Hua Transport Corp. on July 1, 2018, with Formosa Plastics Transport Corp. as the surviving company after the merger.

M. The Company received cash dividends of $14,659,438 and $18,223,371 for the years ended December 31, 2019 and 2018, 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.

N. As of December 31, 2019 and 2018, 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
At January 1, 2019						
Cost	$ 9,518,978	$ 19,405,014	$ 172,506,642	$ 4,113,365	$ 7,002,181	$ 212,546,180
Accumulated depreciation and impairment	-	(13,644,325)	(142,513,944)	(3,246,247)	-	(159,404,516)
	$ 9,518,978	$ 5,760,689	$ 29,992,698	$ 867,118	$ 7,002,181	$ 53,141,664
2019						
Opening net book amount	$ 9,518,978	$ 5,760,689	$ 29,992,698	$ 867,118	$ 7,002,181	$ 53,141,664
Additions	13,271	-	70,293	73,059	5,558,554	5,715,177
Disposals	(7,229)	-	(14,577)	(383)	-	(22,189)
Reclassifications	-	121,778	4,011,964	71,839	(4,206,176)	(595)
Depreciation charge	-	(601,671)	(4,746,808)	(143,186)	-	(5,491,665)
Closing net book amount	$ 9,525,020	$ 5,280,796	$ 29,313,570	$ 868,447	$ 8,354,559	$ 53,342,392
At December 31, 2019						
Cost	$ 9,525,020	$ 19,526,792	$ 175,961,175	$ 4,198,462	$ 8,354,559	$ 217,566,008
Accumulated depreciation and impairment	-	(14,245,996)	(146,647,605)	(3,330,015)	-	(164,223,616)
	$ 9,525,020	$ 5,280,796	$ 29,313,570	$ 868,447	$ 8,354,559	$ 53,342,392

	Land	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2018						
Cost	$ 5,905,282	$ 18,319,884	$ 170,331,859	$ 4,023,711	$ 4,783,307	$ 203,364,043
Accumulated depreciation and impairment	-	(13,015,661)	(137,698,634)	(3,114,993)	-	(153,829,288)
	$ 5,905,282	$ 5,304,223	$ 32,633,225	$ 908,718	$ 4,783,307	$ 49,534,755
2018						
Opening net book amount	$ 5,905,282	$ 5,304,223	$ 32,633,225	$ 908,718	$ 4,783,307	$ 49,534,755
Additions	3,613,705	1,030,848	126,015	87,514	4,939,616	9,797,698
Disposals	(9)	-	(1,988)	-	-	(1,997)
Reclassifications	-	53,161	2,646,764	21,103	(2,720,742)	286
Depreciation charge	-	(589,606)	(5,135,400)	(150,217)	-	(5,875,223)
Impairment loss	-	(37,937)	(275,918)	-	-	(313,855)
Closing net book amount	$ 9,518,978	$ 5,760,689	$ 29,992,698	$ 867,118	$ 7,002,181	$ 53,141,664
At December 31, 2018						
Cost	$ 9,518,978	$ 19,405,014	$ 172,506,642	$ 4,113,365	$ 7,002,181	$ 212,546,180
Accumulated depreciation and impairment	-	(13,644,325)	(142,513,944)	(3,246,247)	-	(159,404,516)
	$ 9,518,978	$ 5,760,689	$ 29,992,698	$ 867,118	$ 7,002,181	$ 53,141,664

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,	
	2019	2018
Amount capitalised	$ 77,914	$ 66,750
Interest rate	1.20~1.41	1.33~1.56

B. On May 4, 2018, the Board of Directors, considering future growth of the business, resolved to purchase office buildings and other property in the Taipei CBD complex, located on Nanjing East Road of the Neihu District in Taipei, from non-related parties, Trans Globe Life Insurance Inc. and Meifu Development Co., Ltd. The total transaction amount was $4,675 million.

C. 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, 2019 and 2018, the pledged amount was both $14,693.

D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

E. The Company recognised impairment loss for the years ended December 31, 2019 and 2018. Details of such loss are as follows:

	For the years ended December 31,			
	2019		2018	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss— Buildings	$ -	$ -	$ 37,937	$ -
Impairment loss— Machinery and equipment	-	-	275,918	-
	$ -	$ -	$ 313,855	$ -

F. The impairment loss reported by operating segments is as follows:

	For the years ended December 31,			
	2019		2018	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Engineering and Construction division	$ -	$ -	$ 313,855	$ -

(8) Leasing arrangements - lessee

Effective 2019

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, 2019	For the year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 22,376	$ 1,930
Buildings	2,896	3,862
	$ 25,272	$ 5,792

C. For the years ended December 31, 2019, the additions to right-of use assets was $109.

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

	For the year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 403
Expense on short-term lease contracts	5,176
Expense on leases of low-value assets	3,977

E. For the year ended December 31, 2019, the Company's total cash outflow for leases was $15,172.

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

Type of loans	December 31, 2019	Interest rate range	Collateral
Unsecured loans	$ 21,057,000	0.85%~0.91%	None
Short-term notes and bills payable	$ 14,400,000	0.61%~0.88%	None
Short-term notes and bills payable discount	(3,630)		
Net short-term notes and bills payable	$ 14,396,370		

Type of loans	December 31, 2018	Interest rate range	Collateral
Unsecured loans	$ 9,637,300	0.90%~1.04%	None
Short-term notes and bills payable	$ 12,500,000	0.50%~0.88%	None
Short-term notes and bills payable discount	(9,457)		
Net short-term notes and bills payable	$ 12,490,543		

