Stock Code：1301

Formosa Plastics Corporation

2018 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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	Spokesperson	Deputy Spokesperson
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V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities：None.

VI. Company website：www.fpc.com.tw

Contents

IV. Capital Overview

V. Operational Highlights

VI. Financial Information

I. Letter to Shareholders

1.1 Business Performance for 2018

The Company (Formosa Plastics Corporation) generated consolidated sales of TWD230.37bn in 2018, reaching 102% of its target of TWD224.38bn and was up 11% from TWD206.71bn generated in 2017. Consolidated pretax profit came in at TWD57.09bn in 2018, reaching 98% of its target of TWD58.32bn and was up 4% from TWD54.90bn generated in 2017.

Global economics has been in turmoil in 2018. In the first three quarters for 2018, the strong global economic growth has led to higher demand for petrochemical. Oil price jumped by 24% driven by production cut from major oil producing countries such as OPEC and Russia. Moreover, demand for alumina, paper, home appliance and epoxy resins have increased thanks to industry boom in automotive, construction, e-commerce and home appliance. The decreasing supply driven by capacity maintenance, production outages, or production reduction on environmental inspection of other companies, has pushed up prices and spreads for caustic soda, AN, MMA and ECH. However, amid the uncertainties brought by US-China trade tension, global economy and international trade have been deteriorated in 4Q18. While the US is driving its economic growth, pressures on oil prices have been weighted on. The US thus increased its oil production, which resulted in around 40% of decline in oil price and led to the sharp collapse in ethylene, propylene, and petrochemical product prices. Product spreads and sales volume have decreased as downstream clients have therefore turned to hold a more conservative, wait-and-see stance on its procurement.

In summary, the Company has completed the phase 1 and phase 2 Ningbo 42K tpa PP plant debottleneck project, and well-managed its equipment safety to maintain a stable operation, which have resulted in 91% capacity utilization rate in 2018, higher than 90% in 2017. Meanwhile, the Company has been developing overseas markets aggressively and increasing sales contribution from high-valued differentiated products. As a result, the Company's consolidated operating profit of TWD25.34bn in 2018 increased 15% from 2017, which was a record high level for the Company in the past 7 years. Moreover, cash dividend incomes from Nanya Plastics Corp., Formosa Chemicals & Fibre Corp., Nanya Technology Corp. were TWD7.51bn, and equity investment incomes from Formosa Petrochemical Corp. and FPC-USA, Formosa Sumco Technology Corp., were TWD24.07bn in 2018, which supported the Company's consolidated pretax profit to break the 2017 record high level at TWD57.09bn in 2018, and reaching the highest level in the past 64 years since the Company established.

In 2018, the US economy has been on growing under the "First Priority" strategy and the positive effect from tax reduction, which has led to global economic recovery. However, the US has adopted trade protection measures to resolve its long-term trade deficit with China, and resulted in the US-China trade war. Starting from July 2018, China and the US have both raised their tariffs towards each other, resulting in the restructure of global supply chain, and dragged down the global economic growth and export. The International Monetary Fund (IMF) and the World Bank have both revised down their forecasts on global GDP growth. Due to a close trade relationship between the two major economies, it's inevitable for Taiwan to suffer from the impact of trade war, leading to the decline in both export momentum and economic growth.

In addition, Taiwan's economic growth has shown weak momentum. Taiwan has stayed in the last place among the Four Asian Tigers over the past 4 years and was not able to keep up the pace with global economic growth. Aside from being impacted by the global economy trend, the society brimming with the ideology of environmental protection is also attributed to the weak momentum. According to Taiwan's Environmental

Protection Agency(EPA), over 70% of the PM 2.5 problem is generated from traffic, the transport from other regions, and from natural occurrence, while the petrochemical and power industry, which have long been misunderstood by the public, only make up 2% and 2.9%, respectively, to the problem. The two industries together only account for less than 5% of the problem, which is even lower than the 6.2% generated from catering industry, however, the two industries have been consider by the crowd as the chief culprit of PM 2.5. The industries have long been suffering from the stigma, and many long term investment projects were stuck under the unreasonable EPA review system. The environmental regulations have also became stricter gradually without considering whether the best feasible technique is achievable, which is very unfavorable to the long term domestic industry development.

On the other hand, both China and the US, the two economic majors in the world, are emphasizing "driving the economy through manufacturing industry ". The two countries even rolled out tax reduction and fee cuts to attract manufacturing investments, and expand new petrochemical capacities. In the long run, Taiwan’s industry development would thus be limited.

In addition, the government's energy policy of "replacing nuclear power with green energy; replacing coal-based power plant with natural gas-based power plant" is posing a great risk to the stability of electricity supply, which will adversely affect the development of Taiwan's economy. Besides, the increase in tax rate from 17% to 20% for corporates in Taiwan is exactly on the opposite of the world trend of “tax reduction”. This could potentially weaken corporates’ competitiveness in the world and hollow out the domestic industry development as corporates would be force to switch out from Taiwan to seek for investment opportunities overseas.

Furthermore, while export accounts for more than 60 percent of Taiwan GDP, Taiwan’s participation in the international Free Trade Agreement (FTA) coverage is poor at less than 10%.

Facing the growing trade protectionism, unimproved cross-strait relations, the preferential tariffs enjoyed by ASEAN 10 plus one, the effective of “Comprehensive and Progressive Agreement for Trans-Pacific Partnership Agreement (CPTPP)” since 30 December 2018, and the upcoming formation of “Regional Comprehensive Economic Partnership Agreement (RCEP)” in Asia, of which Taiwan has been excluded in the discussion, Taiwan will be marginalized, and our industries will find it very difficult to survive and development if Taiwan government is not actively seeking for solutions on the breakthrough for the trade tariff obstacle.

Thus, the Company expects the government, aside from grasping the opportunity of industry restructure brought out under US-China trade war, should roll out a fiscal tax with investment incentives, renew the tax incentives in “Statute for Upgrading Industry”, amend the irrational environmental assessment process and loosen the environmental regulation restrictions. Particularly, the environmental issues should be assessed based on scientific data in order to dissolve the populist atmosphere. Meanwhile, the government should revisit the energy policy, formulate electricity allocation pragmatically and propose reasonable supporting measures for energy transition to provide stable, abundant and clean electricity and to build a friendly investment environment to attract and enhance businesses’ confidence in investing in Taiwan. Also, in order to make a breakthrough of the above difficulties and to keep businesses in Taiwan and develop sustainably, the government should understand the market mechanism and the problem of the unequal trade tariff towards the globalization roadmap, as well as make effort to join RCEP, CPTPP and sign FTA with main trading partners.

In view of the difficulty in domestic investment and the uncertainties brought out by US-China trade tension, in 2018, the Company developed the application of artificial intelligence (AI) technology thoroughly to ensure the improvement of the working environment and avoid operational issues, in order to improve product quality, production and management efficiency. In an effort to popularize AI concept to all employees and to cultivate AI talents, the Company provides the four-stage systematic training courses from the basics, practice, and project practice to "Taiwan Artificial Intelligence School". In the meantime, the Company also interacts and cooperates with other companies, established an AI exchange platform to hold competitions, and set up an AI R&D studio at Renwu plant to develop AI technology and to accelerate progress on AI development. In 2018, 6 projects have been completed and introduced into application with annual benefit at TWD24m. There are 115 ongoing projects going forward, and the estimated annual benefit is at TWD142m.

Aside from this, by promoting Industrial 4.0 and the automatic selling system, production and sales efficiency has come into effect on PVC, PE and PP automatic selling system, and the Company has expanded the application towards other products. Meanwhile, in order to increase the product quality, optimize the operation and formulation and dispatch the power units, the Company has improved the production process and launched 42 improvement projects through instant and historical production data analysis. By the end of 2018, 29 projects had been completed with annual benefit of TWD70m, and the implementation of the rest 13 projects are expected to be completed by end of 2019.

Moreover, in order to promote the transformation plan of the Renwu complex, the establishment of the composite material center, the industrial 4.0 and artificial intelligence research and development center, and the dye-sensitized battery mass production plant, in March 2019, has been passed by the Ministry of the Interior to change 12.3 hectares of part of the land in Renwu District to a kind of industrial zone.

At the same time, 13 office buildings, including the 2 founders' offices in the Kaohsiung plant, the birthplace of Formosa Plastics Group, were registered as monument by the

Kaohsiung City Government. The “Wang Yung-ching and Wang Yung-tsai Park” will be established in the 2.5 hectares original site. Moreover, in respect of the Formosa Building’s urban renewal plan, the Company invested TWD4,675m by a quarter of the shareholding among Formosa Group, together with Nanya Plastics Corp., Formosa Chemicals & Fibre Corp., and Formosa Petrochemical Corp., to purchase three office buildings, and lands, etc, located in “T-CBD”, Taipei’s Neihu District.

In an attempt to develop circular economy, promote project improvements, reduce the consumption of water, energy, and the liquid usage volume per unit, the Company accomplished 620 projects in 2018 and resulted in a total benefit of TWD320m. The Company established an innovation platform to hold seminars for time to time to boost up the innovation atmosphere. There have been more than 147 ideas proposed on an accumulated basis so far. By the means mentioned above, the Company is able to gradually pursue the rationalization, strengthen the business essence, overcome the operating difficulties and continue to grow the business.

The Company and its China Ningbo subsidiary mainly produce plastics and chemical fiber raw materials. In 2018, sales volume of PVC increased 3% to 1,661K tons mainly due to the continued market diversification with higher sales in Southeast Asia, New Zealand, Australia, and higher PVC demand for infrastructure ahead of the India’s general election in 2019. Sales volume of caustic soda was 1,437K tons in 2018, similar to the level last year, as the incremental caustic soda demand in Indonesia and Middle East for aluminum and Rayon was offset by the slowing global economy and market oversupply caused by the import ban on caustic soda to India that have not obtained the Bureau of Indian Standards’ approval in 4Q18.

Although the clients’ re-stocking demand in HDPE was conservative given weaker-than-expected HDPE demand for pipe due to the delay in coal-to-gas project in China and the US-China trade tension, the Company have aggressively diversified the market into Southeast Asia and Africa’s pipe material market and expanded to differentiated products like blow molding grade and cable grade HDPE products. As a result, the Company’s sales volume in HDPE was 489K tons in 2018, similar to that of last year. The Company’s EVA sales volume was 276K tons in 2018, up 12% from 2017 as there was no new capacity addition in China and no maintenance shutdown of EVA plant in Mailiao complex. The Company’s LLDPE sales volume was 162K tons in 2018, down 22% from 2017 given (1) oversupply in LLDPE market on tight competition due to new supply additions from India and the US, and (2) production reduction as the FOB prices couldn’t cover the Company’s variable cost.

The Company’s AE sales volume was 538K tons in 2018, increased 6% from 2017 driven by (1) higher re-stocking demand from downstream clients given tight supply resulted from heavy maintenance shutdown from peers in first half of 2018 and operational issue from Brazil peers and, (2) increased sales volume in Southeast Asia, India and Southern America. The Company’s carbon fiber sales volume was 5.4K tons in 2018, up 14% from 2017 due to the stable incremental demand for wind power and the demand recovery from Taiwanese and foreign clients given strategic production reduction from Japanese peers. The Company’s sales volume of NBA, which is mainly for captive use by AE plants, increased 6% to 232K tons in 2018 due to a sharp decreased in supply given heavy turnarounds from China and Southeast Asia peers in first half of 2018. Sales volume of SAP increased largely by 38% from 2017 to 182K tons in 2018 mainly due to (1) demand recovery in Central America, (2) order win from international clients and took the advantage of ASEAN tariff exemption for sales into Southeast Asia, and (3) aggressive development for new clients in Africa.

Sales volume of PP increased 2% from 2017 to 958K tons in 2018 given better demand for the newly-developed fiber grade and extruded sheet products, as well as to sales expansion into Southern Asia and Central America market. Sales volume in AN and MMA increased 3% and 4% from 2017 to 277K tons and 83K tons in 2018, respectively, on the severer environmental inspection in China and operational issue from peers. Sales volume of ECH decreased 5% from 2017 to 89K tons in 2018 due to lower-than-expected downstream product epoxy demand.

In terms of capacity expansion, in order to strengthen its competitiveness, the Company has been aggressively expanding its capacities and conducting debottleneck projects, including the debottleneck project of SAP plant in Mailiao, which will raise its SAP capacities by 10K tons to 70K tons, and it is expected to be completed by end of 2020. And in Ningbo, there are PP plant debottleneck project, which will increase its PP capacity by 30K tons to 522K tons after the project is completed in 2Q19; SAP plant debottleneck project, which will increase its SAP capacity by 10K tons to 100K tons after construction completed in 3Q19; AA plant debottleneck project, which will increase AA capacity by 10K tons to 330K tons, which is scheduled to completed in 2Q19; and the project of the new PDH plant, which will have 600K tons propylene capacity and is expected to complete and start production in 3Q21. In addition, the Company is building a new 400K tons HDPE plant in Texas, USA, scheduled to be completed in 2Q19. Furthermore, in Kaohsiung, the Company's storage tank in Qianzhen District will be moved to the Phase II Intercontinental petrochemical zone. The Company has rent the land and dock from Port of Kaohsiung Taiwan International Ports Corporation for petrochemical usage and will build 12 storage tanks and 1 salt warehouse, which are expected to be completed in 2Q22.

In terms of equity investments, FPC-USA (22.61% owned by the Company) generated pretax profit of USD1,000m in 2018, up 5% from 2017, mainly due to (1) increase demand for petrochemical driven by the improving US economy, (2) increase sales volume from 2017 given stable production, and (3) rising product price following rising crude price in the first three quarters in 2018. Also, the paste PVC plant in Delaware has stopped operating since August 2018 due to old facilities and poor profitability. In 2019, business should decline comparing to 2018 given significant capacity additions in ethylene and downstream polyethylene capacities in Northern America, which leads to the expected falling prices of petrochemical products, and the rising feedstock prices in ethane, propane and butane. In order to expand production scale and continue to leverage on shale gas' low cost advantage, aside from the 1.2m tons ethane cracker expansion project, FPC-USA is conducting the construction of a 400K tpa LDPE plant and a 250K tpa PP plant in Taxes, which are scheduled to start production starting from 2Q19 and can contribute to earnings.

In addition, profit loss of Fujian Fuxin Special Steel Co., Ltd. (29.17% owned by the Company) in 2018 has further expanded from 2017 given (1) higher raw material LME nickel price on the back of environmental inspection in China, (2) intensified pricing competition from Indonesian peers on new supply additions, and (3) shrinking demand in 4Q18 on US-China trade tension. Fujian Fuxin expects the global steel market should continue to decline, prices should fall as a result of the intensifying pricing competition. However, Fujian Fuxin is expected to decrease profit loss as Fujian Fuxin will expand the sales in super ferritic stainless steel differentiated products and increase the hot rolling OEM for Formosa Ha Tinh Steel Corporation. In order to enlarge the synergy of vertical integration and enhance the competitiveness, Fujian Fuxin is conducting the new cold rolling mill plant project with 300K tpa capacity, and expects the plant to start production by 2Q20.

Furthermore, Formosa Ha Tinh Steel Corporation, which the Company owns 11.43% equity stake, is constructing an integrated steel plant in Ha Tinh Province, Vietnam, with 7.1mn tpa steel billet capacity. The two blast furnaces have started production in May 2017 and May 2018, respectively. Sales volume has reached to 4.95m tons in 2018 and the production and selling condition has been smooth so far, the product quality has received clients' affirmation.

Moreover, Formosa Mitsui Advanced Chemicals Co., Ltd., with 5,000 tpa lithium-ion battery solution capacity per year, which the Company owns 50% equity stake, are mainly supplying to electric vehicle and electric bus companies, and it will keep developing new clients. In order to expand the business scale, Formosa Mitsui Advanced Chemicals is conducting on the third phase of capacity expansion of 15K tons, and expects to complete the construction by end of 2019.

In terms of research and development, the Company spent TWD2.2bn on R&D in 2018, accounted for 1% of the Company's revenues. These R&D expenses were mainly spent on developing new formulation, improving production process, increasing product quality, conserving energy consumption, and developing human resources, in order to increase production capacity and lower cost, and to increase technical skills through cooperating with industry peers. Meanwhile, in order to conduct R&D on industrial production technique and to commercialize specialty products, the Company launched 49 R&D projects, including low polymerization degree paste resin, semi-solid electrolyte of lithium-ion battery, dye-sensitized cell electric curtain, injection & compression cap grade HDPE, high VA & Low melt index grade EVA, ultra-thin prelaminated diaper and odorless SAP, carbon fiber reinforced thermoplastic unidirectional tape, vinyl ester compatible sizing, gas phase process EPP expanded PP beads and high fluidity impact copolymer PP. The development in differentiated products and the enhancement in value-added products perform well.

Moreover, the Company further enhanced the development of key technology and applied for both domestic and international patent. In 2018, the Company has received approval on 9 patents, and as of the end of 2018, the Company has a total of 148 effective patents. Meanwhile, the Company will continue to work with both domestic and international industry experts, government, and academic area, as well as to establish a virtual laboratory to accelerate the interaction and resources integration of research development and production, as well as to speed up the process of commercialization. Also, in order to further strengthen the competitiveness, the Company will incorporate new technologies such as Internet of Things, Automation, and Green Technology to upgrade and expand its R&D capabilities in the area of compounds, circular economy, aerospace and medical materials.