(10) Bonds payable

	December 31, 2019	December 31, 2018
Domestic unsecured nonconvertible corporate bonds	$ 34,850,000	$ 34,050,000
Less: Current portion	(2,750,000)	(6,200,000)
	$ 32,100,000	$ 27,850,000

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

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2019	December 31, 2018	Note
2012							
First issued domestic unsecured nonconvertible corporate bonds - B	2012.07.26	2018.7.26~ 2019.7.26	1.40	$ 3,000,000	$ -	$ 1,500,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - B	2012.12.7	2018.12.7~ 2019.12.7	1.36	3,900,000	-	1,950,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7~ 2022.12.7	1.51	4,100,000	4,100,000	4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2022.1.22~ 2023.1.22	1.34	2,800,000	1,400,000	2,800,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22~ 2023.1.22	1.50	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%
2013							
First issued domestic unsecured nonconvertible corporate bonds - B	2013.7.8	2019.7.8~ 2020.7.8	1.38	2,700,000	1,350,000	2,700,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8~ 2023.7.8	1.52	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2019	December 31, 2018	Note
2013							
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%
2014							
First issued domestic unsecured nonconvertible corporate bonds - A	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	1,400,000	1,400,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2014.7.4	2028.7.4~ 2029.7.4	2.03	4,600,000	4,600,000	4,600,000	Serial bonds, to be settled 50%, 50%
2019							
First issued domestic unsecured nonconvertible corporate bonds - A	2019.5.13	2019.5.13~ 2029.5.13	0.75	3,300,000	3,300,000	-	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2019.5.13	2019.5.13~ 2029.5.13	0.83	3,000,000	3,000,000	-	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2019.5.13	2019.5.13~ 2029.5.13	0.93	700,000	700,000	-	Serial bonds, to be settled 50%, 50%
					34,850,000	34,050,000	
Less: Current portion of bonds payable					(2,750,000)	(6,200,000)	
					$ 32,100,000	$ 27,850,000	

(11) Long-term bank loans and notes payable

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2019	
Long-term bank loans					
Secured loans					
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-anually after three years; interest payable monthly	1.63%	Land	$	4,033,333
Less: Current portion of long-term bank loans and notes payable				(	2,688,889)
				$	1,344,444

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018	
Long-term bank loans					
Unsecured loans					
Japanese Mitsubishi Bank	Mar. 29, 2016 ~ Mar. 29, 2019, payable at maturity date; interest payable monthly	1.05%~1.08%	None	$	3,000,000
Japanese Sumitomo Mitsui Bank	Dec. 6, 2018 ~ Dec. 6, 2020, principal payable semi-anually	0.80%	None		800,000
Secured loans					
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-anually after three years; interest payable monthly	1.63%	Land		6,722,222
					10,522,222
Less: Current portion of long-term bank loans and notes payable				(	5,688,889)
				$	4,833,333

A. The collaterals for long-term bank loans are described in Note 8.

B. The Company has signed contracts for syndicated loans with Mega Bank and other banks on November 14, 2013, to finance plant construction for Formosa Ha Tinh Steel Corp. Information is as follows:

(a) Total credit line: $12,100,000

(b) Interest rate: Based on the agreement with the banks

(c) Period: 7 years

(d) Collateral: Land in Six Naphtha Cracking Plant, Mailiao Township, Yunlin County

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

(12) Pensions

A.(a) The Company 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, 2019	December 31, 2018
Present value of defined benefit obligations	$ 8,559,491	$ 8,617,817
Fair value of plan assets	(2,631,007)	(2,512,572)
Net defined benefit liability	$ 5,928,484	$ 6,105,245

(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
Year ended December 31, 2019			
Balance at January 1	$ 8,617,817	($ 2,512,572)	$ 6,105,245
Current service cost	82,522	-	82,522
Interest expense (income)	107,723	(31,758)	75,965
	8,808,062	(2,544,330)	6,263,732
Remeasurements:			
Return on plan assets	-	(81,832)	(81,832)
Change in financial assumptions	145,975	-	145,975
Experience adjustments	290,194	-	290,194
	436,169	(81,832)	354,337
Pension fund contribution	-	(54,194)	(54,194)
Paid pension	(684,740)	49,349	(635,391)
	(684,740)	(4,845)	(689,585)
Balance at December 31	$ 8,559,491	($ 2,631,007)	$ 5,928,484

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 8,572,046	($ 2,400,630)	$ 6,171,416
Current service cost	87,383	-	87,383
Interest expense (income)	107,151	(30,358)	76,793
	8,766,580	(2,430,988)	6,335,592
Remeasurements:			
Return on plan assets	-	(67,867)	(67,867)
Experience adjustments	233,854	-	233,854
	233,854	(67,867)	165,987
Pension fund contribution	-	(54,515)	(54,515)
Paid pension	(382,617)	40,798	(341,819)
	(382,617)	(13,717)	(396,334)
Balance at December 31	$ 8,617,817	($ 2,512,572)	$ 6,105,245

(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, 2019 and 2018 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, 2019	Year ended December 31, 2018
Discount rate	1.00%	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%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 145,975)	$ 151,657	$ 215,533	($ 205,940)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 161,804)	$ 168,497	$ 239,513	($ 228,065)

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, 2020 are $58,533.

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, 2019 and 2018 were $162,617 and $154,205, respectively.

(13) Capital stock

A. As of December 31, 2019, 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, 2019 and 2018 are set forth below:

For the year ended December 31, 2019

Reason for reacquisition	Subsidiary	Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries	Formosa Taffeta Co., Ltd.	12,169,610	-	-	12,169,610
reclassified from long-term investment to treasury stock	Formosa Advanced Technologies Co., Ltd.	15,249,000	1,563,000	(16,812,000)	-
		27,418,610	1,563,000	(16,812,000)	12,169,610

For the year ended December 31, 2018

Reason for reacquisition	Subsidiary	Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries	Formosa Taffeta Co., Ltd.	12,169,610	-	-	12,169,610
reclassified from long-term investment to treasury stock	Formosa Advanced Technologies Co., Ltd.	15,249,000	-	-	15,249,000
		27,418,610	-	-	27,418,610

Note: The Company's subsidiary, Formosa Taffeta Co., Ltd., lost its control over Formosa Advanced Technologies Co., Ltd. starting from December 16, 2019, and Formosa Advanced Technologies Co., Ltd. was not consolidated in the Company's financial statements.

C. The market value of treasury stocks was $87.5 and $105 (in dollars) per share at December 31, 2019 and 2018, 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, 2019					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2019	$ 2,710,554	$ 5,514,032	$ 269,792	$ 371,892	$ -	$ 217,872
Dividends allocated to subsidiaries	-	-	44,726	-	-	-
Effect from disposal of net stockholding of associates recognised under the equity method	-	-	-	(4,649)	-	-
Changes in ownership interests in subsidiaries	-	-	2,170	5,604	163	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(156)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	6,869
At December 31, 2019	$ 2,710,554	$ 5,514,032	$ 316,688	$ 372,847	$ 163	$ 224,585

	For the year ended December 31, 2018					
	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, 2018	$ 2,710,554	$ 5,514,032	$ 203,232	$ 24,965	$ 13,789	$ 216,226
Dividends allocated to subsidiaries	-	-	58,076	-	-	-
Effect from disposal of net stockholding of associates recognised under the equity method	-	-	-	(22,638)	-	-
Changes in ownership interests in subsidiaries	-	-	8,484	369,565	(13,789)	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(532)
Overdue dividends are transferred to capital surplus	-	-	-	-	-	2,178
At December 31, 2018	$ 2,710,554	$ 5,514,032	$ 269,792	$ 371,892	$ -	$ 217,872

(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 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 5, 2019 and June 15, 2018, respectively. Details are as follows:

	For the years ended December 31,						
	2018				2017		
	Amount		Dividends per share (in dollar)		Amount		Dividends per share (in dollar)
Legal reserve	$	4,876,932		$	5,441,080		
Special reserve		7,040,540			6,564,296		
Cash dividends		36,339,355	$ 6.20		41,028,304	$	7.00
	$	48,256,827		$	53,033,680		

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

F. The resolution of the appropriations of the 2019 net income was approved during the Board of Directors' meeting on March 13, 2020 as follows:

	For the year ended December 31, 2019			
	Amount		Dividends per share (in dollar)	
Legal reserve	$	2,970,224		
Special reserve		6,156,414		
Cash dividends		22,272,508	$	3.80
	$	31,399,146		

G. Information relating to employees' remuneration and directors' and supervisors' remuneration is summarised in Note 6 (22).

(16) Other equity items

	Hedging reserve	Unrealised gain (loss)	Currency translation	Total
At January 1, 2019	($ 15,865)	$ 110,762,790	($ 1,813,251)	$ 108,933,674
Revaluation:				
–Parent company	-	4,140,707	-	4,140,707
–Subsidiaries	-	(7,085,301)	-	(7,085,301)
–Associates	-	(698,630)	-	(698,630)
Revaluation transferred to retained earnings:				
–Subsidiaries	-	1,311	-	1,311
–Associates	-	-	-	-
Cash flow hedges:				
–Associates	16,524	-	-	16,524
Currency translation differences:				
–Parent company	-		(2,616,345)	(2,616,345)
–Tax of parent company	-		542,926	542,926
–Subsidiaries	-		(116,193)	(116,193)
–Associates	-	-	(557,743)	(557,743)
At December 31, 2019	$ 659	$ 107,120,877	($ 4,560,606)	$ 102,560,930

	Hedging reserve	Unrealised gain (loss)	Available-for-sale investment	Currency translation	Total
At January 1, 2018	$ 8,077	$ -	$ 111,213,200	($ 2,052,251)	$ 109,169,026
Effects of retrospective application and retrospective restatement	-	125,624,639	(111,213,200)	-	14,411,439
Balance at January 1, 2018 after restatement	8,077	125,624,639	-	(2,052,251)	123,580,465
Revaluation:					
–Parent company	-	(9,154,617)	-	-	(9,154,617)
–Subsidiaries	-	(2,995,012)	-	-	(2,995,012)
–Associates	-	(3,388,175)	-	-	(3,388,175)
Revaluation transferred to retained earnings:					
–Subsidiaries	-	675,556	-	-	675,556
–Associates	-	399	-	-	399
Cash flow hedges:					
–Associates	(23,942)	-	-	-	(23,942)
Currency translation differences:					
–Parent company	-	-	-	(390,286)	(390,286)
–Tax of parent company	-	-	-	116,104	116,104
–Subsidiaries	-	-	-	63,371	63,371
–Associates	-	-	-	449,811	449,811
At December 31, 2018	($ 15,865)	$ 110,762,790	$ -	($ 1,813,251)	$ 108,933,674