In addition to cooperating with academic research institutions such as National Cheng Kung University and the Industrial Technology Research Institute in August 2018 on the technology development of the capture and reuse of flue gas carbon dioxide for the improvement on eco-friendly environment, the Company cooperated with the Ministry of Economic Affairs and the Industrial Technology Research Institute, to build the world's only automated dye-sensing battery test line in National Chiao Tung University, Tainan campus in December 2018. The dye-sensing battery can be widely used in the wireless sensor for the Internet of Things and the power supply for daily necessities.

On the operational safety and environmental protection front, the Company has always been putting equal emphasis on industry developments and environmental protection. As of the end of 2018, the accumulated investments on operational safety, environmental protection, and firefighting has reached TWD22.7bn, which was mainly spent on controlling pollution, saving energy, reducing waste and greenhouse gases, and improving operational safety and firefighting. The Company’s pollution treatment and emissions are better than national regulatory standards.

In 2018, there were 9 business units and 5 employees praised by competent authority. Among them, Mailiao PVC plant, HDPE plant, LLDPE plant, AN plant and MMA plant were all praised by Yunlin County and Ministry of Labor for strong performance on occupational safety and health. Mailiao PVC even received the “Occupational Safety 5-Star Award” from Yunlin County given the three consecutive years of praise awarded. Linyuan PP plant obtained the role model award money by Ministry of Economic Affairs for strong performance on energy conservation. Meanwhile, Linyuan plant were also praised by Kaohsiung Environmental Protection Bureau for its excellent performance on energy conservation with cross-departmental cooperation. Also, Renwu and Mailiao plant were praised by Ministry of Health and Welfare for strong performance on creating a safe and healthy working environment.

In term of water and energy conservation and greenhouse emissions reduction, in 2018, the Company accomplished 460 improvement projects. Total water saved amounted to 5,340 tons/day while greenhouse gas emissions reduction reached 73,826 tons/year. Other ongoing 345 improvement projects would further conserve water by 3,375 tons/day and reduce greenhouse gas emissions by 168,124 tons/year.

Besides, the Company is promoting AI into operational safety, including the establishment of GPS system for employee safety, “Production Safety Management (PSM)” operations, equipment diagnosis, and continue to promote the “Execution Implementation SOP – Full Participation”, “Advanced Simulation” and, as a result to reduce abnormal operation and to secure the operation. At the same time, to conduct deep review and improvement on equipment, electronic equipment, and control systems that have regular breakdown in order to reduce operational risks. Moreover, in view of increasing environmental regulations, the Company has established short, mid, and long-term improvement plans for in-plant equipment components to strengthen the control on leakage, and set up FTIR to monitor air quality instantly, conducted the improvement project on the elimination of white smoke for Renwu and Linyuan plant, and organized a “zero-wastewater-emission promotion group” to promote wastewater reduction, aiming at zero emissions and reducing environmental impact.

The following is production and sales volume, and business performance in 2018：

1. Production and Sales volume in 2018 (include Ningbo plant and internal sales)

Product	Unit	Production volume	Sales volume
Polyvinyl chloride (PVC)	ton	1,658,592	1,660,972
Caustic Soda	ton	1,611,839	1,437,298
High density polyethylene (HDPE)	ton	510,660	488,856
Ethylene vinyl acetate copolymer (EVA)	ton	273,859	276,391
Linear low density polyethylene (LLDPE)	ton	159,965	162,439
Acrylonitrile (AN)	ton	275,364	277,113
Epichlorohydrin (ECH)	ton	92,212	89,315
Methyl tert-butyl ether (MTBE)	ton	173,993	173,927
Methyl methacrylate (MMA)	ton	81,814	82,871
Acrylic esters (AE)	ton	555,423	537,826
N-butanol (NBA)	ton	244,119	231,994
Super absorbent polymer (SAP)	ton	182,687	182,473
Carbon fiber	ton	5,308	5,472
Polypropylene (PP)	ton	954,314	957,593

In 2018, total sales value was at TWD230.37bn, and domestic sales (in Taiwan) was at TWD79.09bn accounted for 34% of total sales in 2018, export sales was at TWD151.28bn, accounted for 66% of total sales.

2. Business performance：

The consolidated revenue in 2018 was TWD230.37bn, an increase of TWD23.66bn over the previous year of TWD206.71bn. Operating profit was TWD25.34bn with an 11% of operating margin after deducting COGS of TWD193.06bn and operating expenses of TWD11.97bn. Plus non-operating income of TWD31.75bn (included equity investment income of TWD24.08bn), the pretax profit was TWD57.09bn in 2018, increase 4% from 2017.

1.2 A Summary of the Business Plan for 2019, the Company's Future Development Strategy, and the Effect of External Competition, the Legal Environment, and the Overall Business Environment

Looking into 2019, global agencies such as International Monetary Fund (IMF) and World Bank have revised down their forecast on 2019 global GDP growth given the impact from US-China trade tension, slowdown in China's economic growth, Brexit risk, coupled with the impact from tightening monetary policies from Euro zone and US. The reasons above are likely to pressure the economic growth in the major economies.

IHS forecasts global ethylene capacity will increase around 7 million tons in 2019, mainly concentrated in North America, and Asia. In terms of demand, based on the global ethylene demand growth of 1.1x of GDP growth, incremental demand should be 6.2 million tons in 2019. Add that global ethylene capacity maintenance shutdowns are 1 million tons lower than in 2017, global ethylene supply is rather sufficient. Among the new capacities, 3 new ethylene plants with a total of 4.5 million tons of capacity from DowDuPont, ExxonMobil and Chevron Phillips Chemical have already started production. In 2019, there are 5 ethylene plants from FPC-USA, Sasol, Lotte, Indorama and Shintech, with a total of 4.68 million tons of capacity to come on stream. Net ethylene capacity increase from above companies are

9.18 million tons in total with incremental PE capacity to be over 6 million tons, which have impacted global PE market gradually. Due to the oversupply in PE market in North America, companies have cost advantage on low shale gas feedstock price, and most of the new capacities will primarily be exported. It is expected that the impact on petrochemical market in Asia will become serious increasingly in 2019.

In addition, looking into the historical upturn and downturn of global economic cycle, there was a recession in every 10 years, such as the Asian Financial Crisis in 1998, Global Financial Crisis in 2008, and 2018 could have reached the end of the economy upturn in the decade. Moreover, the petrochemical industry had remained its upcycle in four consecutive years since 2015 and the peak could have already ended in 2018. It is expected to face a challenging year of decline in 2019.

Nevertheless, in order to stabilize and mitigate the impact from trade tension, China government has rolled out measures such as the easing of environmental control, financial deleveraging, reduction on import tariffs, corporate taxes and fees, and the increase in export tax rebates. In the meantime, to expand spending on infrastructure improves domestic demand. These measures could help to improve the downstream plastic processing industry. Furthermore, although the US is now experiencing the slower pace in economy growth, petrochemical demand should not shrink sharply, which should be supported by the large domestic market in the US, the US presidential election in 2020, of which President Trump would create a favorable environment on both financials and economy, and the expectation on the growth in global economy in 2019.

However, there are still many variables that might affect global economic growth and petrochemical industry, which includes (1) the development of US-China trade tension, (2) the monetary policy in EU and US, (3) Brexit development, (4) the geopolitical risks in Middle East, (5) the trend of crude oil prices. The Company will still need to respond prudently when it comes to the potential problems mentioned above.

In the new year, facing the uncertainties brought by US-China trade tension and the environment under the unpredictable global market changes, the Company has prepared for the long resistance war. In view of the fact that AI is the key to future growth and competitiveness, the Company will expand its application into selling and production optimization, distillation tower energy saving, intelligent monitoring system maintenance, automatic optical inspection (AOI) image recognition, instrument digitization, product defect identification and other improvements, in order to avoid operational issue to ensure a smooth production, improve product yield and customer’s quality satisfaction, as well as reduce energy and raw material consumption to lower cost. In the meantime, to strengthen the Company’s long-term competitiveness via full implementation of AI model through rapid replication between plants.

Aside from this, the Company’s scheduled maintenance shutdowns in 2019 are lower than that in 2018. Although there will be fewer days of maintenance shutdown for ethylene capacity in Taiwan in 2019 from 2018, the Company will seek for imports to cover the shortfall in raw material, aiming to reach the target of “full production and sales”. Also, in an attempt to elevate sales volume for differentiated products and business operation, the Company will implement flexible sales strategies, diversify market into emerging markets such as India, Bangladesh, Southeast Asia, New Zealand, Australia and Africa, continue to expand sales agents in each region, and set up overseas warehouses in Vietnam and Bangladesh under the opportunity of international trade flow and supply chain restructure trend.

Meanwhile, the Company will continue to implement the review for strategy regarding to production, sales, research for each product, and will continue to hold innovation presentations, enhance the R&D and innovation, focus on the R&D of forward-looking products, recyclable and biodegradable green plastics, and continue to promote the circular economy to create an eco-friendly environment, as well as to develop new high value-added compounds for new applications to boost the Company's profit. In addition, the Company will aggressively promote the transformation program of Renwu complex, other capacity expansion and debottleneck projects. Through the efforts above, the Company expects to strengthen its business and to save growth momentum, and accordingly, to make the breakthrough of the challenges in 2019 in a constructive pace and achieve another new record in 2019.

The expected sales volume of major product in 2019 is following：(include Ningbo plant and internal sales)

Product	Unit	Sales volume
PVC	ton	1,679,834
Caustic Soda	ton	1,537,362
HDPE	ton	544,860
EVA	ton	285,187
LLDPE	ton	179,970
AN	ton	278,334
ECH	ton	93,500
MTBE	ton	82,950
MMA	ton	174,200

Product	Unit	Sales volume
AE	ton	560,486
NBA	ton	227,476
SAP	ton	191,996
Carbon fiber	ton	5,300
PP	ton	949,650

II.Company Profile

2.1 Date of Incorporation：November 5, 1954

2.2 Business Philosophy and Vision

The Company has undergone more than 60 years of development and has continuously expanded to maintain a global presence in Taiwan, China, the U.S., Vietnam and other countries. The Company's business involvement consists of such industries as petrochemical, plastics, textile, fibers, electron, energy, transportation and steel. The driving force behind FPC's constant expansion, growth and development is the founders, Mr. Wang Yung-Ching and Mr. Wang Yung-Tsai, who have always emphasized and demonstrated the spirit of "Diligence, Perseverance, Frugality and Trustworthiness; Aiming at the Sovereign Good; Perpetual Business Operation; Dedication to the Society".

In terms of business operations, the company deeply understands that a good management is the base of steady operations. Therefore, for a long time, in the aspects of production and sale, human resource allocation or resource utilization, the Company keeps the sprit of tracking the root, seeking truth from fact and rationalization to reduce the cost and increase the benefits. This spirit has also been internalized as an important core of the company culture, but also the driving force for progress and sustainability. Moreover, the Company keeps the Company’s meaning based on reaching a reasonable profit and a good contribution to society at the same time. Therefore, in addition to its business operations, the Company has also established a number of non-profit public welfare institutions, such as schools, hospitals and foundations, to invest in medical care, education and various social welfare, and continuously expands its scale to enhance efficiency and quality to fulfill the corporate social responsibility.

The Company's vision for future development is in the various industrial fields in which it is engaged, not only to achieve world-class production capacity, but also to enhance the international competitiveness of its strong products, and to achieve its goal of sustainable development by staying in the global leadership position of the industry.

2.3 Company History

Formosa Plastics Corporation established in November 1954, with capitalization of NT$5 million and constructed the first PVC plant in Kaohsiung City. The capital of the Company has built up to 63.6 billions by the end of 2018. The primary businesses included the production and sale of plastics and fibers products, where the capacity of VCM is 1,644K tons and it will be up to 3,070K tons including the capacity of USA re-invested companies, which places the Company to the second rank VCM manufacturers in the world. In addition, the Company’s capacity of PVC is 1,265K tons, which is the largest PVC manufacturers in Twain, and it will be up to 3,200K tons including the capacity of USA and China re-invested companies, which places the Company to the second rank PVC manufacturers in the world. The capacity of others such as the caustic soda, Acrylic acid(AA)、n-butanol(NBA), super absorbent polymer(SAP), carbon fiber、acrylonitrile(AN), Methyl methacrylate (MMA) and epichlorohydrin(ECH) also ranks among the top in the world.

The Company's business expansion roughly divided into the following stages：

1954
- Establishment of Formosa Plastics Corporation with capitalization of NT$5 million. Constructed the first PVC plant in Kaohsiung City.

1957
- Started operations in April with a monthly PVC capacity of 120 metric tons.

1960
- Invested in Tungshan Calcium Carbide Corporation with a monthly capacity of 2,000 metric tons.

1963
- Expanded capacity of PVC plant in Kaohsiung to 2,100 MT/month.

1965
- The Caustic Soda plant in Chienchen came on stream (70 MT/day).
- Merged Tung Shan Calcium Carbide Corporation and added an electric furnace to increase capacity to 4,000 MT/month.

1966
- The Caustic Soda plant in Chienchen set up a department to produce DOP.

1967
- The Tairylan plant was built in Chienchen to produce acrylic fiber, with a daily capacity of 4 metric tons.

1968
- Set up Kuandu plant to produce acrylic yarn and carpet.
- Increased calcium carbide capacity to 8,500 MT/month.
- Improved production technology to increase acrylic fiber capacity to 20 MT/day.
- 20 tanks were added to Caustic Soda plant in Chienchen to raise capacity to 88 MT/day.

1969
- Took over Chi Ho Fiber Co. and changed the name as Sanhsia plant.
- Set up a Machinery plant.

1970
- The Caustic Soda plant in Chienchen added a commutator to increase capacity to 100 MT/day.

1971
- The Acrylic Fiber plant in Chienchen set two new units and raised capacity to 55 MT/day.

1972
- The PVC plant in Renwu started operation with a monthly capacity of 2,400 MT.
- Dyeing and knitting equipment in Kuandu plant were

moved to Sanhsia plant.

- Engineering Section was expanded and renamed as Engineering Division.

1973
- Built a PVC plant in Puerto Rico with a monthly capacity of 6,000 MT.
- Began construction of Caustic Soda and VCM plant in Renwu, with a capacity of 525 MT/day and 240,000 MT/year respectively.
- Capacity of DOP plant was increased to 2,500 MT/month.
- Machinery plant was expanded and moved to Renwu complex.

1974
- Expanded capacity of 50 MT/day of Acrylic Fiber plant (A and B series) in Renwu.

1975
- The capacity of PVC plant in Renwu was increased to 9,000 MT/month.
- The Caustic Soda plant in Renwu completed construction and came on stream (525 MT/day).
- The VCM plant (phase I) in Renwu completed construction and came on stream with an annual capacity of 240,000 MT.
- The Utility plant with a 246 T/H boiler was added.
- Machinery plant was restructured into Machinery Division.
- Construction of Wharf#29 in Kaohsiung was completed.

1977
- A 130M^3 reactor of PVC plant in Renwu was completed and increased capacity to 18,000 MT/month.
- The Plastics Division phased out the use of calcium carbide in its manufacture of VCM.
- Test production of E-process Compound fiber (C series) began in Acrylic Fiber plant in Renwu.

1978
- Began the construction of VCM plant (phase II) in Renwu, with capacity of 240,000 MT/Y.

- The capacity of Caustic Soda plant in Chienchen was increased to 105 MT/day.
- Construction of the first phase PVC plant at Kaohsiung was completed, increasing production capacity of suspension PVC resin by 1,500 MT/month to a total of 9,000 MT/month.
- The Tairylan plant at Renwu successfully developed E-process Compound fiber (D series).
- Chienchen and Renwu plants totaled 165 MT/day.

1979
- Started planning investments in the United States.
- An expansion was added to PVC plant in Renwu to produce 100,000 MT/Y of Mass PVC resin.
- The Tairylan plant in Chienchen was shut down, and some equipments were transferred to Tairylan plant in Renwu.
- The Tairylan plant in Renwu expanded capacity by 30 MT/day (F series).
- Two 8,000 KW oil-fired generators were added.

1980
- The Puerto Rico plant was shut down.
- The VCM plant (phase II) in Renwu completed construction, increasing the total production capacity to 480,000 MT/Y.
- The Caustic Soda plant in Renwu added four tanks, increasing its capacity to 530 MT/month.
- The Tairylan plant in Renwu expanded its capacity by 30 MT/day.
- Installed a Benson boiler of 180 T/H, a steam generator of 23,500 KW, and an oxygen plant of 3,667 NM^3/H.
- The Machinery Division entered into technical cooperation with Renk Corp in Germany.

1981
- Expanded PE plant (120,000 MT/Y), Utility plant (boiler 120T/H, co-generation 15,800 KW) and AE plant (28,500 MT/Y) in Linyuan.

- The DOP plant was shut down in November.
- Completed the expansion of phase II Dispersion PVC resin of PVC plant in Kaohsiung with a monthly capacity of 900 MT.
- Completed the 30 MT/day (G series) expansion of Tairylan plant in Renwu and increased capacity to 210 MT/day.
- Began the set-up calcium carbonate equipments with capacity of 10,800 MT/month in Calcium Carbide plant.

1982
- The expansion of 100,000 MT/Y Mass PVC resin of PVC plant in Renwu was completed and came on stream.
- FPC USA started operations.
- The A and B series of Tairylan plant in Renwu were converted to E-Type, resulting in an increase of production capacity to 240 MT/day.
- The Caustic Soda plant in Renwu added an IEM-1 ion-exchange system with capacity of 116 MT/day.

1983
- Set up the PE processing section.
- A Polyolefin Division was established.
- Planned to expand Phase III of VCM plant in Linyuan with capacity of 240,000 MT/Y.
- Succeeded in developing carbon fiber

1984
- The AE plant in Linyuan came on stream with an annual capacity of 28,500 MT.
- The Machinery Division signed a cooperative agreement with Murata Corp. of Japan to manufacture automatic warehousing system.
- The 120,000 MT/Y HDPE plant in Linyuan came on stream.