(17) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers	$ 198,078,006	$ 273,419,712
Other operating revenue	132,052	172,427
	$ 198,210,058	$ 273,592,139

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

(18) Other income

	For the years ended December 31,	
	2019	2018
Rental revenue	$ 155,559	$ 156,773
Interest income:		
Interest income from bank deposits	101,245	272,210
Interest from current account with others	147,547	154,281
Other interest income	64	6,252
	248,856	432,743
Dividend income	7,935,339	7,010,822
Other revenue	448,211	737,001
	$ 8,787,965	$ 8,337,339

(19) Other gains and losses

	For the years ended December 31,	
	2019	2018
Net currency exchange gain	$ 75,649	$ 1,150,650
Gain on disposal of property, plant and equipment	24,641	5,981
Impairment loss on reversal of property, plant and equipment	-	(313,855)
Net gain on financial assets at fair value through profit or loss	27,104	215,870
Other losses	(112,167)	(169,855)
	$ 15,227	$ 888,791

(20) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense:		
Bank loans	$ 191,259	$ 245,469
Corporate bond	579,479	632,286
Current account with others	523	43
Discount	136,260	153,455
Other interest expenses	103,397	58,669
	1,010,918	1,089,922
Less: Capitalisation of qualifying assets	(77,914)	(66,750)
Finance costs	$ 933,004	$ 1,023,172

(21) Expenses by nature

	For the years ended December 31,	
	2019	2018
Depreciation charges on property, plant and equipment and right-of-use assets	$ 5,497,457	$ 5,875,223
Employee benefit expense	7,463,211	7,946,242
Amortisation	3,038,884	3,808,155
	$ 15,999,552	$ 17,629,620

(22) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	$ 6,385,431	$ 6,834,696
Labor and health insurance fees	437,149	429,753
Pension costs	321,104	318,381
Other personnel expenses	319,527	363,412
	$ 7,463,211	$ 7,946,242

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, 2019 and 2018, employees' remuneration was accrued at $31,930 and $54,403, respectively. The aforementioned amount was recognised in salary expenses.

For the years ended December 31, 2019 and 2018, the employees' compensation was estimated and accrued based on approximately 0.1% of the retained earnings.

Employees' compensation for 2018 as resolved by the Board of Directors was in agreement with the amount of $54,403 recognised in profit or loss for 2018. Employees' compensation for 2018 had been distributed.

Information about employees' compensation and directors' and supervisors' remuneration of the

Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a)Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	$ 1,185,170	$ 5,157,388
Tax on undistributed surplus earnings	590,173	703,473
Adjustments in respect of prior years	(40,272)	121,203
Total current tax	1,735,071	5,982,064
Deferred tax:		
Origination and reversal of temporary differences	461,225	(173,660)
Impact of change in tax rate	-	(228,884)
Total deferred tax	461,225	(402,544)
Income tax expense	$ 2,196,296	$ 5,579,520

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

	For the years ended December 31,	
	2019	2018
Currency translation differences	$ 542,926	$ 63,416
Impact of change in tax rate	-	52,688
	$ 542,926	$ 116,104

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 6,379,708	$ 10,869,767
Effect from items disallowed by tax regulation	(4,728,123)	(5,860,770)
Effect from five-year exemption	(5,190)	(25,269)
Tax on undistributed surplus earnings	590,173	703,473
Prior year income tax (over) under estimation	(40,272)	121,203
Impact of change in tax rate	-	(228,884)
Income tax expense	$ 2,196,296	$ 5,579,520

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, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	$ 130,862	$ 7,465	$ -	$ 138,327
Currency translation differences	414,672	-	542,926	957,598
Unrealised gain from downstream transactions	107,991	(50,956)	-	57,035
Unfunded pension expense	948,784	(102,422)	-	846,362
Impairment loss	221,987	(27,841)	-	194,146
Unrealised exchange loss	3,244	29,995	-	33,239
Others	345,543	(327,052)	-	18,491
	$ 2,173,083	($ 470,811)	$ 542,926	$ 2,245,198
Deferred tax liabilities:				
Difference in useful life for depreciation	($ 58,857)	$ 9,586	$ -	($ 49,271)
	($ 58,857)	$ 9,586	$ -	($ 49,271)
	$ 2,114,226	($ 461,225)	$ 542,926	$ 2,195,927

	For the year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss on inventory	$ 111,440	$ 19,422	$ -	$ 130,862
Currency translation differences	298,568	-	116,104	414,672
Unrealised gain from downstream transactions	50,246	57,745	-	107,991
Unfunded pension expense	844,073	104,711	-	948,784
Impairment loss	156,623	65,364	-	221,987
Unrealised exchange loss	-	3,244	-	3,244
Others	223,469	122,074	-	345,543
	$ 1,684,419	$ 372,560	$ 116,104	$ 2,173,083
Deferred tax liabilities:				
Difference in useful life for depreciation	($ 59,959)	$ 1,102	$ -	($ 58,857)
Unrealised exchange gain	(28,882)	28,882	-	-
	($ 88,841)	$ 29,984	$ -	($ 58,857)
	$ 1,595,578	$ 402,544	$ 116,104	$ 2,114,226

D. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate

(24) Earnings per share

A. Basic earnings per share

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

For the years ended December 31, 2019 and 2018, the earnings per share are calculated as follows:

	For the year ended December 31, 2019				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Net income	$ 31,898,538	$ 29,702,242	5,832,942	$ 5.47	$ 5.09