1985
- A carbon fiber plant with an annual capacity of 100 MT was constructed.

- Completed the expansion project of 2EHA (2 Ethyl Hexyl Acrylate) with capacity 60 MT/day.
- A chlorofluorocarbon plant with capacity of 23,040 MT/Y was constructed.
- The VCM plant (phase III) in Linyuan came on stream; as a result, the total capacity of VCM was increased to 720,000 MT/Y.
- The Caustic Soda plant using IEM-1 process in Renwu came on stream with capacity of 116 MT/day.
- The Caustic Soda plant in Chienchen was shut down.

1986
- Planned to invest in No.6 Naphtha Cracking Project.
- Built the 300 MT/Y carbon precursor plant.
- Built the 330 T/H coal boiler.
- Set up Machinery plant in Lungteh.
- Built a wax plant with an annual capacity of 1,440 MT.
- The 100 MT/Y carbon fiber plant came on stream.
- Built a MBS plant in Linyuan with capacity of 12,000 MT/Y.
- Phase I of PVC plant in Linyuan with capacity of 140,000 MT/Y was completed.
- Expansion of Chemical Wharf#28 in Kaohsiung was completed.

1987
- Phase II of PVC plant in Linyuan with capacity of 70,000 MT/Y was completed.
- Added equipments for carpet tile production with a monthly capacity of 16,500 M^2.
- The Taical plant came on stream with capacity of 400 MT/month.
- The Carbon Precursor plant came on stream with capacity of 300 MT/Y.
- The Carbon Precursor plant came on stream with capacity of 300 MT/Y.

- Phase II of AE plant in Linyuan with capacity of 75,000 MT/Y was completed.

1988
- Installed the BCF-PP and flat fiber production line in Sanhsia plant.
- Production of Caustic Soda plant in Renwu was shifted from mercury process to ion-exchange process, with capacity of 425 MT/day.
- Phase II of Carbon Fiber plant with capacity of 130 MT/Y was completed.
- Built the Plastic Precessing plant in Hsinkang, Chiayi to produce garbage bags (120 MT/month), shopping bags (140 MT/month) and deli bags (40 MT/month).
- Finished special fiber construction of Tairylan plant with capacity of 30 MT/day and came on stream, increasing total capacity to 300 MT/day.
- Utility plant in Linyuan added a 200 T/H boiler and 49,460 KW co-generator.
- A 6,000 MT/month Maerz limestone kiln was installed.
- Utility plant in Renwu added two boilers (350 T/H).
- Expansion of second line of Taical production (600 MT/month).

1989
- The mercury process was shut down and IEM-2 started operation with capacity of 425 MT/day.
- Phase I of PVC plant in Linyuan came on stream with capacity of 140,000 MT/Y.
- The MBS plant in Linyuan came on stream with capacity of 12,000 MT/Y.
- Invested US$100 million to establish Formosa Plastics Corporation, America (FPCA), building IEM plant (caustic soda 633,000 MT/Y, chlorine 571,000 MT/Y) and EDC plant (600,000 MT/Y).

- The second line of Taical production came on stream with capacity of 600 MT/month, having total capacity of 12,000 MT/Y.

1990
- Phase II of AE plant in Linyuan was completed, increasing total capacity to 75,000 MT/Y.
- Phase II of Carbon Fiber plant was completed, increasing total capacity to 230 MT/Y.
- The Chlorofluorocarbon plant came on stream with capacity of 23,040 MT/Y.
- Phase II of PVC plant in Linyuan was completed, with capacity of 70,000 MT/Y.

1991
- Constructed POM plant in Hsinkang, with an annual capacity of 20,000 MT.
  Constructed SAP (Super Absorbent Polymer) plant in Hsinkang, with an annual capacity of 6,000 MT.
- Completed PE Processing plant in Hsinkang.
- Two sets of 350 T/H boilers and co-generators with 201,400 KW capacity come on stream in Renwu.
- One 200 T/H boiler and co-generator with 49,460 KW capacity came on stream in Linyuan.
- Formosa Heavy Industries Corporation was established.
- Started production of distributed control system (DCS), with capacity of 18~24 sets per year.
- Constructed NS-2500 calcium carbonate process with an annual capacity of 6,000 MT.

1992
- Transferred assets and personnel of Machinery Division to Formosa Heavy Industries Corporation.
- Formosa Petrochemical Corporation (FPCC) was established. The personnel of Olefin Team I were transferred to FPCC.
- Fiber Processing Division was closed.

- Added one set of co-generator with 125,900 KW capacity in Renwu.
- DCS installation and testing facilities went into operation.
- Started pilot production for CFC substitutes HCFC-141b and 142b.

1993
- Commencement of work on No.6 Naphtha Cracking Project officially announced on July 5.
- Super Absorbent Polymer plant in Hsinkang with capacity of 6,000 MT/Y was completed and went into operation.
- POM Pilot plant in Hsinkang, with capacity of 1,000 MT/Y, went into operation.
- Six electrolytic cells were added in Caustic Soda plant in Renwu, increasing an annual capacity of 35,300 MT.
- Mailiao Harbor Administration Corporation was established.
- Constructed KS-50 calcium carbonate facilities with capacity of 7,500 MT/month.

1994
- Invested in Asia Pacific Investment Corporation.
- Processed with the expansion of PVC plant in Linyuan, including Processing Aids and Acrylic Modifiers (5,760 MT/Y for PA, 1,440 MT/Y for AM and 3,600 MT/Y for MBS).
- Successful developed CFC substitutes HCFC-141b and 142b came on stream.
- Processed with the second phase expansion of Super Absorbent Polymer plant (6,000 MT/Y).
- Added a MAERZ limestone Kiln (9,000 MT/Y) in Calcium Carbide plant.

1995
- Processed with the expansion of HDPE plant to raise annual capacity to 180,000 MT.
- Completed and started production of POM plant in Hsinkang (20,000 MT/Y).

- Completed the installation of one set co-generator with 500 T/H (125,900 KW) capacity in Renwu.
- Completed the second phase expansion of Super Absorbent Polymer plant (6,000 MT/Y).
- Invested NT$432 million (24% share holding) to establish Formosa Komatsu Silicon Corporation with Japan's Komatsu Electronic Metals Co., Ltd. and Asia Pacific Investment Corporation.
- Processed with the phase three expansion for carbon fiber with annual capacity of 500 MT.
- Addition of one precipitated calcium carbonate plant (3,000 MT/month) and one set of U-Cal facility (1,200 MT/month) in Calcium Carbide plant.

1996
- Mailiao Power Corporation was established.
- Formosa Mailiao Maintenance Corporation was established.
- Completed the expansion for processing aids and acrylic modifiers of PVC plant in Linyuan.
- Completed the expansion of HDPE plant in Linyuan to raise annual capacity to 180,000 MT.
- Completed the phase three expansion for carbon fiber.

1997
- Processed with the phase one expansion for Carbon Fiber plant in Mailiao with annual capacity of 2,000 MT.
- Chlorofluorocarbon plant renamed as Hydrochlorofluorocarbon plant.
- Precipitated calcium carbonate plant (3,000 MT/month) and U-Cal facility (1,200 MT/month) began production.

1998
- Completed and started production of AE plant in Mailiao (100,000 MT/Y).
- Completed and started production of HDPE plant in Mailiao (240,000 MT/Y).

- Completed and started production of PVC plant in Mailiao (420,000 MT/Y).
- Olefin Team-Ⅱ renamed as Chemicals Division.
- Invested NT$200 million (50% share holding) to establish Formosa Asahi Spandex Co., Ltd. with Japan's Asahi Chemical Industry Co., Ltd.

1999
- Completed and started production of VCM plant in Mailiao (600,000 MT/Y).
- Completed and started production of Caustic Soda plant in Mailiao (phase I 1,000 MT/day).
- Processed with phase three expansion for Super Absorbent Polymer plant (12,000 MT/Y).
- Invested NT$50 million (50% share holding) to establish Formosa Daikin Advanced Chemicals Co., Ltd. with Japan's Daikin Industries, Ltd.
- Processed with PDP plant in Sanhsia (phase I 7,200 SETS/Y).

2000
- Completed and started production of Carbon Fiber plant in Mailiao (1,000 MT/Y).
- Completed and started production of EVA/LDPE plant in Mailiao (200,000 MT/Y).
- Completed and started production of AN plant in Mailiao (200,000 MT/Y).
- Completed and started production of C4 plant in Mailiao (MTBE 151,000 MT/Y and B-1 17,000 MT/Y).
- Completed and started production of Caustic Soda plant in Mailiao (phase II 500 MT/day).
- Completed and started production of phase three expansion for Super Absorbent Polymer plant (12,000 MT/Y).
- Formosa Plastics Marine Corporation was established.

2001
- Completed and started production for paste PVC of PVC plant in Mailiao (36,000 MT/Y).
- Completed and started production of LLDPE plant in Mailiao (240,000 MT/Y).
- Completed and started production of MMA plant in Mailiao (70,000 MT/Y).
- Completed and started production of ECH plant in Mailiao (80,000 MT/Y).
- PDP plant (phase I 7,200 SETS/Y) in Sanhsia began production.
- Formosa Teletek. Corporation (100% share holding) was established.
- Formosa Group Ocean Marine Investment Corporation (19% share holding) was established.
- SU-HUA Transport Corporation (25% share holding) was established.

2002
- Completed the expansion project of AE plant in Mailiao (18,000 MT/Y).
- Invested Gala Television Corporation (6.25% share holding).
- Signed the PDP MOU with Fujitsu Hitachi Plasma Display Corporation and AU Optronics Corporation.
- Formosa Plasma Display Corporation was established (77.5% share holding).
- Acquired 49% and 0.46% share holdings of Yungchia Chemical Industries Corporation from Central Investment Corporation and China Petroleum Corporation respectively.
- 100% owned subsidiary Formosa Industries (Ningbo) Co., Ltd. was established.

2003
- Completed and started production for phase three of HDPE plant in Mailiao (50,000 MT/Y).

- Completed and started production for MAA of MMA plant in Mailiao (20,000 MT/Y).
- Completed and started production for LiPF6 of Hydrochlorofluorocarbon plant in Renwu (200 MT/Y).
- Completed and started production for debottlenecking plan of Acrylic Fiber plant in Renwu (13,000 MT/Y).

  Completed and started production for debottlenecking plan of PP plant in Linyuan (50,000 MT/Y).
- Completed and started production for debottlenecking plan of POM plant in Hsinkang (5,000 MT/Y).
- Processed with phase one of NF_3 plant in Renwu (100 MT/Y).
- Processed with the phase four expansion of No.6 Naphtha Cracking Project in Mailiao: 38,000 MT/Y for paste PVC phase two, 333,000 MT/Y for caustic soda phase four, 30,000 MT/Y for HDPE, 80,000 MT/Y for AN, 28,000 MT/Y for MMA, 20,000 MT/Y for ECH and 23,000 MT/Y for MTBE.
- The Board Meeting dated March 6th decided to merge Yungchia Chemicals Industries Corporation (1.96 shares of Yungchia stock for 1 share of FPC stock).
- Formosa Environmental Technology Corporation was established (24.34% share holding).
- FPC supplied 63,734,000 FPCC shares for FPCC IPO (NT$ 43 per share).
- 100% owned subsidiary Formosa Acrylic Esters (Ningbo) Co., Ltd. was established.

2004

- Completed and started production for phase one NF_3 in Renwu (100 MT/Y).
- Completed and started production for debottlenecking plan of PP plant in Linyuan (25,000 MT/Y).

- Completed and started production for debottlenecking plan of SAP plant in Hsinkang (6,500 MT/Y).
- Completed and started production for phase three of Caustic Soda plant in Mailiao (167,000 MT/Y).
- Completed and started production for phase three of VCM plant in Mailiao (80,000 MT/Y).
- Completed and started production for debottlenecking plan of AE plant in Mailiao (13,500 MT/Y).
- Completed and started production for debottlenecking plan of LLDPE plant in Mailiao (24,000 MT/Y).
- Completed and started production for debottlenecking plan of AN plant in Mailiao (40,000 MT/Y).
- Processed with phase two & three of NF_3 plant in Renwu (100 % 200 MT/Y), renewal the first set of co-generation in Renwu, expansion for Caustic Soda plant in Renwu (133,000 MT/Y for caustic soda-liquid and 100,000 MT/Y for caustic soda-pearls), expansion for MBS (4,100 MT/Y) and AM (17,800 MT/Y) in Linyuan, debottlenecking plan for LDPE/EVA plant in Mailiao (40,000 MT/Y) and phase two of Carbon Fiber plant in Mailiao (1,100 MT/Y).
- 100% owned subsidiary Formosa Polypropylene (Ningbo) Co., Ltd. was established.
  100% owned subsidiary Formosa Electronics (Ningbo) Co., Ltd. was established.
- Issued foreign corporate bond of US$ 250 million, exchangeable for FPCC's stock.
- Facilities of PE Processing plant in Chienchen were moved to Hsinkang complex, and the carbide production was shut down.

2005
- Completed and started production of PVC plant in Ningbo, China.

- The Board Meeting of 100% owned subsidiary Formosa Teletek. Corporation decided to shut down its production of LTCC.
- The production of chlorofluorocarbon in Hydrochlorofluorocarbon plant was shut down.
- Completed and started production of 38,000 MT/Y for paste PVC phase two, 333,000 MT/Y for caustic soda phase four, 14,000 MT/Y for MMA, 23,000 MT/Y for MTBE and 40,000 MT/Y for LDPE/EVA in Mailiao.
- Completed and started production for the first set renewal of co-generation, expansion of 100 MT/Y for NF_3 phase two in Renwu.
- Processed with the debottlenecking plan of VCM plant in Mailiao (100,000 MT/Y) and SAP plant in Hsinkang (9,500 MT/Y).
- 100% owned subsidiary Formosa Super Absorbent Polymer (Ningbo) Co., Ltd. was established.
- The Board Meeting dated December 19th decided to exchange all FPC-America stocks for FPC-USA, and FPC holds 22.43% of FPC-USA from 6.04% after exchanging.

2006

- The Shareholders' Meeting of 93.37% owned subsidiary Formosa Plasma Display Corporation decided to dissolve.
- The Shareholders' Meeting of 100% owned subsidiary Formosa Teletek. Corporation decided dissolve.
- FPC's foreign corporate bonds, exchangeable for FPCC's stock, were all exchanged.
- Completed and started production of AE plant in Ningbo, China.
- The Board members was reduced from 17 to 15, and Chairman Y.C. Wang & Executive Director Y.T. Wang retired.

- Completed and started production of following debottlenecking plan in Mailiao: 40,000 MT/Y for AN, 20,000 MT/Y for ECH, 14,000 MT/Y for MMA, 30,000 MT/Y for HDPE.
- Completed and started production of following expansion plan in Renwu: 200 MT/Y for NF_3 phase three, 133,000 MT/Y for caustic soda-liquid and 100,000 MT/Y for caustic soda-pearls.
- Completed and started production of 9,500 MT/Y for SAP expansion plan in Hsinkang.
- Completed and started production of 4,100 MT/Y for MBS and 17,800 MT/Y for AM expansion plan in Linyuan.
- Completed and started production of 25,000 MT/Y for PP debottlenecking plan in Linyuan.
- Processed with the following expansion plan in Mailiao: 1,100 MT/Y for Carbon Fiber phase two, 2,200 MT/Y for Carbon Fiber phase three, 250,000 MT/Y for NBA and 30,000 MT/Y for SAP.
- Processed with 700 MT/Y for Carbon Fiber debottlenecking plan in Mailiao.
- Issued domestic unsecured corporate bond for NT$ 10 billion.

2007
- Completed and started production of 1,100 MT/Y expansion for Carbon Fiber phase two and 700 MT/Y debottlenecking for Carbon Fiber in Mailiao.
- The Board Meeting decided to invest Fujian FuXin Special Steel Corporation in China for 25% share holding.
  Formosa Industries (Hong Kong) Limited was established and adjusted the structure for investment in China.
- Processed with 2,600 MT/Y expansion plan for Carbon Fiber phase four.

2008
- Completed and started production of SAP and PP plant in Ningbo, China.
- Completed and started production of 2,200 MT/Y for Carbon Fiber phase three and 250,000 MT/Y for NBA.
- The Board Meeting decided to invest Formosa Ha Tinh Steel Corporation in Vietnam for 25% share holding.
- Founder Mr. Y.C. Wang passed away.
- Issued domestic unsecured corporate bond twice for NT$ 6 billion each.

2009
- 3 Independent Director were elected.
- Issued domestic unsecured corporate bond for NT$ 6 billion.
- The Shareholders' Meeting decided to increase capital of NT$ 4,004,330,110 to set up a Silane plant in Mailiao.

2010
- Issued domestic unsecured corporate bond for NT$ 6 billion.
- Top Advisor Mr. C.S. Wang passed away.
- Board of Directors decided to lower the share holding ratio of Formosa Ha Tinh Steel Corporation to 21.25%.
- Board of Directors approved the expansion of PVC of Formosa Industries (Ningbo) Co., Ltd. for 150,000 MT/Y, AA/AE of Formosa Acrylic Esters (Ningbo) Co., Ltd. for 160,000 /200,000 MT/Y, SAP of Formosa SAP (Ningbo) Co., Ltd. for 60,000 MT/Y, and also established Formosa Polyethylene (Ningbo) Co., Ltd. to produce EVA for 100,000 MT/Y for Phase I.
- Processed the expansion of SAP for 60,000 MY/Y in Mailiao Plant.
- Completed and started production of 1,300 MT/Y for Carbon Fiber Phase IV Line H expansion plan in Mailiao and of 20,000 MT/Y for POM debottlenecking plan in Hsinkang.

2011
- Board of Directors approved Formosa Industries (Ningbo) Co., Ltd. to build a new plant producing paste PVC for capacity of 70,000 MT/Y.
- Issued domestic unsecured corporate bond twice for total NT$ 10 billion.
- Completed and started production of Carbon Fiber Phase IV expansion for 1,300 MT/Y.
- Processed with debottlenecking plan for SAP of 10,000 MT/Y in Hsinkang plant.
- Established Remuneration Committee.

2012
- Issued domestic unsecured bond three times for total NT$ 21 billion.
- Completed and started production: SAP debottlenecking plan for 10,000 MT/Y in Hsinkang plant and SAP expansion plan for 60,000 MT/Y in Mailiao plant.
- Board of Directors agreed to have a joint venture, Formosa Mitsui Advanced Chemicals Co., Ltd., with Mitsui Chemicals Inc. for 50% share holding each to produce electrolyte solution for lithium battery with capacity 5,000 MT/Y.
- Board of Directors agreed to consolidate Formosa Industries (Ningbo) Co., Ltd, Formosa Acrylic Esters (Ningbo) Co., Ltd, Formosa Polypropylene (Ningbo) Co., Ltd, Formosa Electronics (Ningbo) Co., Ltd, Formosa SAP (Ningbo) Co., Ltd and Formosa Polyethylene (Ningbo) Co., Ltd into one company as Formosa Industries (Ningbo) Co., Ltd.
- Board of Directors agreed to invest Formosa Ha Tinh Steel Corporation for USD$ 170 million.

2013
- Board of Directors approved to issue domestic unsecured bond for NT$ 2 million.

- Formosa Group (Cayman) Limited, located on British Cayman Islands, was established together by Formosa Plastics Corp., Nan Ya Plastics Corp., Formosa Chemicals & Fibre Corp. and Formosa Petrochemical Corp.
- Formosa Resources Corporation was established together by Formosa Plastics Corp., Nan Ya Plastics Corp., Formosa Chemicals & Fiber Corp. and Formosa Petrochemical Corp., with capital of NT$ 1 million and for 25% share holding each.
- Lowered share holding ratio of Formosa Ha Tinh Steel Corporation from 21.25% to 14.75%.
- Increased to invest Formosa Resources Corporation for NT$ 2.99975 billion.

2014

- Disposed 49,348,000 shares of Formosa Petrochemical Corporation with lowering share holding ratio from 29.31% to 28.79%.
- Increased to invest Formosa Resources Corporation for NT$ 1.1625 billion.
- Kaohsiung plant was no longer operational, so our registration address was changed to No.100, Shuiguan Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.)
- Board of Directors agreed to issue domestic unsecured bond for NT$ 6 billion.
- Established "Formosa Group Investment (Cayman) Limited" with Nanya Plastics Corp., Formosa Chemicals & Fibre Corp. and Formosa Petrochemical Corp. in the British Cayman Islands.
- Founder, Y. T. Wang, passed away.
- Board of Directors agreed to establish Formosa Industries Corporation in U.S. to invested in ethane cracker of 1.2 million MT/Y ethylene. and HDPE for capacity of 400,000 MT/Y.

- Formosa Industries (Ningbo) Co., Ltd. completed and started production of paste PVC expansion for 70,000 MT/Y.
- The machinery equipment and inventory of the plastic processing group were sold to Inteplast Taiwan Corp.

2015
- Formosa Acrylic Esters (Ningbo) Co., Ltd has expanded AA/AE for capacity of 160,000/170,000 MT/Y. Formosa SAP (Ningbo) Co., Ltd has expanded SAP for capacity of 60,000 MT/Y into completion.
- Disposed 3,821,000 shares of Nanya Technology Corporation with lowering share holding ratio from 15.48% to 15.32%.
- Disposed 22,000,000 shares of Formosa Petrochemical Corporation with lowering share holding ratio from 28.79% to 28.56%.
- Board of Directors agreed to establish the Audit Committee instead of supervisors and Audit Committee's term of service is from June 25, 2015 to June 24, 2018.
- The Chairman, C.T. Lee, changed to be as the top advisor of the Company.
- Formosa Industries Corporation was established in Texas, U.S. to produce HDPE for capacity of 400,000 MT/Y and also invested in ethane cracker of 1.2 million MT/Y ethylene.
- Lowered share holding ratio of Formosa Ha Tinh Steel Corporation from 14.75% to 12.346%.
- A joint venture, Shang Wei (Jiangsu) carbon fiber composite material Co. Ltd., with Swancor IND Co. Ltd. for 18% share holding.

2016
- Formosa Polyethylene (Ningbo) Co., Ltd has expanded EVA for capacity of 72,000 MT/Y into completion.

- Lowered share holding ratio of Formosa Ha Tinh Steel Corporation from 12.346% to 11.432%.
- Completed and started production of 34,000 MT/Y for PP debottlenecking plan in Linyuan Plant.
- Board of Directors agreed to cease producing acrylic fiber in Renwu Plant.
- Established "Lolita Packaging L.L.C" through a US subsidiary, "Formosa Industries Corporation", with an investment of USD 9.88 million for 38% share holding.
- Formosa Mitsui Advanced Chemicals Co., Ltd., the reinvested company, processed with phase two expansion for electrolyte solution for lithium battery with capacity 35000 MT/Y.

2017
- A merger involving several Ningbo subsidiaries, including Formosa Industries (Ningbo) Co., Ltd., Formosa Acrylic Esters (Ningbo) Co., Ltd., Formosa Polyethylene (Ningbo) Co., Ltd., Formosa Polypropylene (Ningbo) Co., Ltd. and Formosa Super Absorbent Polymer (Ningbo) Co., Ltd. was completed and Formosa Industries (Ningbo) Co., Ltd. is the surviving company.
- Board of Directors agreed to cease producing NF_3 and NH_3 in Renwu Plant.
- Donation of NTD 125 million to establish Foundation of Y. C. Wang and Y. T. Wang Brothers Park in Kaohsiung.
- Increased to invest Formosa Resources Corporation for USD 55 million.
- Issue domestic unsecured bond for NT$ 7 billion.
- Increased to invest Formosa Ha Tinh (Cayman) Limited for USD 114,321,668.
- Increased to invest Fujian Fuxin Special Steel Co., Ltd. for USD 145.8 million.
- Increased to invest Formosa Industries (Ningbo) Co., Ltd. for USD 267 million.

- Disposed 32,722,000 shares of Nanya Technology Corporation with lowering share holding ratio from 13.37% to 11.30%.

2018
- Issue domestic unsecured bond for NT$ 9.3 billion.
- Signed the Letter of Intent to establish Y. C. Wang and Y. T. Wang Brothers Park in Kaohsiung with Kaohsiung City Government.
- Board of Directors agreed to invest NT$4.675 billions to purchase the " Taipei Industrial Park of Cooperation Headquarters " located at Sec. 6, Nanjing E. Rd., Neihu Dist., Taipei City with holding a quarter of buildings and land.
- Formosa Industries (Ningbo) Co., Ltd will construct a PDH plant for Propylene capacity of 600,000 MT/Y.
- Increased to invest Formosa Industries Corporation for USD 12,375 thousand to reinvest Formosa Olefins, L.L.C.
- Formosa Mitsui Advanced Chemicals Co., Ltd., the reinvested company, processed with phase three expansion for electrolyte solution for lithium battery with capacity 5,000 MT/Y.

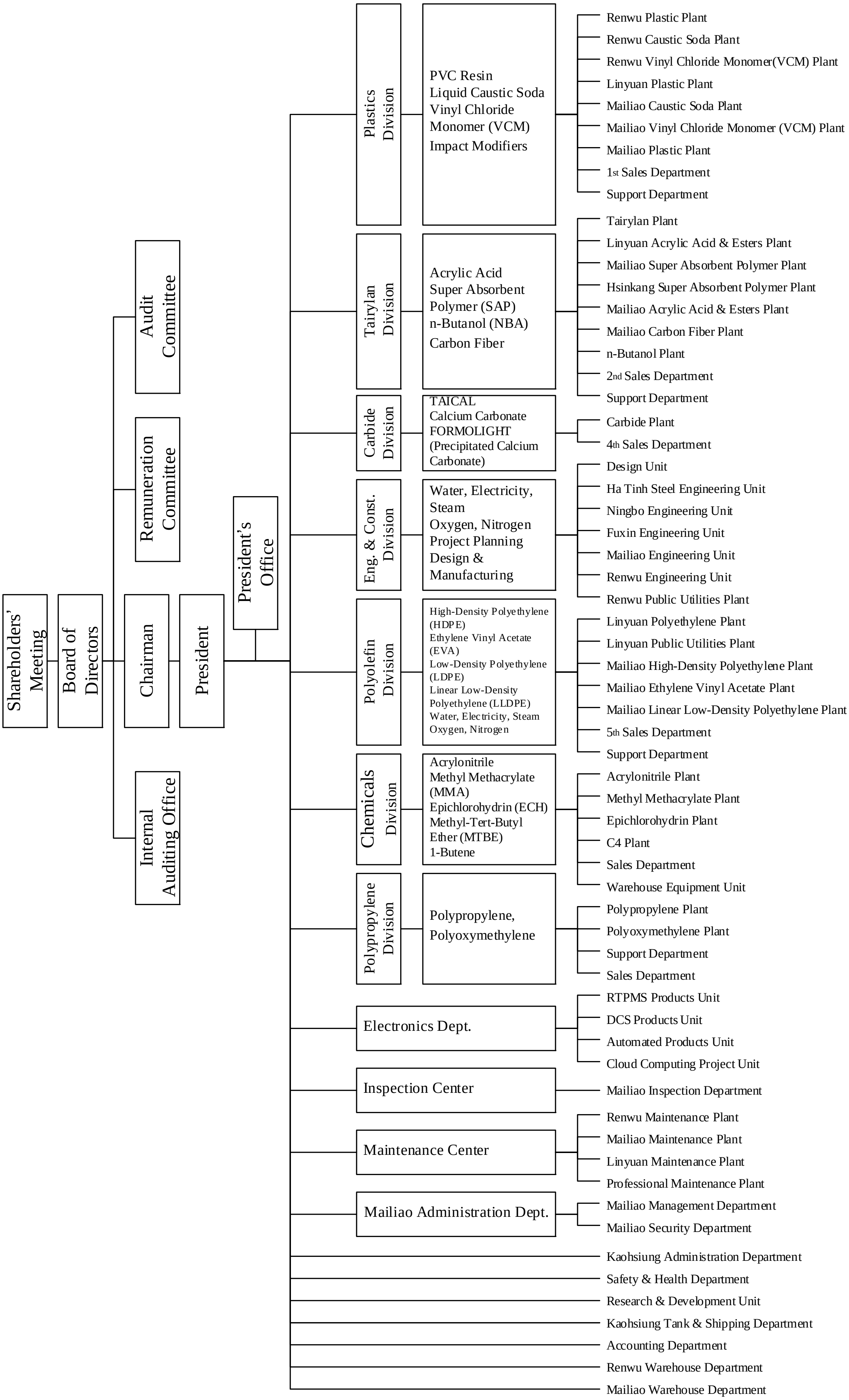
2019
- Board of Directors agreed to issue domestic unsecured bond for NT$ 8 billion.

III. Corporate Governance Report

3.1 Organization

Formosa Plastics Corporation

Organization Chart



3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

1. Directors

2019.4.13

Title (Note 1)	Nationality/ Place of Registration	Name	Gender	Date Elected	Term (Years)	Date First Elected (Note2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education) (Note 3)	Current Positions at FPC & Other Companies	Managers/ Directors or Supervisors who are spouse or relative within the second-degree of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Jason Lin	Male	Jun 20 2018	3	May 23 2003	0	0.00	0	0.00	0	0.00	0	0.00	Master of Science in Environmental Sciences, Wageningen Agricultural University	Chairman of Formosa Sumco Technology Corporation, President of Formosa Plastics Corporation, U.S.A	None	None	None
Managing Director	R.O.C	Formosa Chemicals & Fibre Corp.	-	Jun 20 2018	3	Jun 5 2006	486,978,692	7.65	486,978,692	7.65	0	0.00	0	0.00	Master of Industrial Engineering University of Houston	Chairman of Chinese National Federation of Industries, Chairman of Formosa Chemicals & Fibre Corporation and Formosa Taffeta Co., Ltd.	Managing Director, Director	Wilfred Wang, K. H. Wu	Brother, Brother in law
	R.O.C	William Wong	Male				45,151,509	0.71	45,151,509	0.71	1,168,100	0.02	0	0.00					
Managing Director	R.O.C	Nanya Plastics Corp.	-	Jun 20 2018	3	Jun 5 2006	294,793,105	4.63	294,793,105	4.63	0	0.00	0	0.00	Barnard College, U.S.	Managing Director of Formosa Petrochemical Corporation	Director	Cher Wang	Sister
	R.O.C	Susan Wang	Female				8,828,219	0.14	8,828,219	0.14	0	0.00	0	0.00					
Managing Director	R.O.C	Formosa Petrochemical Corp.	-	Jun 20 2018	3	Jun 5 2006	131,460,365	2.07	131,460,365	2.07	0	0.00	0	0.00	BA of Mechanical Engineering, University of London	Managing Director of Formosa Petrochemical Corporation	Managing Director, Director	William Wong, K. H. Wu	Brother, Brother in law
	R.O.C	Wilfred Wang	Male				12,066,840	0.19	12,066,840	0.19	37,800,000	0.59	0	0.00					

Managing Director (Independent Director)	R.O.C	C. L. Wei	Male	Jun 20 2018	3	Jun 5 2009	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D. of Economic, Paris of University	Chairman of Waterland Financial	None	None	None
Independent Director	R.O.C	C. J. Wu	Male	Jun 20 2018	3	Jun 19 2012	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D. of Education, National Taiwan Normal University	None	None	None	None
Independent Director	R.O.C	Yen-Shiang Shih	Male	Jun 20 2018	3	Jun 20 2018	0	0.00	0	0.00	166,403	0.00	0	0.00	Ph.D. of Massachusetts Institute of Technology	Independent Director of CTCI Corporation and AU Optronics Corp.	None	None	None
Director	R.O.C	C. T. Lee	Male	Jun 20 2018	3	Mar 20 1973	632,541	0.01	632,541	0.01	0	0.00	0	0.00	BA of Chemical Engineering, National Cheng Kung University	Chairman of Formosa Plastics Corporation, U.S.A	None	None	None
Director	R.O.C	Cher Wang	Female	Jun 20 2018	3	Jun 5 2009	7,369,380	0.12	7,369,380	0.12	0	0.00	0	0.00	BA of Economics, University of California, Berkeley	Chairman of High Tech Computer Corporation	Managing Director	Susan Wang	Sister
Director	R.O.C	K. H. Wu	Male	Jun 20 2018	3	Apr 26 1994	134,537	0.00	134,537	0.00	37,580,112	0.59	0	0.00	BA of Mechanical Engineering, Chung Yuan Christian University	President of Formosa Heavy Industries Corporation	Managing Director, Managing Director	William Wong, Wilfred Wang	Brother in law, Brother in law
Director	R.O.C	Ralph Ho	Male	Jun 20 2018	3	May 17 2000	27,824,363	0.44	27,824,363	0.44	0	0.00	0	0.00	BA of Industrial Administration, University of San Francisco	President of Y F Chemical Corporation	None	None	None
Director	R.O.C	K. L. Huang	Male	Jun 20 2018	3	Jun 20 2018	10,400	0.00	10,400	0.00	0	0.00	0	0.00	BA of Chemical Engineering, Taipei Institute of Technology	Executive Vice President of FPC	None	None	None
Director	R.O.C	Cheng-Chung Cheng	Male	Jun 20 2018	3	Jun 19 2012	0	0.00	0	0.00	0	0.00	0	0.00	BA of Chemistry, National Chung Hsing University	Senior Vice President of FPC	None	None	None

Director	R.O.C	Jerry Lin	Male	Jun 20 2018	3	Jun 20 2018	0	0.00	0	0.00	0	0.00	0	0.00	BA of Business Administration, National Chengchi University	Senior Vice President of FPC	None	None	None
Director	R.O.C	Ching-Lian Huang	Male	Jun 20 2018	3	Jun 20 2018	0	0.00	0	0.00	0	0.00	0	0.00	BA of Chemical Engineering, Tunghai University	Vice President of FPC	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：The Company had replaced supervisors with audit committee from June 26, 2015.

Table 1：Major shareholders of the institutional shareholders

2019.4.13

Name of Institutional Shareholders	Major Shareholders(Note 2)	Shareholding Ratio
Formosa Chemicals & Fibre Corp.	Chang Gung Medical Foundation	18.58%
	Chindwell International Investment Corp.	6.35%
	Vanson International Investment Co., Ltd.	3.80%
	Formosa Plastics Corp.	3.39%
	Nanya Plastics Corp.	2.40%
	William Wong	2.20%
	Consolidated Power Development Corp.	1.63%
	Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc.	1.41%
	Cathay Life Insurance Co., Ltd.	1.35%
	HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	1.30%
Nanya Plastics Corp.	Chang Gung Medical Foundation	11.05%
	Formosa Plastics Corp.	9.88%
	Formosa Chemicals & Fibre Corp.	5.21%
	Chang Gung University	4.00%
	Vanson International Investment Co., Ltd.	2.39%
	Formosa Petrochemical Corp.	2.26%
	Chindwell International Investment Corp.	1.86%
	LGT Bank (Singapore) Ltd.	1.56%
	Citibank Taiwan Limited In Custody for Macro System Corp.	1.26%
	Cathay Life Insurance Co., Ltd.	1.22%
Formosa Petrochemical Corp.	Formosa Plastics Corp.	28.56%
	Formosa Chemicals & Fibre Corp.	24.15%
	Nanya Plastics Corp.	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%
	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%
	Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund	0.44%

Note 1：Disclose the names of institutional shareholders that the directors represent of.