	For the year ended December 31, 2018				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Net income	$ 54,348,837	$ 48,769,317	5,833,768	$ 9.32	$ 8.36

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

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

	For the year ended December 31, 2019				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Net income	$ 31,898,538	$ 29,702,242	5,861,186	$ 5.44	$ 5.07

	For the year ended December 31, 2018				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Net income	$ 54,348,837	$ 48,769,317	5,861,186	$ 9.27	$ 8.32

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2019	2018
Purchase of fixed assets	$ 5,715,177	$ 9,797,698
Add: Opening balance of payable on equipment	1,532,445	1,041,192
Less: Ending balance of payable on equipment	(1,422,790)	(1,532,445)
Cash paid during the year	$ 5,824,832	$ 9,306,445

B. Financing activities with partial cash payments:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Distribution of cash dividends	$ 36,339,355	$ 41,028,304
Add: Opening balance of dividends payable	62,429	44,056
Less: Ending balance of dividends payable	(71,884)	(62,429)
Cash dividends paid during the year	$ 36,329,900	$ 41,009,931

(26) 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 financial activities-gross
At January 1, 2019	$ 9,637,300	$12,490,543	$ 34,050,000	$10,522,222	$66,700,065
Changes in cash flow from financing activities	11,419,700	1,905,827	800,000	(6,488,889)	7,636,638
At December 31, 2019	$21,057,000	$14,396,370	$ 34,850,000	$ 4,033,333	$74,336,703

	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowings (including current portion)	Liabilities from financial activities-gross
At January 1, 2018	$ 4,948,400	$ -	$ 39,750,000	$12,438,577	$57,136,977
Changes in cash flow from financing activities	4,688,900	12,490,543	(5,700,000)	(1,916,355)	9,563,088
At December 31, 2018	$ 9,637,300	$12,490,543	$ 34,050,000	$10,522,222	$66,700,065

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. (Note 1)	Subsidiary
Formosa ABS Plastics (Ningbo) Co., Ltd. (Note 1)	〃
Formosa Phenol (Ningbo) Limited Co. (Note 1)	〃
Formosa PS (Ningbo) Co., Ltd. (Note 1)	〃
Formosa Power (Ningbo) Co., Ltd.	〃
Formosa Industries Corp., Vietnam	〃
Formosa Biomedical Technology Corp.	〃
Hong Jing Resources Corp.	〃
Formosa Idemitsu Petrochemical Corp.	〃
Formosa BP Chemicals Corp.	〃
Formosa Carpet Corp.	〃
Formosa Taffeta Co., Ltd.	〃
Tah Shin Spinning Corp.	〃
Formosa Taffeta (Zhongshan) Co., Ltd.	〃
Formosa Taffeta (Dong Nai) Co., Ltd.	〃
Formosa Taffeta (Long An) Corp.	〃
Formosa Petrochemical Corp.	Associate
Formosa Heavy Industries Corp.	〃
Formosa Plastics Transport Corp.	〃
Su Hua Transport Corp.	〃
Formosa Synthetic Rubber 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 Construction Corp.	〃
Formosa Resources Corporation	〃
FG INC.	〃
Formosa Plastics Corp.	Other related party
Nan Ya Plastics Corp.	〃
Nan Ya Plastics (Hui Zhou) Corp.	〃
Nan Ya Plastics (Ningbo) Corp.	〃
Formosa Lithium Iron Oxide Corp.	〃
Ming Chi University Of Technology	〃
Chang Gung University	〃
Yue Chi Development Corp	〃
PFG Fiber Glass Corp.	〃
Formosa Plastics Marine Corp.	〃

Names of related parties	Relationship with the Company
Formosa Plastics Marine Co., Ltd.	Other related party
Mai Liao Harbor Administration Corp.	"
Formosa Plastics Building Parking Lot	"
Formosa Network Technology Corp.	"
FPG Travel Service Co., Ltd.	"
Formosa Sumco Technology Corporation	"
Formosa Asahi Spandex Co., Ltd.	"
Formosa 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.	"
Formosa Ha Tinh (Cayman) Limited	"
Formosa Ha Tinh Steel Corp.	"

Note 1: All were merged into Formosa Chemicals Industries (Ningbo) Co., Ltd. on January 2, 2018, with Formosa Chemicals Industries (Ningbo) Co., Ltd as the surviving entity.

Note 2: Su Hua Transport Corp. was merged into Formosa Plastics Transport Corp. on July 1, 2018, with Formosa Plastics as the surviving entity.

(2) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,	
	2019	2018
Sales of goods:		
— Subsidiaries		
Formosa Chemicals Industries (Ningbo) Co., Ltd.	$ 30,215,362	$ 35,330,793
Others	16,484,535	20,429,816
— Associates		
Formosa Petrochemical Corp.	15,972,584	29,555,975
Others	1,593	919
— Other related parties		
Nan Ya Plastics Corp.	24,442,785	35,324,798
Others	2,534,117	3,155,042
	$ 89,650,976	$ 123,797,343

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,		
		2019		2018
Purchases of goods:				
— Subsidiaries	$	2,932,675	$	3,677,784
— Associates				
Formosa Petrochemical Corp.		100,365,621		151,546,891
— Other related parties		13,559,639		16,846,135
	$	116,857,935	$	172,070,810

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, 2019		December 31, 2018
Receivables from related parties:				
— Subsidiaries				
Formosa Chemicals Industries (Ningbo) Co., Ltd.	$	7,585,976	$	10,181,135
Others		1,949,011		2,635,545
— Associates				
Formosa Petrochemical Corp.		1,187,616		2,373,456
Others		39		42
— Other related parties				
Nan Ya Plastics Corp.		1,923,275		2,688,279
Others		238,558		225,491
	$	12,884,475	$	18,103,948