Note 2：Disclose the names and ownership interests of major shareholders (top-10 in terms of shareholding percentage) for each listed institutional shareholders. Table 2 below is used if the major shareholder is also an institutional shareholders.

Table 2：Major shareholders of the Company's major institutional shareholders in Table 1 above 2019.4.13

Name of Institutional Shareholders(Note 1)	Major Shareholders(Note 2)	Shareholding Ratio
Chang Gung Medical Foundation	Foundation, not issue the stock.	-
Chindwell International Investment Corp.	Everred Corporate, Inc.	100.00%
Vanson International Investment Co., Ltd.	Landmark Capital Holdings Inc.	100.00%
Consolidated Power Development Corp.	Cabo de Roca Corporation	100.00%
Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc.	Investment account	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings	100.00%
HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	Investment account	-
Chang Gung University	Foundation, not issue the stock.	-
LGT Bank (Singapore) Ltd.	Investment account	-
Citibank Taiwan Limited In Custody for Macro System Corp.	Investment account	-
Formosa Taffeta Co., Ltd.	Formosa Chemicals & Fibre Corp. Chang Gung Medical Foundation Yu Yuang Textile Co., Ltd. Min- Xiong Lai Chang Gung University Chang Gung University of Science and Technology Ming Chi University of Technology Asia- Pacific Investment Corporation Taiwan Life Insurance Co., Ltd. Nan Shan Life Insurance Co., Ltd.	37.40% 5.79% 2.55% 2.45% 2.20% 2.13% 1.87% 1.43% 1.26% 1.24%

Name of Institutional Shareholders(Note 1)	Major Shareholders(Note 2)	Shareholding Ratio
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	-
HSBC Bank (Taiwan) Limited In Custody for Pacific Light and Power Corporation	Investment account	-
Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund	Trust account	-

Note 1：Where major shareholders listed in Table 1 above are institutional shareholders, the names of the institutional shareholders are displayed.

Note 2：Disclose the names and ownership interests of major shareholders (top-10 in terms of shareholding percentage) for each listed institutional shareholders.

2. Directors' professional qualifications and independent analysis

2019.4.13

Criteria / Name (Note 1)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note 2)										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	
Jason Lin			✓			✓	✓			✓	✓	✓	✓	0
William Wong, Representative of Formosa Chemicals & Fibre Corp.			✓	✓		✓				✓		✓		0
Susan Wang, Representative of Nanya Plastics Corp.			✓	✓		✓				✓		✓		0
Wilfred Wang, Representative of Formosa Petrochemical Corp.			✓	✓		✓				✓		✓		0
C. L. Wei	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
C. J. Wu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yen-Shiang Shih	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
C. T. Lee			✓			✓	✓	✓		✓	✓	✓	✓	0
Cher Wang			✓	✓		✓		✓	✓	✓		✓	✓	0
K. H. Wu			✓			✓		✓		✓		✓	✓	0
Ralph Ho			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
K. L. Huang			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng-Chung Cheng			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Jerry Lin			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Ching-Lian Huang			✓			✓	✓	✓	✓	✓	✓	✓	✓	0

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

Note 2：Tick “✓”in the appropriate corresponding boxes if the directors or supervisors 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 the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(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 five degree of kinship, of any of the persons in the preceding three subparagraphs.

(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, 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.

(7)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. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded over the counter“.

(8)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9)Not been a person of any conditions defined in Article 30 of the Company Law.

(10)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3. Diversity of board of directors

Professional competence of the existing Directors are diversified, including industry experience, business management background and, decision making ability. The present members of Board of Directors have 15 Directors including 3 Independent Directors and 2 female Directors (account for 13.3% of all Directors). The related information of each Director is as follows：

Basic Information											Industry Experience				Operation Management Background and Decision Management Ability				
Title	Name	Nationality	Gender	Also serves as an employee of the Company	Age			Term of office of Independent Director			Petrochemical	Finance	Technology	Education	Business Management	Leadership Decision	Industry Knowledge	International Perspective	Financial and Accounting Analysis
					51-60 years old	61-70 years old	Over 71 years old	Less than 3 years	3-9 years	Over 9 years									
Chairman	Jason Lin	R.O.C	Male	✓			✓		-		✓		✓		✓	✓	✓	✓	✓
Managing Director	William Wong, Representative of Formosa Chemicals & Fibre Corp.	R.O.C	Male			✓			-		✓		✓		✓	✓	✓	✓	✓
Managing Director	Susan Wang, Representative of Nanya Plastics Corp.	R.O.C	Female		✓				-		✓		✓		✓	✓	✓	✓	✓
Managing Director	Wilfred Wang, Representative of Formosa Petrochemical Corp.	R.O.C	Male			✓			-		✓		✓		✓	✓	✓	✓	✓
Managing Director (Independent Director)	C. L. Wei	R.O.C	Male				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	C. J. Wu	R.O.C	Male			✓			✓		✓			✓	✓	✓	✓	✓	
Independent Director	Yen-Shiang Shih	R.O.C	Male			✓		✓			✓		✓	✓	✓	✓	✓	✓	✓
Director	C. T. Lee	R.O.C	Male				✓		-		✓		✓		✓	✓	✓	✓	✓
Director	Cher Wang	R.O.C	Female			✓			-		✓		✓		✓	✓	✓	✓	✓
Director	K. H. Wu	R.O.C	Male				✓		-		✓				✓	✓	✓	✓	✓
Director	Ralph Ho	U.S.A	Male				✓		-		✓				✓	✓	✓	✓	✓
Director	K. L. Huang	R.O.C	Male	✓		✓			-		✓				✓	✓	✓	✓	✓
Director	Cheng-Chung Cheng	R.O.C	Male	✓		✓			-		✓				✓	✓	✓	✓	✓
Director	Jerry Lin	R.O.C	Male	✓	✓				-		✓		✓		✓	✓	✓	✓	✓
Director	Ching-Lian Huang	R.O.C	Male	✓		✓			-		✓				✓	✓	✓	✓	✓

3.2.2 Management Team

2019.4.13

Title (Note 1)	Nationality	Name	Gender	On-board Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education) (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Jason Lin	Male	Aug 11, 2015	0	0.00	0	0.00	0	0.00	Master of Science in Environmental Sciences, Wageningen Agricultural University	Chairman of Formosa Sumco Technology Corp., President of Formosa Plastics Corp., U.S.A	-	-	-
Executive Vice President	R.O.C	K. L. Huang	Male	Mar 23, 2017	10,400	0.00	0	0.00	0	0.00	BA of Chemical Engineering, Taipei Institute of Technology	None	-	-	-
Senior Vice President	R.O.C	Cheng-Chung Cheng	Male	Aug 11, 2014	0	0.00	0	0.00	0	0.00	BA of Chemistry, National Chung Hsing University	None	-	-	-
Senior Vice President	R.O.C	Jerry Lin	Male	Mar 23, 2017	0	0.00	0	0.00	0	0.00	BA of Business Administration, National Chengchi University	None	-	-	-
Plastics Division Vice President	R.O.C	Ching-Lian Huang	Male	Aug 11, 2014	0	0.00	0	0.00	0	0.00	BA of Chemical Engineering, Tunghai University	None	-	-	-
Polypropylene Division Vice President	R.O.C	Kwang-Ming Chen	Male	Jun 20, 2011	0	0.00	944	0.00	0	0.00	Master of Chemistry, National Taiwan University	None	-	-	-
Polyolefin Division Vice President	R.O.C	Jen-Long Wu	Male	May 8, 2016	16,141	0.00	0	0.00	0	0.00	BA of Chemical Engineering, National Central University	None	-	-	-
Tairylan Division Vice President	R.O.C	Dong-Qin Ji	Male	Aug 11, 2014	0	0.00	0	0.00	0	0.00	BA of Chemistry, National Cheng Kung University	None	-	-	-
Chemicals Division Vice President	R.O.C	Tien-Hsiang Lee	Male	Dec 24, 2010	0	0.00	0	0.00	0	0.00	BA of Chemical Engineering, Chung Yuan Christian University	None	-	-	-
Eng. & Const. Division Vice President	R.O.C	Jiann-San Yang	Male	Mar 25, 2013	780	0.00	13,593	0.00	0	0.00	BA of Electrical Engineering, National Cheng Kung University	None	-	-	-
Financial Officer	R.O.C	Ray Lei	Male	Dec 26, 2011	0	0.00	0	0.00	0	0.00	Master of Business Administration, National Taiwan University	Financial Officer of Nanya Printed Circuit Board Corp.	-	-	-
Accounting Officer	R.O.C	Chia-Tse Chang	Male	Dec 25, 2015	674	0.00	1,323	0.00	0	0.00	BA of Accounting, National Cheng Kung University	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：The above disclosures are for those who manage affairs and sign rights for the company.

3.2.3 Succession Plan of Board of Directors and the Middle and High-Level Management

1. The election of the Company’s directors will be made by nomination. Shareholders may elect the directors from the candidates list. Currently, the directors are nominated by shareholders and elected by the Shareholders' Meeting. Each director has ability of business management, industry knowledge and international prospective. During the term of office, the Company arranges 6 hours training each year for each director, which assists directors with the expertise required to perform their duties.
2. In order to meet the needs of the Company's sustainable management and train the middle and high-level management talents, the Company has established a “Middle and high-level management talents training method”, which sets up the rules of the conditions and principles for selection, training methods and promotion. The training manager of each level is at least two people based on the principle of selecting in order to pick the better one to succeed timely.
3. In order to improve the training experience, the Company will arrange rotation or increase the scope of responsibility for trainees. The annual work target of trainees will be assessed in accordance with the “assessment method”, which will be as the basis for year-end performance. The trainee rated with excellent year-end performance will be the priority of promotion.
4. The Company held AI courses at 2018 for middle and high-level managers and the total participants were 42 people and total training hours were 630 hours. The AI courses include AI and business management, data science and statistical analysis, cluster analysis and association rules, classification model and regression prediction, integrated calculus and machine learning, time series and dynamic learning, etc.

3.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

3.3.1 Remuneration of Directors (including Independent Directors)

Unit：NT$ thousands；2018.12.31

Title	Name (Note 1)	Remuneration Directors Compensation (C)(Note 3) Allowances (D)(Note 4): Base Compensation (A)		Severance Pay (B) (Note 2)		Directors Compensation (C)(Note 3)		Allowances (D)(Note 4)		Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)				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 (Note 11)
		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	Jason Lin																					
Managing Director	William Wong, Representative of Formosa Chemicals & Fibre Corp.																					
Managing Director	Susan Wang, Representative of Nanya Plastics Corp.																					
Managing Director	Wilfred Wang, Representative of Formosa Petrochemical Corp.																					
Managing Director (Independent Director)	C. L. Wei	5,605	5,605	0	0	0	0	900	900	0.0131	0.0131	61,766	61,766	505	505	221	0	221	0	0.1393	0.1393	47,912
Independent Director	C. J. Wu																					
Independent Director	Yen-Shiang Shih																					
Director	C. T. Lee																					
Director	Cher Wang																					
Director	K. H. Wu																					
Director	Ralph Ho																					
Director	K. L. Huang																					
Director	Cheng-Chung Cheng																					
Director	Jerry Lin																					
Director	Ching-Lian Huang																					

In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors：None.

Range of Remuneration

Range of Remuneration about Directors	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)	Compensation Paid to Directors from Invested Companies (Note 11) I
Under NT$2,000,000	Jason Lin, William Wong, Susan Wang, Wilfred Wang, C. L. Wei, C. J. Wu, Yen-Shiang Shih, C. T. Lee, Cher Wang, K. H. Wu , Ralph Ho, K. L. Huang, Cheng-Chung Cheng, Jerry Lin, Ching-Lian Huang, Formosa Chemicals & Fibre Corp., Nanya Plastics Corp., Formosa Petrochemical Corp.	Jason Lin, William Wong, Susan Wang, Wilfred Wang, C. L. Wei, C. J. Wu, Yen-Shiang Shih, C. T. Lee, Cher Wang, K. H. Wu , Ralph Ho, K. L. Huang, Cheng-Chung Cheng, Jerry Lin, Ching-Lian Huang, Formosa Chemicals & Fibre Corp., Nanya Plastics Corp., Formosa Petrochemical Corp.	William Wong, Wilfred Wang, C. L. Wei, C. J. Wu, Yen-Shiang Shih, Cher Wang, K. H. Wu, Ralph Ho, Formosa Chemicals & Fibre Corp., Nanya Plastics Corp., Formosa Petrochemical Corp.	C. L. Wei, C. J. Wu, Yen-Shiang Shih, Cher Wang, Ralph Ho, Formosa Chemicals & Fibre Corp., Nanya Plastics Corp., Formosa Petrochemical Corp.
NT$2,000,001 ~ NT$4,999,999	None	None	None	None
NT$5,000,000 ~ NT$9,999,999	None	None	Susan Wang, C. T. Lee, K. L. Huang, Cheng-Chung Cheng, Jerry Lin, Ching-Lian Huang	Susan Wang, C. T. Lee, K. L. Huang, Cheng-Chung Cheng, Jerry Lin, Ching-Lian Huang
NT$10,000,000 ~ NT$14,999,999	None	None	None	K. H. Wu
NT$15,000,000 ~ NT$29,999,999	None	None	Jason Lin	Jason Lin, William Wong, Wilfred Wang
NT$30,000,000~ NT$49,999,999	None	None	None	None
NT$50,000,000 ~ NT$99,999,999	None	None	None	None
Over NT$100,000,000	None	None	None	None
Total	18	18	18	18

Note 1：Names of directors should be separately disclosed (Institutional shareholders should disclose the names of the institutional shareholders and representatives separately). The amount of remuneration should be disclosed in summary. If a director concurrently serves as the President or Senior Vice President, this table and the following table must be filled out.

Note 2：It refers to the directors' compensation received for the recent year (including salaries of the directors, special responsibility allowance, severance pay, various bonuses, incentives, etc.).

Note 3：It refers to the remuneration of directors to be distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of Board of Directors.

Note 4：It refers to the relevant expenses for business operations paid to directors for the recent year (including transportation allowance, special allowance, various allowances and the provision of dormitory and vehicle, etc.).When a car, house and other transportation or personal expense are provided, the nature and cost of the assets provided, the actual or estimated rental expense based on a fair market price, gas expense, and other payments should be disclosed. Further, if a chauffeur is assigned, please also disclose the relevant compensation paid to such chauffeur in the Note. However, such amount shall not be included in the remuneration.

Note 5：It refers to the salaries, special responsibility allowance, severance pay, various bonuses, incentives, transportation allowance, special allowance, and the provision of dormitory and vehicle received by the directors who concurrently serve as employees (including President, Senior Vice President, and other managerial officers and employees) in the recent year. When a house, car, and other transportation or personal expense are provided, the nature and cost of the assets provided, the actual or estimated rental expense based on a fair market price, gas expense, and other payments should be disclosed. Further, if a chauffeur is assigned, please also describe the relevant compensation paid to such chauffeur in the Note. However, such amount shall not be included in the remuneration. In addition, the salary expense recognized in accordance with IFRS 2 "Share-based payment" includes the acquisition of employee stock warrant, employee restricted stock, and subscription of new shares from cash capitalization.

Note 6：It refers to the employee compensation (including stock and cash) received by the directors who concurrently serve as employees (including concurrent President, Senior Vice President, and other managerial officers and employees) in the recent year. It is required to disclose the amount of employee remuneration to be 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. The following table shall be filled out as well.

Note 7：Disclose the total amount of remuneration paid to the directors by all the companies included in the consolidated financial statements (including the Company).

Note 8：Disclose the name of the directors in the respective range of total remuneration received from the Company

Note 9：Disclose the name of the directors in the respective range of total remuneration received from all the companies included in the consolidated financial statements (including the Company).

Note 10：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 11：a. It is required to specify in this column the relevant remuneration amount the directors of the Company received from the invested companies other than the subsidiaries.

b. If the Company's director has received the relevant remuneration from the invested companies other than the subsidiaries, the received amount should be included in Column I. In addition, the column title shall be revised as "Compensation Paid to Directors from Invested Companies".

c. Compensation shall mean the remuneration, reward, employee bonus, and expense for business operation paid to the Company's directors by the invested companies other than the subsidiaries and such directors concurrently serves as directors, supervisors, or managerial officers of the invested companies.

Note 12：The Company opts to disclose aggregate remuneration information, with the names indicated for each remuneration range, because it is not any of the following applies to the Company.

(1)A company that has posted after-tax deficits in the financial reports within the two most recent fiscal years shall disclose the remuneration paid to individual directors and supervisors. This requirement, however, shall not apply if the company has posted net income after tax in the financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits. A company adopted IFRSs that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the two most recent fiscal years shall disclose the remuneration paid to individual directors and supervisors. This requirement, however, shall not apply if the company has posted net income after tax in the parent company only financial report or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits.

(2)A company that has had an insufficient director shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors.

(3)A company that has had an average ratio of share pledging by directors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director having a ratio of pledged shares in excess of 50 percent for each such month.

(4)If the total amount of remuneration received by all of the directors in their capacity as directors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director exceeds NT$15 million, the company shall disclose the remuneration paid to that individual director.

＊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.

3.3.2 Remuneration of Supervisors：The Company had replace supervisors with audit committee from June 26, 2015.

3.3.3 Remuneration of the President and Vice Presidents

Unit：NT$ thousands；2018.12.31

Title	Name (Note 1)	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 Presidents 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	Jason Lin	72,372	72,372	841	841	0	0	316	0	316	0	0.1484	0.1484	0
Executive Vice President	K. L. Huang													
Senior Vice President	Cheng-Chung Cheng													
Senior Vice President	Jerry Lin													
Vice President	Tien-Hsiang Lee													
Vice President	Kwang-Ming Chen													
Vice President	Jiann-San Yang													
Vice President	Ching-Lian Huang													
Vice President	Dong-Qin Ji													
Vice President	Jen-Long Wu													

Range of Remuneration

Range of Remuneration about President and Vice Presidents	Name of President and Vice Presidents	
	The company (Note 6)	Companies in the consolidated financial statements (Note 7)E
Under NT$2,000,000	None	None
NT$2,000,001 ~ NT$4,999,999	None	None
NT$5,000,000 ~ NT$9,999,999	K. L. Huang, Ching-Lian Huang, Jerry Lin, Tien-Hsiang Lee, Kwang-Ming Chen, Jiann-San Yang, Ching-Lian Huang, Dong-Qin Ji, Jen-Long Wu	K. L. Huang, Ching-Lian Huang, Jerry Lin, Tien-Hsiang Lee, Kwang-Ming Chen, Jiann-San Yang, Ching-Lian Huang, Dong-Qin Ji, Jen-Long Wu
NT$10,000,000 ~ NT$14,999,999	None	None
NT$15,000,000 ~ NT$29,999,999	Jason Lin	Jason Lin
NT$30,000,000~ NT$49,999,999	None	None
NT$50,000,000 ~ NT$99,999,999	None	None
Over NT$100,000,000	None	None
Total	10	10

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

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

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

Note 3：It refers to the bonuses, incentives, transportation allowance, special allowance, the provision of dormitory and vehicle, and other compensations received by the President and Vice President in the recent year. When a house, car, and other transportation or personal expense are provided, the nature and cost of the assets provided, the actual or estimated rental expense based on a fair market price, gas expense, and other payments should be disclosed. Further, if a chauffeur is assigned, please also describe the relevant compensation paid to such chauffeur in the Note. However, such amount shall not be included in the remuneration. In addition, the salary expense recognized in accordance with IFRS 2 "Share-based payment" includes the acquisition of employee stock warrant, employee restricted stock, and subscription of new shares from cash capitalization

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. It is required to specify in this column the relevant remuneration amount the President and Vice President of the Company received from the invested companies other than the subsidiaries.

b. If the President and Vice President have received the relevant remuneration from the invested companies other than the subsidiaries, the received amount should be included in Column E. In addition, the column title shall be revised as "Compensation Paid to the President and Vice Presidents from Invested Companies".

c. Remuneration shall mean the compensation, reward, employee bonus, and expense for business operation paid to the Company's President and Vice President by the invested companies other than the subsidiaries and such President and Vice President concurrently serve as directors, supervisors, or managerial officers of the invested companies.

＊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.

3.3.4 Employee Compensation of Managers

Unit：NT$ thousands；2018.12.31

	Title(Note 1)	Name(Note 1)	Employee Compensation -in Stock	Employee Compensation -in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	President	Jason Lin	0	343	343	0.0007
	Executive Vice President	K. L. Huang				
	Senior Vice President	Cheng-Chung Cheng				
	Vice President	Jerry Lin				
	Chemicals Division Vice President	Tien-Hsiang Lee				
	Polypropylene Division Vice President	Kwang-Ming Chen				
	Eng. & Const. Division Vice President	Jian-San Yang				
	Polyolefin Division Vice President	Jen-Long Wu				
	Plastics Division Vice President	Ching-Lian Huang				
	Tairylan Division Vice President	Dong-Qin Ji				
	Financial Officer	Ray Lei				
	Accounting Officer	Chia-Tse Chang				

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.

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

1. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements in the most recent two fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income. Unit：％

Year / Item	2018	2017
Directors	0.1393	0.1114
Supervisors	-	-
President and Vice Presidents	0.1484	0.1455

Explanation：

A. Remuneration of directors includes the directors who are adjunct managers.

B. The ratios of total remuneration of directors, presidents and vice presidents to the net income in 2017 are higher than in 2016, because the two newly directors by reelecting in 2018 are adjunct employee and the managers' salary increase 4％.

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

A. Independent directors of the Company receive a fixed monthly remuneration, as well as reimbursement for transportation expenses based on their actual attendance of the Board meetings.

B. For other Directors' remuneration, the Board of Directors are authorized, in accordance with the Company's Articles of Association, to determine the remuneration amount based on a Director's involvement in the Company's operations and his/her contribution values and in comparison with payments in other business of the same industry. Reimbursement for transportation expenses is paid based on actual attendance of the Board meetings.

C. Remuneration to Directors attributed from capital surplus is cancelled as approved by Shareholders’ Meeting on June 5, 2009.

D. The Company had replace supervisors with audit committee from June 26, 2015.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors Meeting Status

A total of 6 (A) meetings of the Board of Directors were held in 2018. The attendance of director and supervisor was as follows:

Title	Name (Note1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】(Note2)	Remarks
Chairman	Jason Lin	6	0	100.00	Remain, 2018.6.20 reelection
Managing Director	William Wong, Representative of Formosa Chemicals & Fibre Corp.	5	0	83.33	Remain, 2018.6.20 reelection
Managing Director	Susan Wang, Representative of Nanya Plastics Corp.	5	0	83.33	Remain, 2018.6.20 reelection
Managing Director	Wilfred Wang, Representative of Formosa Petrochemical Corp.	4	0	66.67	Remain, 2018.6.20 reelection
Managing Director (Independent Director)	C. L. Wei	6	0	100.00	Remain, 2018.6.20 reelection
Independent Director	T. S. Wang	2	0	100.00	Outgoing, 2018.6.20 reelection
Independent Director	C. J. Wu	6	0	100.00	Remain, 2018.6.20 reelection
Independent Director	Yen-Shiang Shih	4	0	100.00	Newly elected, 2018.6.20 reelection
Director	C. T. Lee	6	0	100.00	Remain, 2018.6.20 reelection
Director	Cher Wang	2	0	33.33	Renewed, 2018.6.20 reelection
Director	K. H. Wu	4	0	66.67	Remain, 2018.6.20 reelection
Director	Ralph Ho	6	0	100.00	Remain, 2018.6.20 reelection
Director	K. L. Huang	4	0	100.00	Newly elected, 2018.6.20 reelection
Director	Wen-Chin Hsiao	2	0	100.00	Outgoing, 2018.6.20 reelection
Director	Cheng-Chung Cheng	6	0	100.00	Remain, 2018.6.20 reelection
Director	Jerry Lin	4	0	100.00	Newly elected, 2018.6.20 reelection
Director	Ching-Lian Huang	4	0	100.00	Newly elected, 2018.6.20 reelection

Other mentionable items:

1. 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 : The Company is not applied to Article 14-3 of the Securities and Exchange Act because it had set up audit committee. The statements about Article 14-5 of the Securities and Exchange Act refer to "3.4.2 Audit Committee Meeting Status".
   (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: None.
2. 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) Board of Directors Meeting on March 22, 2018
      A. Name：Jason Lin, William Wong, Susan Wang
      B. Proposal：Plan for loaning funds in Q2, 2018.
      C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting.
   (2) Board of Directors Meeting on March 22, 2018
      A. Name：Jason Lin, William Wong, Susan Wang
      B. Proposal：Transaction with related parties, Formosa Heavy Industries Corp. and Nanya Plastics Corp.
      C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director or representative of the institutional shareholders of the company of equipment transaction were recused from the discussion and voting.
   (3) Board of Directors Meeting on March 22, 2018
      A. Name：Jason Lin, William Wong, Susan Wang
      B. Proposal：Issuance of a letter of undertaking for the credit line of financial institution for Formosa Ha Tinh (Cayman) Limited.
      C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director of the company of credit line were recused from the discussion and voting.
   (4) Board of Directors Meeting on May 10, 2018
      A. Name：Jason Lin, William Wong, Susan Wang, Wilfred Wang, K. H. Wu
      B. Proposal：Plan for loaning funds in Q3, 2018.
      C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting.
   (5) Board of Directors Meeting on May 10, 2018
      A. Name：Jason Lin
      B. Proposal ： Signature of a "Contract for Construction and Urban Renewal

Implementation" with Formosa Plastics Development Co., Ltd.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Director serves as Director of the company of signed contract was recused from the discussion and voting.

(6) Board of Directors Meeting on June 20, 2018

A. Name：C. L. Wei, C. J. Wu, Yen-Shiang Shih

B. Proposal：Appointment of independent directors as members of the Company's remuneration committee.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as members of the Company's remuneration committee were recused from the discussion and voting.

(7) Board of Directors Meeting on August 7, 2018

A. Name：K. L. Huang

B. Proposal：Dismissal and re-appointment the manager of Mailiao and Xingang branch.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Director serves as the manager of Mailiao and Xingang branch was recused from the discussion and voting.

(8) Board of Directors Meeting on August 7, 2018

A. A. Name：Jason Lin, William Wong, Wilfred Wang

B. Proposal：Issuance of a letter of undertaking for the credit line of financial institution for Formosa Ha Tinh (Cayman) Limited.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director of the company of credit line were recused from the discussion and voting.

(9) Board of Directors Meeting on August 7, 2018

A. Name：Jason Lin, William Wong, Wilfred Wang, K. H. Wu

B. Proposal：Plan for loaning funds in Q4, 2018.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting.

(10) Board of Directors Meeting on August 7, 2018

A. Name：Jason Lin, William Wong, Wilfred Wang, K. H. Wu

B. Proposal：Transaction with related parties, Formosa Heavy Industries Corp. and Nanya Plastics Corp.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director of the company of equipment transaction were recused from the discussion and voting.

(11) Board of Directors Meeting on August 7, 2018

A. Name：Jason Lin

B. Proposal：Setting compensation of Chairman.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Director was recused from the discussion and voting due to this proposal discussing the compensation of himself.

(12) Board of Directors Meeting on August 7, 2018

A. Name：C. L. Wei, C. J. Wu, Yen-Shiang Shih, Ralph Ho

B. Proposal：Setting compensation of current Directors.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors were recused from the discussion and voting due to this proposal discussing the compensation of themselves.

(13) Board of Directors Meeting on November 13, 2018

A. Name：Jason Lin, William Wong, Susan Wang, Wilfred Wang

B. Proposal：Issuance of a letter of undertaking for the credit line of financial institution for Formosa Ha Tinh (Cayman) Limited.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director of the company of credit line were recused from the discussion and voting.

(14) Board of Directors Meeting on November 13, 2018

A. Name：Jason Lin, William Wong, Susan Wang, Wilfred Wang, K. H. Wu

B. Proposal：Plan for loaning funds in Q1, 2019.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting.

(15) Board of Directors Meeting on November 13, 2018

A. Name：Jason Lin, William Wong, Susan Wang, Wilfred Wang, K. H. Wu

B. Proposal：Transaction with related parties, Formosa Heavy Industries Corp., Nanya Plastics Corp. and Formosa Technologies Corp.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director or representative of the institutional shareholders of the company of equipment transaction were recused from the discussion and voting.

(16) Board of Directors Meeting on November 13, 2018

A. Name：Jason Lin, William Wong, Wilfred Wang

B. Proposal：Donation of Chang Gung University.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director of the university donated were recused from the discussion and voting.

(17) Board of Directors Meeting on December 17, 2018

A. Name：Jason Lin, Susan Wang

B. Proposal：Guarantee of bank loan for Formosa Ha Tinh (Cayman) Limited.

C. Causes of interest conflict Avoidance and Voting status：the above-mentioned Directors serve as Director of the borrowing company from bank were recused from the discussion and voting.

(18) Board of Directors Meeting on December 17, 2018

A. Name：Jason Lin, Susan Wang

B. Proposal：Issuance of a letter of undertaking for bank loan of Formosa Ha Tinh Steel Corp.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director of the borrowing company from bank were recused from the discussion and voting.

(19) Board of Directors Meeting on December 17, 2018

A. Name：Jason Lin, C. T. Lee, K. L. Huang

B. Proposal：Increased to invest Formosa Industries Corporation.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Directors serve as Director of the invested company were recused from the discussion and voting.

(20) Board of Directors Meeting on December 17, 2018

A. Name：C. L. Wei

B. Proposal：Renewal of credit line of financial institution.

C. Causes of interest conflict avoidance and voting status：the above-mentioned Director serves as Director of the financial institution of the renewal of credit line was recused from the discussion and voting.

3.Measures taken to strengthen the functionality of the board:

(1)The operations of the Board of Directors of the Company are exercised in accordance with the provisions of the laws and regulations, the Articles of Association, and the resolutions of the Shareholders' Meetings. All Directors, in addition to the professional knowledge and skills necessary to perform their duties, should strive for the best shareholder interests based on the principles of loyalty and integrity.

(2)The Company has elected 3 Independent Directors. In order to establish a good board governance system, sound supervision function and strengthen management functions, the Board of Directors agreed to established Remuneration Committees at August 29, 2011 according to the provisions of the securities authority. Moreover, in order to implement corporate governance, Remuneration Committee held the meeting to evaluate the manager salary policy and rule and submit the suggestions to Board of Director for discussing.

(3)In addition to the annual review of the operation of the Board of Directors and the strengthening of the functions of the Board of Directors, the internal auditors also make audit reports on the operation of the Board of Directors. The monthly audit report is also delivered to the Independent Directors before the end of the next month in compliance with the regulations of the competent securities authorities.

(4)In accordance with the provisions of the securities regulatory authority, the Board of Directors decided to set up an Audit Committee in order to replace the Supervisors on June 25, 2015. Audit Committee held the meeting on March 22, May 10, November 13, December 17, 2018, respectively, and resolutions were submitted to the Board of Directors to implement corporate governance.

Note 1：Disclose the names of institutional shareholders that the directors represent of.

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

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

3.4.2 Audit Committee Meeting Status

1.There are 3 members in Audit Committee.

2.The term of office: 2018.6.20~2021.6.19. A total of 5 (A) Audit Committee meetings were held in 2018. The attendance of the Audit Committee members was as follows:

Title	Name	Attendance in Person (Ｂ)	By Proxy	Attendance Rate (%)(Ｂ/Ａ)(Note)	Remarks
Convener	C. L. Wei	5	0	100.00	Remain, 2018.6.20 reelection
Committee Member	C. J. Wu	5	0	100.00	Remain, 2018.6.20 reelection
Committee Member	T. S. Wang	2	0	100.00	Outgoing, 2018.6.20 reelection
Committee Member	Yen-Shiang Shih	3	0	100.00	Newly elected, 2018.6.20 reelection

Other mentionable items:

1.If any of the following circumstances occur, 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:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

1. The 1st Board of Directors meeting in 2018 (March 22, 2018)

(1) Proposal：Creation of 2017 Business Report and Financial Statements as required by the Company Act.

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Plan for loaning funds in Q2, 2018.

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Transaction with related parties.

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Issuance of a letter of undertaking for the renewal of credit line of financial institution for Formosa Ha Tinh (Cayman) Limited.

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Preparation of the Company's internal control system statement

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

2. The 2nd Board of Directors meeting in 2018 (May 10, 2018)

(1) Proposal：Plan for loaning funds in Q3, 2018.

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1)Proposal：Signature of a "Contract for Construction and Urban Renewal Implementation" with Formosa Plastics Development Co., Ltd.

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Office buildings purchase from TransGlobe Life Insurance Inc. and Meifu development Co., Ltd.

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

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

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Amendment of the relevant specifications of the Company's share operations.

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

3. The 4th Board of Directors meeting in 2018 (August 7, 2018)
(1) Proposal：Compiling the Company's financial statement for Q2 2018.
(2) Audit Committee Resolution：All attendants approved.
(3) The Company's handling of the opinions of the Audit Committee：Report to Board of Directors.

(1) Proposal：Re-appointment the new internal audit officer.
(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Dismissal and re-appointment the manager of Mailiao and Xingang branch.
(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Issuance of a letter of undertaking for the renewal of credit line of financial institution for Formosa Ha Tinh (Cayman) Limited.
(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Plan for loaning funds in Q4, 2018.
(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Transaction with related parties.
(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

4. The 5st Board of Directors meeting in 2018 (November 13, 2018)
   (1) Proposal：Issuance of a letter of undertaking for the renewal of credit line of financial institution for Formosa Ha Tinh (Cayman) Limited.
   (2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
   (3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

   (1) Proposal：Plan for loaning funds in Q1, 2019.
   (2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
   (3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

   (1) Proposal：Transaction with related parties.
   (2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
   (3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

   (1) Proposal：Donation of NT$ 3,611,725 to Chang Gung University.
   (2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
   (3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

5. The 6st Board of Directors meeting in 2018 (December 17, 2018)
   (1) Proposal：Guarantee of bank loan for Formosa Ha Tinh (Cayman) Limited.
   (2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
   (3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

   (1) Proposal：Issuance of a letter of undertaking for bank loan of Formosa Ha Tinh Steel Corp.
   (2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.
   (3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(1) Proposal：Increased to invest USD 12,375,000 to Formosa Industries Corporation.

(2) Audit Committee Resolution：All attendants approved and it was submitted to Board of Directors for approval.

(3) The Company's handling of the opinions of the Audit Committee：Board of Directors approved.