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, 2019		December 31, 2018
Payables to related parties:				
— Subsidiaries	$	316,600	$	256,846
— Associates				
Formosa Petrochemical Corp.		8,539,956		11,687,951
— Other related parties		1,171,253		1,395,308
	$	10,027,809	$	13,340,105

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, 2019	For the years ended December 31, 2018
Expansion and repair works of factory sites:		
—Associates	$ 385,576	$ 419,893
—Other related parties	301,754	270,484
	$ 687,330	$ 690,377

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

	December 31, 2019	December 31, 2018
Payables to related parties:		
—Associates	$ 250	$ 35
—Other related parties	13,070	10,126
	$ 13,320	$ 10,161

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, 2019	December 31, 2018
— Subsidiaries	$ -	$ 46,800
— Associates		
Formosa Heavy Industries Corp.	7,150,000	5,900,000
— Other related parties		
Formosa Plastics Marine Co., Ltd.	5,648,836	5,306,642
	$ 12,798,836	$ 11,253,442

(b)Interest income

	For the years ended December 31,	
	2019	2018
— Subsidiaries	$ 482	$ 1,556
— Associates		
Formosa Group Corp. (Cayman)	-	32,211
Formosa Heavy Industries Corp.	63,193	36,920
Others	1,554	1,623
	64,747	70,754
— Other related parties		
Formosa Plastics Marine Co., Ltd.	81,476	64,582
Formosa Ha Tinh (Cayman) Limited	-	17,373
Others	835	-
	82,311	81,955
	$ 147,540	$ 154,265

The loan terms to related parties are in accordance with the contract's repayment schedule after the loan was made; interest was collected at 1.41%~ 1.42% and 1.41% per annum for the years ended December 31, 2019 and 2018, respectively.

G. Receivables for payment on behalf of others

	December 31, 2019	December 31, 2018
Associates	$ 27	$ 3,369

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

H. Operating expenses

	For the years ended December 31,	
	2019	2018
Transportation charges		
—Other related parties		
Formosa Plastics Marine Corp.	$ 1,357,610	$ 1,265,555
Others	64,820	-
	$ 1,422,430	$ 1,265,555

I. Rental revenue

	For the years ended December 31,	
	2019	2018
—Subsidiaries		
Formosa BP Chemicals Corp.	$ 15,618	$ 15,618
Others	8,024	9,079
	23,642	24,697
—Associates		
Formosa Petrochemical Corp.	21,215	20,144
Others	12,346	11,620
	33,561	31,764
—Other related parties		
Nan Ya Plastics Corp.	26,391	26,391
Formosa Plastics Building Parking Lot	15,130	15,365
Formosa Network Technology Corp.	15,400	15,400
Others	30,028	31,283
	86,949	88,439
	$ 144,152	$ 144,900

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

J. Property transactions:

(a) Purchase of property, plant and equipment

	For the years ended December 31,	
	2019	2018
Associates	$ 276,397	$ 276,376

(b) Acquisition of financial assets

	Items	Number of shares	Name of the securities	2019 Additional amount
Formosa Synthetic Rubber (Taiwan) Corp.	Investments accounted for using equity method	4,600,000	Shares of Formosa Synthetic Rubber (Taiwan) Corp.	$ 46,000
Formosa Resources Corporation	Investments accounted for using equity method	157,000,000	Shares of Formosa Resources Corporation	1,570,000
FG INC.	Investments accounted for using equity method	-	Shares of FG INC.	694,710
FCFC Investment Corp.	Investments accounted for using equity method	-	Shares of FCFC - Investment Corp. (Cayman)	3,743,844
				$ 6,054,554

	Items	Number of shares	Name of the securities	2018 Additional amount
Formosa Synthetic Rubber (HongKong) Corp.	Investments accounted for using equity method	65,000,000	Shares of Formosa Synthetic Rubber (Hong Kong) Corp.	$ 2,011,490
FCFC International Limited (Cayman)	Investments accounted for using equity method	-	Shares of FCFC - International Limited (Cayman)	1,676,070
FCFC Investment Corp.	Investments accounted for using equity method	-	Shares of FCFC - Investment Corp. (Cayman)	4,578,501
				$ 8,266,061

K. Sales of materials:

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

	For the years ended December 31,	
	2019	2018
Sales of materials:		
— Subsidiaries	$ 429,103	$ 294,546
	December 31, 2019	December 31, 2018
Receivable from sales of materials:		
— Subsidiaries	$ 66,631	$ 63,435

L. Donation

	For the years ended December 31,	
	2019	2018
— Other related parties	$ 14,839	$ 3,612

M. Details of the Company providing endorsements / guarantees and issuing promissory note for related parties are provided in Notes 9(3) and (4).

(3) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries	$ 124,975	$ 123,314
Post-employment benefits	1,605	1,522
	$ 126,580	$ 124,836

8. Pledged Assets

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

	Book value		
Pledged assets	December 31, 2019	December 31, 2018	Purpose
Property, plant and equipment	$ 5,750,695	$ 5,770,887	Collaterals for bank loans

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

The details of commitments and contingencies as of December 31, 2019 were as follows:

(1) Capital expenditures contracted for property, plant and equipment at the balance sheet date but not yet incurred amounted to $8,045,943 thousand.