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None

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: None

3.Communications between the independent directors, the Company's internal audit officer and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.):

1. Communication between Independent Directors and CPAs：

(1)The Audit Committee of the Company consists of all Independent Directors. The CPAs are arranged to attend at least once a year to report to the Independent Directors about the financial status and overall operating results of the Company and its subsidiaries at home and abroad, and internal audit status. They also fully communicate the changes in accounting regulations which may impact the amount on presentation of financial report.

(2)Audit Committee also appoints a CPA to audit various reports and financial statements, which are prepared by the Board of Directors and delivered to shareholders, and submits a review report.

2. Communication between Independent Directors and internal audit officer:

(1)The revision of the “Internal Control System” and “Internal Audit Implementation Rules” of the Company shall be submitted to the Board of Directors for resolution after the approval of the Audit Committee.

(2)The assessment of the effectiveness of the Company's internal control system (issuing a statement) is submitted to the Board of Directors for resolution after the approval of the Audit Committee.

(3)The internal auditing office of the Company will regularly send the internal audit report issued by the Company to the Independent Director for review.

(4)The internal audit plans for the next year prepared by the internal auditing office will be submitted to the Board of Directors for resolution before the end of fiscal year.

(5)Independent Directors and internal audit officer shall call a meeting at least one time at each quarter to report and discuss the internal audit execution status and internal control operation of the Company. The lack of control and abnormalities matters should be followed up to remind the relevant units to take appropriate improvement measures in a timely manner.

3. Communication and status between Independent Directors, CAP and internal audit officer：

Date	Meeting	Object	Content	Result
2018.3.22	Audit Committee	CPA	Report the impact of import the IFRS16.	Acknowledged
2018.3.22	Board of Directors	Internal Audit Officer	Report the Company's internal report for the fourth quarter of 2017.	Acknowledged
2018.3.22	Audit Committee	Internal Audit Officer	Approve "Internal Control System Statement" of the Comp any.	Submit to the Board of Directors for resolution
2018.3.22	Audit Committee	CPA	Present the comments for the financial reports in 2017.	Acknowledged
2018.5.10	Board of Directors	Internal Audit Officer	Report the Company's internal report for the first quarter of 2018.	Acknowledged
2018.5.10	Audit Committee	Internal Audit Officer	Amend the "Internal Control Systems" and "Internal Audit Implementation Rules" of the Company's stock affair department.	Submit to the Board of Directors for resolution
2018.6.20	Board of Directors	Internal Audit Officer	Report the status of correction of defects and irregularities of internal control systems for 2017.	Acknowledged
2018.8.7	Board of Directors	Internal Audit Officer	Report the Company's internal report for the second quarter of 2018.	Acknowledged
2018.11.13	Board of Directors	Internal Audit Officer	Report the Company's internal report for the third quarter of 2018.	Acknowledged
2018.12.17	Board of Directors	Internal Audit Officer	Report the Company's internal report for October 2018.	Acknowledged
2018.12.17	Board of Directors	Internal Audit Officer	Approve the Company's internal audit plan in 2019.	Approved by the Board of Directors

4.Annual work focus and operation situation：

1.The Company's Audit Committee is composed of 3 Independent Directors. The main function of the Audit Committee is to supervise the following matters：fair presentation of the financial reports, the hiring (and dismissal), independence, and performance of certificated public accountants, the effective implementation of the internal control system, compliance with relevant laws and regulations, management of the existing or potential risks.

2.Audit Committee held 5 time meeting in 2018. The proposal and status of following addressing refres to "1. resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion" and the work focus is as follows：

(1) Amendments to the internal control system.

(2) Assessment of the effectiveness of the internal control system.

(3) Rationality of Matters in which a director is an interested party.

(4) Asset transactions of a material nature.

(5) Loans of funds, endorsements, or provision of guarantees of a material nature

(6) Exchange of a certified public accountant.

(7) The appointment or discharge of a internal audit officer.

(8) Annual and semi-annual financial reports review.

Note：

＊ If there is an independent director leaving the company before the end of the year, the date of departure should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the audit committee during the term of office and their actual attendance.

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

3.4.3 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"?	V		The Company passed the resolution of the Board of Directors on November 11, 2014 and set Principles of Corporate Governance, 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 content is slightly revised in accordance with the Company's practice, but it is consistent with the spirit of the Code.
2. Shareholding structure and shareholders' rights (1) Did the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(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 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.	In compliance with Article 13 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(2) 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?	V		(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?	V		(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 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,	In compliance with Article 14 to Article 17 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(4) Did the Company establish internal rules that prohibit Company insiders from trading securities using undisclosed information?	V		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) The Company has established rules for personnel management and prevention of insider trading operations 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?	V		(1) Article 20 of Principles of 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 industry experience, business management background and, decision making ability. The present member of Board of Directors has 15 Directors includeing 3 Independent Directors and 2 female Directors (account for 13.3% of all Directors), please refer to page 43~51 of the annual report for further information about the related information of each Director.	In compliance with Article 20 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(2) In addition to establishing the Remuneration Committee and Audit Committee according to the regulations, has the Company voluntarily established other functional committees?		V	(2) The Company has set up a remuneration committee after the resolution of the Board of Directors on August 29, 2011. The Board of Directors also resolved on June 25, 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?		V	(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 of the Company's objectives, operations, and finances. The Board of Directors functions well, and it communicates effectively with the Company's management team.	Not yet in compliance with Article 37-2 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, with items yet to be completed in 2020 accordingly.
(4) Did the Company regularly evaluate the independence of CPAs?	V		(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,	In compliance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			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 25, 2019.	
4. Does the TWSE/TPEx listed company have a dedicated unit/staff member in charge of the Company' corporate governance matters (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)?	V		(1) The Company plans to set up a position for corporate governance officer in 2019, who will be in charge of corporate governance related issues and has to complete 18-hour training courses within one year once came to office. (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, company registration, and so on.	In compliance with Article 3-1 of the Corporate Governance Best Practice Principles 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	V		(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	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	
website? Are major Corporate Social Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the Company?			the channels for the stakeholders to communicate with the Company. (3) The Company responds to stakeholders' issues of concern at the appropriate time through the following channels： a. Shareholders and investors: 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 and contractors: 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.	

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			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 1.3 Stakeholder Identification and Communication of 2018 Coporation Social Responsibility Report)	
6. Does the Company appoint a professional shareholder services agency to deal with shareholder affairs?		V	The shareholders' meeting of the Company is currently handled by itself, but the relevant procedures are handled by the designated Share Unit, the Legal Affairs 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 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	V		(1) The Company has set up a website in Chinese and English with disclosed relevant financial business and corporate	In compliance with Article 57 and Article 59 of the Corporate Governance

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
on financial operations and corporate governance?			governance information under "Investor Relations Section". The Company's website is: www.fpc.com.tw.	Best Practice Principles for TWSE/TPEx Listed Companies.
(2) Did the Company have other information disclosure channels (such as establishing an English language website, delegating a professional to collect and disclose Company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	V		(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 57 and Article 59 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
8.Has the Company disclosed other information to facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee wellness, investor relations, supplier relations, stakeholders' rights, Directors and Supervisors training records, implementation of risk	V		(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	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	
management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and Supervisors of the Company)?			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 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 page 216 of the annual report.	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			(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. In addition to participating in investment forums held by domestic and foreign brokerage firms, the Company holds 53 times 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 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	

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			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 manufacturers, and cultivate excellent manufacturers to achieve good relations as well as	

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

<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>shareholders' benefits, as well as providing supplies of stable, high-quality and low-cost products. With industrial and environmental protection as a priority, the Company will develop towards eco-industrial areas and promote green building and 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 Training</th><th>Organization</th><th>Course</th></tr>
<tr><td rowspan="2">Chairman</td><td rowspan="2">Jason Lin</td><td rowspan="2">Nov. 23, 2018</td><td rowspan="2">Securities and Futures Institute</td><td>How do directors and supervisors of listed (OTC) companies perform their duties?</td></tr>
<tr><td>Legal issues that should be noted in the public offering of directors and supervisors</td></tr>
<tr><td>Managing Director</td><td>William Wong, Wilfred Wang</td><td>Nov. 16, 2018</td><td>Securities and Futures Institute</td><td>The wisdom of social media - what benefits could community analysis provide to the organization?</td></tr>
</table></td><td>In compliance with Article 40 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
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Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	

			Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the Company to embark on the road of innovation and perseverance through ethical and sustainable management
				The importance of sincerity management and building a happy work environment.
Managing Director (Independent Director)	C. L. Wei	Feb. 23, 2018 and Oct. 25, 2018	Taiwan Academy of Banking and Finance	Corporate Governance Workshop
Independent Director	C. J. Wu, Yen-Shiang Shih	Nov. 16, 2018	Securities and Futures Institute	The wisdom of social media - what benefits could community analysis provide to the organization?
			Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the Company to embark on the road of innovation and perseverance through ethical and sustainable management

Evaluation Item	Implementation Status (Note)							Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary					
							The importance of sincerity management and building a happy work environment.	
			Director	C. T. Lee, K. H. Wu, Ralph Ho, Cheng-Chung Cheng, Jerry Lin	Nov. 16, 2018	Same as above	Same as above	
			Director	Cher Wang	Nov. 5, 2018	Taiwan Corporation Governance Association	Prevention and Case Analysis of Insider Trading	
					Nov. 16, 2018	Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the Company to embark on the road of innovation and perseverance through ethical and sustainable management	
							The importance of sincerity management and building a happy work environment.	
			Director	K. L. Huang, Ching-Lian Huang	Nov. 16, 2018	Securities and Futures Institute	The wisdom of social media - what benefits could community	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			(see inner table and note below)	

				analysis provide to the organization?
			Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the Company to embark on the road of innovation and perseverance through ethical and sustainable management
				The importance of sincerity management and building a happy work environment.
		Nov. 23, 2018	Securities and Futures Institute	How do directors and supervisors of listed (OTC) companies perform their duties?
				Legal issues that should be noted in the public offering of directors and supervisors

Note：Both of Directors, K. L. Huang, Ching-Lian Huang , participated 12 training hours, and the rest of each Directors participated 6 training hours.

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 February 1, 2018 to August 1, 2019.	In compliance with Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
			(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 244~259 of the annual report for further disclosure of risk management policies of the Company.	In compliance with Article 16 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
			(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	

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 Fibre 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	

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			it. In addition, in order to cooperate with customers to expand the market, the Company also actively supports customers and provides after-sales service. 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.	

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 ranked among the top 20% of listed companies in the 4th Corporate Governance Evaluation in 2017. The improvement of the un-scored event is as follows：

Evaluation Index	Reason for Difference	Improvement Status
1.Whether have the Directors and Supervisors of the Company completed the training hours according to "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies"?	Some Directors have not completed the standard number of training hours, which does not meet the criteria.	Actively encourage Directors to participate in training courses to meet regulations.

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

(2)The Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. at April, 2019 released the results of the 5th Corporate Governance Evaluation in 2018. The Company ranked among the top 20% of listed companies. The improvement of the un-scored event is as follows：

Evaluation Index	Reason for Difference	Improvement Status
1.Whether have the Directors and Supervisors of the Company completed the training hours according to "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies"?	Some Directors have not completed the standard number of training hours, which does not meet the criteria.	Encourage Directors positively for continuing training, in order to correspond to the training hour required.
2.Whether do the Company upload the English version of the annual report at 7 days before the Shareholders' Meeting?	The Company did not prepare the English version of annual report in 2018.	The English version of the annual report is scheduled to be published in 2019 and uploaded at 7 days before the Shareholders' Meeting on June 11, 2019.
3.Whether do the Company set up a full-time corporate governance officer, responsible for corporate governance related matters, and explains the operation and implementation of the setting unit in the annual report and company website?	The Company had not set up a full-time corporate governance officer in 2018.	The Company is scheduled to set up corporation governance officer for approval by Board of Director at May 2019.
4.Whether do the Company be punished by the authorities for labor disputes, environmental pollution, product safety or other major violations of corporate social responsibility?	On December 4, 2018, Yilan County Government punished the Company violated Water Pollution Control Act, which does not meet the criteria.	Due to Dongshan Plant Lime furnace overhaul, the Company temporarily placed the limestone with lime at the outdoor feeding port, and wanted to use it all in the lime stove for recycling, so that the

Evaluation Item	Implementation Status (Note)			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			resources can be effectively reused. However, unexpected sudden heavy rainfall in the morning washed lime away, which is over the collection capacity of wastewater pumping. The Company's subsequent improvement treatment refers to 2018 Corporate Social Responsibility Report, 3.7 Response to Significant Environmental Issues.	

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

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. Professional qualifications and independence analysis of Remuneration Committee members

Title (Note 1)	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		
Independent Director	C. L. Wei	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	4	
Independent Director	C. J. Wu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Yen-Shiang Shih	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1：Title should be filled in director, independent director or others.

Note 2：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 an affiliated Company.

(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 as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(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, 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.

(7)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.

(8)Not a person of any conditions defined in Article 30 of the Company Law.

2. Attendance of Remuneration Committee meetings

(1)There are 3 members in Remuneration Committee.

(2)The term of office: 2018.6.20~2021.6.19. A total of 2 (A) Remuneration Committee meetings were held in 2018. The attendance of the remuneration committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)(Note)	Remarks
Convener	C. L. Wei	2	0	100.00	Remain, 2018.6.20 reelection
Committee Member	C. J. Wu	2	0	100.00	Remain, 2018.6.20 reelection
Committee Member	T. S. Wang	1	0	100.00	Outgoing, 2018.6.20 reelection
Committee Member	Yen-Shiang Shih	1	0	100.00	Newly elected, 2018.6.20 reelection
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 (e.g., the remuneration approved 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 expressed reservations 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: None.					

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

(1)Periodically reviewing remuneration committee charter and making recommendations for amendments

(2)Establishing and periodically reviewing performance goals for the directors and managers of the Company and the policies, systems, standards, and structure for their compensation.

(3)Periodically assessing and setting the types and amounts of the directors and managers compensation of the Company.

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

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

3. The dates of meetings, contents of motion, resolutions of the Remuneration Committee during the most recent fiscal year and the Company’s response to the Remuneration Committee’s opinion

Date of meeting	Content	Result	The Company’s response to the Remuneration Committee’s opinion
2018.1.25	Report Item Report the 2019 year-end bonus of managers, financial and accounting officer who are appointed by Board of Directors.	Noted	The 2019 year-end bonus of managers, financial and accounting officer who are appointed by Board of Directors follows the calculation results based on the Company's “Year-end Bonus and Remuneration Method”.
2018.6.20	Discussion Item 1.Election of the convener of Remuneration Committee	C. L. Wei was elected as the convener of Remuneration Committee by all attendants.	Doing by the approval of Remuneration Committee.
	2.Setting Remuneration Committee operating department	All attendants approved.	Doing by the approval of Remuneration Committee.
2018.8.7	Discussion Item 1.Setting compensation of Chairman.	All attendants approved and it was submitted to Board of Directors for approval.	Board of Directors approved.
	2.Setting compensation of current Directors	All attendants approved and it was submitted to Board of Directors for approval.	Board of Directors approved.