(2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 16,631thousand and EUR 572,201 thousand.

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

	December 31, 2019	December 31, 2018
Formosa Industries Corp., Vietnam	$ 602,120	$ 5,043,547
Formosa Resources Corporation	3,236,395	3,303,798
Formosa Group Corp. (Cayman)	7,526,500	19,208,125
Formosa Ha Tinh (Cayman) Limited	20,753,559	15,915,686
	$ 32,118,574	$ 43,471,156

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

A. The Company's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided a bank loan facility of USD 2.22 billion to meet its operating needs. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower has fulfilled its obligation for repayment.

B. The Company's consolidated entity, Formosa Chemicals Industries (Ningbo) Co., entered into a syndicated loan contract with several banks including Mega International Commercial Bank, as the lead bank, for a credit facility of USD 155 million to meet the capital needs of building the plant. The Company is required to issue a promissory note and is obliged to facilitate the repayment of the borrower whenever necessary.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

(1) The Board of Directors has resolved the appropriations of 2019 earnings on March 13, 2020. Details are provided in Note 6(15) F.

(2) The Board of Directors resolved to invest USD 12,900 thousand, equivalent to 30% of ownership, in FG INC. on March 13, 2020. Accumulated investment amount was USD 123,900 thousand.

12. Others

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

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

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

Because of the Changhua plant shutdown, the Company assessed that part of idle production equipment may not be recoverable. Accordingly, the Company recognised impairment loss on property, plant and equipment amounting to $466,785 for the year ended December 31, 2016. On November 16, 2017, the Company received a violation decision from Changhua County Government of an enhanced fine amounting to $1.244 billion pursuant to Article 7 of Environmental Impact Assessment Act. The fine was levied on the ground that the indigenous coal used in the combined heat and power system is contrary to that indicated in the Environmental Impact Statement. The lawyers have appealed in Environmental Protection Administration (EPA) on behalf of the Company on November 22, 2017. On December 19, 2017, Changhua Country Government consented to suspend the fine until the appeal was decided as stated in Letter No. Fu-Sho-HuanZong-Zi-1060429733. On December 11, 2017, the Company stated its opinion in EPA to dispute the fine.

On February 14, 2018, the Company was informed that the decision on the appeal was postponed for two months in EPA's Letter No. Huan-Shu-Zi-1070014111. On March 8, 2018, EPA ruled to revoke the violation decision of Changhua County Government.

(2) Capital management

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

During the years ended December 31, 2019 and 2018, the Company's strategy, which was unchanged from 2018, was to maintain the gearing ratio at 17% and 13%, respectively.

(3) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit or loss	$ 4,043,968	$ 4,016,864
Financial assets at fair value through other comprehensive income	124,812,061	120,679,103
Financial assets at amortised cost	33,382,610	53,291,550
	$ 162,238,639	$ 177,987,517
Financial liabilities		
Financial liabilities at amortised cost	$ 92,541,809	$ 90,660,482
Lease liabilities	25,447	-
	$ 92,567,256	$ 90,660,482

Note:Financial assets measured at amortised cost including cash, contract assets, accounts and notes receivable, other receivables, and refundable deposits. Financial liabilities measured at amortised cost include short-term borrowings, short-term notes and bill payable, accounts and notes payable, other payables, long-term borrowings (including those maturing within one year or one business cycle), corporate bonds payable (including those maturing within one year or one business cycle), and guarantee deposits received.

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, net investment in foreign operating.

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, 2019		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ 395,597	30.11	$ 11,911,426
JPY：NTD	2,162	0.28	605
EUR：NTD	139	33.69	4,683
Non-monetary items			-
RMB：NTD	$ 12,147,646	4.32	$ 52,477,831
USD：NTD	536,477	30.11	16,153,322
VND：NTD	6,274,360,769	0.0013	8,156,669
Financial liabilities			
Monetary items			
USD：NTD	$ 42,257	30.11	$ 1,272,358
JPY：NTD	92,696	0.28	25,955
EUR：NTD	187	33.69	6,300

	December 31, 2018		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ 572,423	30.73	$ 17,590,559
JPY：NTD	68,905	0.28	19,293
EUR：NTD	921	35.2	32,419
Non-monetary items			
RMB：NTD	$ 10,415,954	4.48	$ 46,663,473
USD：NTD	682,394	30.73	20,969,957
VND：NTD	6,253,934,615	0.0013	8,130,115
Financial liabilities			
Monetary items			
USD：NTD	$ 51,551	30.73	$ 1,584,162
JPY：NTD	30,513	0.28	8,544
EUR：NTD	405	35.2	14,256

iv. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to $75,649 and $1,150,650, respectively.

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

	For the year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD：NTD	1%	$ 119,114	$ -
JPY：NTD	1%	6	-
EUR：NTD	1%	47	-
Non-monetary items			
RMB：NTD	1%	$ -	$ 524,778
USD：NTD	1%	-	161,533
VND：NTD	1%	-	81,567
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 12,724	$ -
JPY：NTD	1%	260	-
EUR：NTD	1%	63	-

	For the year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD：NTD	1%	$ 175,906	$ -
JPY：NTD	1%	193	-
EUR：NTD	1%	324	-
Non-monetary items			
RMB：NTD	1%	$ -	$ 466,635
USD：NTD	1%	-	209,700
VND：NTD	1%	-	81,301
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 15,842	$ -
JPY：NTD	1%	85	-
EUR：NTD	1%	143	-

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, 2019 and 2018 would have increased/decreased by $32,352 and $32,135, 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 $1,248,121 and $1,206,791, 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, 2019 and 2018, the Company's borrowings at variable rate were denominated in the NTD and

USD.

ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. For the years ended December 31, 2019 and 2018, if interest rates on denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years then ended would have been $32,267 and $84,178 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of instruments stated at fair value through other comprehensive income.

ii.The Company manages their 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, each local entity in the Company 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 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, 2019 and 2018, the Company's written-off financial assets that are still under recourse procedures amounted to both $0.

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, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~60 days past due	61~90 days past due	Over 91 days past due
At December 31, 2019					
Expected loss rate	0.03%	5.49%	100.00%	100.00%	100.00%
Total book value	$ 18,654,013	$ 98,198	$ 11,331	$ -	$ 174,026
Loss allowance	$ 12,754	$ 5,393	$ 11,331	$ -	$ 174,026
At December 31, 2018					
Expected loss rate	0.03%	1.88%	65.15%	100.00%	100.00%
Total book value	$ 25,515,508	$ 566,066	$ 16,321	$ 2,164	$ 133,811
Loss allowance	$ 8,098	$ 10,659	$ 10,634	$ 2,164	$ 133,811

vi.Movements in relation to the Company applying the simplified approach to provide loss allowance for notes and accounts receivable and contract assets are as follows:

	For the year ended December 31, 2019		
	Accounts receivable	Contract assets	Notes receivable
At January 1	$ 160,397	$ -	$ -
Impairment loss	40,437	-	-
Effect of foreign exchange	-	-	-
At December 31	$ 200,834	$ -	$ -

	For the year ended December 31, 2018		
	Accounts receivable	Contract assets	Notes receivable
At January 1_IAS 39	$ 160,397	$ -	$ -
Adjustments under new standards	-	-	-
At January 1_IFRS 9	160,397		
Effect of foreign exchange	-	-	-
At December 31	$ 160,397	$ -	$ -

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

	December 31, 2019	December 31, 2018
Not past due	$ 18,654,013	$ 25,515,508
Up to 30 days	98,189	566,066
31 to 60 days	11,331	16,321
61 to 90 days	-	2,164
Over 91 days	174,026	133,811
	$ 18,937,559	$ 26,233,870

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:

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Lease liability	$ 5,045	$ 2,111	$ 6,224	$ 14,109
Bonds payable	2,750,000	-	13,800,000	18,300,000
Long-term borrowings	2,688,889	1,344,444	-	-

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Bonds payable	$ 6,200,000	$ 2,750,000	$ 6,600,000	$ 18,500,000
Long-term borrowings	5,688,889	3,488,889	1,344,444	-

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

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

(4) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset for the asset or liability, either directly or indirectly. The fair value of the Company's investment in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, short-term notes and bills payable, notes payable (including related parties), accounts payable (including related parties) and other payables (including related parties) are approximate to their fair values. The carrying amounts of long-term borrowings (including current portion) and lease liabilities are reasonable basis for fair value estimate given that their interest rates are approximate to market rates.

C. The related information of 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:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Fund	$ -	$ 4,043,968	$ -	$ 4,043,968
Financial assets at fair value through other comprehensive				
Equity securities	106,803,535	2,206,394	15,802,132	124,812,061
	$ 106,803,535	$ 6,250,362	$ 15,802,132	$ 128,856,029

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Fund	$ -	$ 4,016,864	$ -	$ 4,016,864
Financial assets at fair value through other comprehensive				
Equity securities	99,035,315	2,567,128	19,076,660	120,679,103
	$ 99,035,315	$ 6,583,992	$ 19,076,660	$ 124,695,967

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:

	Listed shares	Open-end fund
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, 2019 and 2018, 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, 2019 and 2018:

	For the year ended December 31, 2019
	Non-derivative equity instrument
At January 1	$ 19,076,660
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	(3,274,528)
At December 31	$ 15,802,132

	For the year ended December 31, 2018
	Non-derivative equity instrument
At January 1	$ 2,463,536
Effect of retrospective adjustment and retrospective restatement	18,155,392
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	(1,542,268)
At December 31	$ 19,076,660

G. For the years ended December 31, 2019 and 2018, 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:

	December 31, 2019	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	$ 14,290,717	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	The higher the multiple, the higher the fair value
	1,199,049	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, longterm 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
	312,366	Net asset value	Not applicable	Not applicable

	December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	$ 17,637,599	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
	1,116,542	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, longterm 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
	322,519	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:

	Input	Change	December 31, 2019 Recognised in other comprehensive income Favourable change	 Unfavourable change
Financial assets				
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability, control premium	±1%	$ 142,907	$ 142,907
Equity instrument	Long-term revenue growth rate, weighted average cost of capital, longterm pre-tax operating margin, discount for lack of marketability, discount for lack of control	±1%	$ 11,990	$ 11,990

	Input	Change	December 31, 2018 Recognised in other comprehensive income 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%	$ 176,376	$ 176,376
Equity instrument	Long-term revenue growth rate, weighted average cost of capital, longterm pre-tax operating margin, discount for lack of marketability, discount for lack of control	±1%	$ 11,165	$ 11,165

13. <u>Supplementary Disclosures</u>

(1) Significant transactions information

In accordance with "Rules Governing the Preparation of Financial Statements by Securities Issuers", significant transactions for the year ended December 31, 2019 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.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. <u>Segment Information</u>

None.

Formosa Chemicals & Fibre Corporation

Chairman: Wen Yuan Wong