3.4.5 Fulfillment of Social Responsibilities：

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. Implementation of corporate governance	V			
(1) Has the Company established Corporate Social Responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions?			(1) The Company adhere to the principle of "Take from society, give back to society". Three target areas include implementing corporate governance, developing a sustainable environment, and maintaining social welfare are main focus in pursue of Corporate Social Responsibility. We have set KPIs for various energy conservation and environmental protection work as well as charity. Through continuous review and improvement, we will implement social responsibility with the same spirit of striving for the best.	In compliance with the Article 6 to Article 10 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(2) Has the Company provided regular training on CSR topics?			(2) In order to raise employees' awareness of human rights and work safety, the Company convenes courses related to labor safety and health, Labor Law, Sexual Harassment Prevention, and Gender Equality Law irregularly and advocates for environmental policies and charity events.	
(3) 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			(3) To promote Corporate Social Responsibility, the Chairman-Jason Lin has been appointed as the general convener and the Senior Vice President-Jerry Lin as Vic convener. President Office, safety and health department, accounting department, Mailiao and Kaohsiung management department and other units form "The Corporate Social Responsibility Special Unit" which is dedicated to the	

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)	
upper management levels? Does the unit report the progress of such activities to the Board of Directors? (4) Has the Company established a relevant salary and remuneration policy and combined its employee performance assessment system with CSR policies? Has the Company established a clear reward and penalty system?			implementation of social responsibility. The Corporate Social Responsibility Special Unit will report the work items to the Company's Directors through internal official documents. The unit will also reports the preparation and implement of Corporate Social Responsibility report in the Board of Directors meeting at least one time at each year. (4) 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. 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	
2. Developing a sustainable environment (1) Is the Company committed	V		(1) From raw material procurement to product sales, the	In compliance with Article 11 to

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)	
to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?			Company attaches great importance to the health and safety of its customers. Therefore, the production process is continuously improved upon. To follow market trends and meet customer's needs, the Company has shifted its focus to producing non-toxic and environmentally friendly products with improved production processes as well as green energy products. (For details of the specific practices and products that are environmentally friendly, please refer to 2.3.6 Product Safety and Health Responsibility of the 2018 Corporate Social Responsibility Report)	Article 17 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(2) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?			(2) 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 Environmental Management Policies and Strategies of the 2018 Corporate Social Responsibility Report.)	
(3) Is the Company concerned with changes to the global			(3) The Company regularly commissions BSI (British Standards	

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)	
climate and how it may affect business activities? Has the Company implemented greenhouse gas (GHG) inventory checks and established strategies for reducing energy consumption, carbon emissions, and greenhouse gas production?			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 3.3 Greenhouse Gas and Energy Management of the 2018 Corporate Social Responsibility Report.)	
3. Sustaining community services (1) Has the Company referred to relevant laws and international human rights instruments to establish relevant management policies and procedures?	V		(1) In order to guarantee the human right of all of related party, the Company 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, Jason Lin, officially signed the human rights policy in August, 2018. For details, please refer to the official website of the Company.	In compliance with Article 18 to Article 27 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)	
			(http://www.fpc.com.tw/fpcw/index.php?op=res&id=11&c=59)	
(2) Has the Company established employee appeal system and channels, and are employee appeals handled appropriately?			(2) The Company has set up multiple complaint channels for employee grievances. The Company set up suggestion boxes in places that are easy to access. It also sets up an online suggestion box in the information system. Each suggestion box is assigned to a dedicated staff for replies, ensuring the communication channels of employees. (For other specific practices, please refer to 4.2.4 Employee Communication and Care of the 2018 Corporate Social Responsibility Report.)。	
(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, and safety observation. (For details on how to improve employee safety in the workplace, please refer to 4.3 Talent Cultivation and Retention & 5.1 Ocuupational Health and Safety of the 2018 Corporate Social Responsibility Report.)	
(4) Has the Company established a system to regularly communicate with its employees, and used appropriate means to notify employees of operation			(4) All the production plants of the Company have established unions, and regularly hold the Board of Supervisors and the Labor-Management Conference. The relevant department representatives attend the meeting to communicate with the laborers(For other specific practices to communicate with the laborers, please refer to the 4.2.4 Employee Communication	

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)	
changes that may result in material impacts?			and Care of the 2018 Corporate Social Responsibility Report.) In addition, the Company prioritizes the protection of employees' work rights by establishing a manpower integration mechanism, replacing layoffs with transfers, and replacing outsourcing business and foreign workers employment with reduced departmental manpower. Prior to the change of duties and the transfer of the staff department, the department heads verbally informs the employee and completes the transfer procedure in approximately ten days.	
(5) Has the Company established an effective competency development career training program for employees?			(5) 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 specific training practices, please refer to 4.3 Talent Cultivation and Retention of the 2018 Corporate Social Responsibility Report.)	
(6) Has the Company established relevant policies and systems of appeal for consumer rights for the processes of research and			(6) 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	

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)	
development, purchasing, production, operations, and services?			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.	
(7) Is the Company compliant with relevant laws and international laws governing the marketing and labeling of its products and services?			(7) 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.	
(8) Prior to conducting business with suppliers, has the Company evaluated the suppliers in terms of past records of impacts on the environment and the society?			(8) & (9) During procurement, the Company has always required upstream suppliers to meet RoHS, ISO, and related national industrial safety standards, where all goods must be suitably labeled according to the nature of the products, i.e. warning labels. Suppliers should also adopt appropriate recycling procedures for used containers or delivery vehicles. Products manufactured by the disadvantaged and products with	

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)	
(9) Do contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the said supplier has violated the Company's Corporate Social Responsibility policy and has caused significant impact upon the environment and society?			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 5.2 Indusrial Safety Management in Supply Chain of the 2018 Corporate Social Responsibility Report.)	
4. Improvement of information disclosure (1) Does the Company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?	V		(1) The 2018 Social Responsibility Report of the Company covers information about environmental protection, corporate governance, and neighborhood social welfare. All related work and its implementation policy and results are also disclosed on the Company website. The social responsibility report can be downloaded from：http://csr.fpc.com.tw, to download the 2018 Corporate Social Responsibility Report. (2) The Company also regularly publishes information regarding	In compliance with Article 28 and Article 29 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			"Investor Relations" on the website (http://www.fpc.com.tw) and the "Open Information Observatory" of the Stock Exchange (http://mops.twse.com.tw/mops/web/t163sb01) disclosing various quarterly financial and annual reports. (3) The "sixth naphtha cracker monitoring section" of the Environmental Protection Department (www.epa.gov.tw/Page/2E986241BCC46D3C) regularly discloses environmental monitoring data, health risk assessment, and ecological and environmental impact assessments.	
5. 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.				
6. Other important and helpful information in understanding CSR operation： (Explanation 1) Relevant systems and structures the Chairman-Jason Lin serves as the general convener and the Senior Vice President-Jerry Lin serves as Vic convener to be responsible for. strategy formulation, goal planning, performance monitoring and management policy about the Company’s CSR. President Office, safety and health department, accounting department, Mailiao and Kaohsiung management department and other units form “The Corporate Social Responsibility Special Unit to be responsible for corporate governance, work safety and environmental sustainability, water and energy saving, product and customer service, supplier and contractor management, happy workplace, good neighbors and other related work. Moreover, in				

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)	
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 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 2018 years has decreased by 59% and 72% respectively since the trial operation began in 1999. Future				

<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 colspan="5">reduction targets will continue to be promoted. The spirit of the Company is to always find out the root cause of any problem, continue to improve, consists in stopping in perfect goodness. Through continuous improvement, the Company will continue to improve the efficiency of equipment operation to reduce energy and resource use, and strengthen the competitiveness of sustainable operation.
Taking water conservation as an example, from 1999 years to 2018, the sixth naphtha cracker has invested 8.08 billion dollars to complete 1,779 improvement cases, saving 270,800 tons of water per day. The 284 ongoing cases will receive 2.99 billion dollars of investment to achieve the target of saving 18,200 tons of water per day. The total investment is 11.07 billion dollars. After the completion, the annual benefit will be approximately 1.27 billion dollars. In terms of energy conservation and carbon reduction, the sixth naphtha cracker has also invested 17.69 billion dollars 5,980 improvement cases have been completed, reducing about 10.313 million tons of CO_2. 1,083 ongoing cases will receive 6.71 billion dollars. It is estimated that an additional 1.368 million tons of CO_2 will be reduced, with a total investment of 24.41 billion dollars. The end benefits will be about 30.81 billion dollars per year.
The above-mentioned results can be affirmed by the Company awards from 154 business units and commendations from the competent authorities of the Ministry of Economic Affairs, the Water Resources Department, the Industrial Bureau, the Energy Bureau, and the Environmental Protection Agency during the 11 last years between 2008 to 2018.
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 subsidy. As of 2018, the Company has received the flatland afforestation award in</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)	
Yunlin County, with an application area of 1,094.97 hectares, and about 1.119 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 2018 is 242.3 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 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				

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)	

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 941 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 2018, it has spent 8.66 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 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 5,476.

(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 1.12 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.

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)	
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, 79 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. 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. Social welfare agency lighting improvement plan, f. Donation to Mind Theatre of Dharma Drum Mountain Humanities and Social Improvement Foundation to go on campus tours, g. Promote the nutritional breakfast subsidy for the vulnerable Junior High School students of Pingtung County. F. Elderly welfare: a. promote the elderly housing improvement and appliance donation plan, b. Mailiao and Taixi Township meal delivery				

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)	
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. 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. 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 ", "If kids Theatre", "Da Long Jin Golden Lion Group", "Apple Theatre" to go on tours in the countryside; sponsor Yunlin puppet theater. J. Promote the Wang Jhan-Yang charitable trust fund " Burning Star Project" to cultivate outstanding sports talents, "Future Star Project " sports talents abroad training programs and sports player medical protection programs to help domestic sports talents improve their performance.				
7. The Company should specify if the Company's CSR Report has passed the relevant accreditation awarded by any validation agency：				

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)	
The content structure of the Company’s 2018 Corporate Social Responsibility Report is based on the Global Resiliency Reporting Association's GRI standards guidelines, written in accordance with the guidelines and framework outlined in the Core Options, and exposes the Company's main sustainability issues, strategies, goals and objectives, as well as measures. Verified by the British Standards Association (BSI), an impartial third-party unit, and is disclosed in accordance with the core options, and is presented in international common indicators.				

Note 1：Regardless of whether the operation item is checked "yes" or "no", the Company shall provide an appropriate explanation.

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.

3.4.6 Implementation of Ethical Corporate Management and Measures for its Implementation Ethical Corporate Management：

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 clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the Company's Directors and management team actively fulfilling their commitment to corporate policies?	V		(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, 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.	In compliance with Article 4 and Article 5 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."
(2) Has the Company established a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations within the said plan? Is the plan implemented accordingly?	V		(2) The Company has clearly stated the ethical policy of integrity management in the rules and regulations such as the "Personnel Management Rules" and has established "Ethical Code of Conduct" for the Directors and Managers of the Company to adhere to (please refer to page 123 of the annual report.) The Board of Directors and management also promises to actively implement and supervise the implementation of the integrity management policy.	In compliance with Article 8 and Article18 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 preventive measures for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or business activities with a higher risk of being involved in an unethical conduct within the Company's scope of business?	V		(3) 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. For those who engage in business activities with high risk of dishonest behavior, the Company has clearly established "business management rules" and "work rules" which state that positions of interest for business, procurement, contracting, supervision, and budgeting, as well as contact with other manufacturers shall not accept business dinners or other entertainment activities invited by the manufacturer, nor accept the property or other interests of gifts. The offenders shall be excused from office and their Supervisors shall be jointly and severally punished. In addition, related duties have comprehensively promoted regular rotation operations to prevent the occurrence of any corruption.	In compliance with the provisions of Article 2, and Article 10 to Article 14 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. Implementing ethical corporate management				
(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?	V		(1) The contract signed by the Company for commercial activities is subject to the terms of good faith. In addition, the Company conduct inquiries such as honesty investigations for customers, suppliers, and other stakeholders to avoid the occurrence of dishonest behavior and damage of the Company's rights and interests.	In compliance with Article 9 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
(2) Has the Company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answer to the Board of Directors? Does the said unit regularly report to the Board of Directors on the state of its activities?	V		(2) The President Office of the Company and the general management office of the whole enterprise promotes the operation of the integrity management of the enterprise and reports internal audit report to the Independent Director monthly. Additionally, the result of the operation of the integrity management of the enterprise reports to the Board of Directors at least one time at each year. The most recent report dated is on December 17, 2018, and it mainly assesses the ethical corporate management policies, practices, and commitments of the board of directors and management to actively implement business policies.	In compliance with Article 17 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
(3) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and	V		(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	In compliance with Article 19 of the “Ethical Corporate Management Best Practice Principles for

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
enforced these policies and channels accordingly?			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.	TWSE/GTSM Listed Companies.”
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company’s internal audit unit or commissioned to a CPA?	V		(4) The Company has established an effective and improved accounting system and internal control mechanism, and fully implemented computerization of operations. The six management functions of personnel, finance, business, production, materials, and engineering 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	In compliance with Article 20 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	
			Directors, 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.	
(5) Does the Company regularly organize internal and external training for ethical corporate management?	V		(5) Through regular corporate publications as well as various occasions, the Company promotes the corporate culture of “Diligence, Perseverance, Frugality and Trustworthiness,” as well as cultivating work ethics based on integrity, fairness and transparency, self-discipline, and a sense of responsibility. All new recruits receive corporate culture training. In addition, training courses about regulations, anti-fraud, and anti-corruption are held every year to strengthen the employees' commitment to complying with management rules based on good faith In 2018, 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 26,577 person involved in, and the 243,437 training hours.	In compliance with Article 22-2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
3. Status for enforcing whistle-blowing systems in the			The Company has a "Employee Grievance Procedure" and "Internal and External Reporting Procedure of Unlawful and Unethical	In compliance with Article 23 of the “Ethical

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
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 exposed by the whistle-blower? (2) Has the Company established standard operating procedures (SOP) and relevant systems of confidentiality? (3) Has the Company adopted protection measures against inappropriate disciplinary actions for the whistle-blower?	 V V V		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 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 information provided helps stop the occurrence of illegal or improper acts, thereby safeguarding the interests of the Company, a generous bonus is awarded depending on the amount of losses that may have been caused by the case.	Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
4. Improvement of information disclosure Does the Company disclose its	 V		Information on integrity management and ethical behavior has been	In compliance with Article 25 of the “Ethical Corporate Management

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
ethical corporate management policies and the results of its implementation on the Company's website and MOPS?			disclosed on both Chinese and English website of the Company.	Best Practice Principles for TWSE/GTSM Listed Companies."
5. Where the Company has established its own best practices on ethical corporate management according to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" , please describe any gaps between the described best practices and actual implementation taken by the Company： On November 11, 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 25, 2015. The code was slightly revised according to the Company's practice, but in line with spirit of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."				
6. Other information helpful for understanding the principle of integrity of the Company's operations (e.g., the Company's amendment of its principles of integrity)： The Company schedules corporate governance courses for Directors and managers on a regular basis to strengthen their ability in supervision and governance, with the hopes of increasing the effectiveness of governance and implementation of integrity operation.				

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

3.4.7 The searching way of Principles of Corporate Governance and related bylaws the Company adopted：The Company established “Principles of Corporate Governance “approved by the Board of Directors on November 11, 2014, and it was amended by the Board of Directors on August 11, 2015, November 8, 2016, and May 7, 2019. The relevant principles are available from the Company’s website.

3.4.8 Other significant information provides a better understanding of the state of the Company's implementation of corporate governance：

1.In accordance with Letter No. 0930005101 issued by the provisions of the Securities and Futures Bureau of the Executive Yuan Financial Supervisory Commission on October 28, 2004, and Letter No. 0930028186 issued by Taiwan Stock Exchange Cooperation on November 11, 2004, Principles of Ethical Corporate Management the Company established is as follows:

Formosa Plastics Corporation
Code of Ethical Conduct for Directors and Managers

Chapter 1　General Principles

Article 1: The Code of Ethical Conduct (the “Code”) of Formosa 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 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 Association, 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, internal audit officer, 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 a shareholders meeting. Any amendment is subject to the same procedure.

2.The Company's managers, financial officer and accounting officer also participate in the training related to corporate governance each year. all of them have related professional knowledge. The training status is as follows:

Title	Name	Date of Training	Organization	Course	Training Hours
President	Jason Lin	2018.11.23	Securities and Futures Institute	How do directors and supervisors of listed (OTC) companies perform their duties?	3
			Securities and Futures Institute	Legal issues that should be noted in the public offering of directors and supervisors	3
Executive Vice President	K. L. Huang	2018.11.16	Securities and Futures Institute	The wisdom of social media - what benefits could community analysis provide to the organization?	3
			Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the Company to embark on the road of innovation and perseverance through ethical and sustainable management	3
				The importance of sincerity management and building a happy work environment.	
		2018.11.23	Securities and Futures Institute	How do directors and supervisors of listed (OTC) companies perform their duties?	3
			Securities and Futures Institute	Legal issues that should be noted in the public offering of directors and supervisors	3
Vice President	Cheng-Chung Cheng	2018.11.16	Securities and Futures Institute	The wisdom of social media - what benefits could community analysis provide to the organization?	3
			Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the Company to embark on the road of innovation and perseverance through ethical and sustainable management	3
				The importance of sincerity management and building a happy work environment.	

Title	Name	Date of Training	Organization	Course	Training Hours
Vice President	Jerry Lin	2018.11.16	Securities and Futures Institute	The wisdom of social media - what benefits could community analysis provide to the organization?	3
			Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the Company to embark on the road of innovation and perseverance through ethical and sustainable management The importance of sincerity management and building a happy work environment.	3
Financial Officer	Ray Lei	2018.11.16	Securities and Futures Institute	The wisdom of social media - what benefits could community analysis provide to the organization?	3
			Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the Company to embark on the road of innovation and perseverance through ethical and sustainable management	3
				The importance of sincerity management and building a happy work environment.	
Accounting Officer	Chia-Tse Chang	2018.11.16	Securities and Futures Institute	The wisdom of social media - what benefits could community analysis provide to the organization?	3
			Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the Company to embark on the road of innovation and perseverance through ethical and sustainable management	3
				The importance of sincerity management and building a happy work environment.	

3. Certification of employees whose jobs are related to the release of the Company’s financial information:
   (1)Accounting department：eight employees with Certified Public Accountant of Republic of China (Taiwan) Certification, one employee with Certified Internal Auditor(CIA) Certification and one employee with Certified Securities Analyst of Republic of China (Taiwan) Certification
   (2)Finance department:：None.

(3)Audit department：four employees with Certified Internal Auditor (CIA) Certification and seven employees with Certified Public Accountant of Republic of China (Taiwan) Certification.

4. 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 rumors 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 are 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.

3.4.9 Implementation Status of the Internal Control System

1. Internal control system statement

Formosa Plastics Corporation

Internal Control System Statement

Date: 2019.3.25

The Company states the following with regard to its internal control system in 2018, 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 2018.12.31 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 2019.3.25, where all of 13 attending directors affirmed the content of this Statement.

Formosa Plastics Corporation

Chairman: Jason Lin

President: Jason Lin

2. Audit report of internal control system reviewed by independent auditors: None.

3.4.10 For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements：None.

3.4.11 Material resolutions of Shareholders Meeting or Board of Directors Meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report：

1. <u>Shareholders' Meeting on June 20, 2018</u>

Directors attending the Shareholders' Meeting：8 people including Jason Lin, C. T. Lee, K. H. Wu, Ralph Ho, Cheng-Chung Cheng, Wen-Chin Hsiao (above as Directors), C. L. Wei, C. J. Wu (above as Independent Directors).

(1)Key resolution

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

(Proposed by the Board of Directors)

Explanation：1. The preparation of the Company's 2017 Consolidated and Individual Financial Statements were completed. The aforementioned Financial Statement were reviewed by the Audit Committee and approved by the Board Meeting on March 22, 2018, and audited by independent auditors, Ms. Delphi Chen and Mr. Winston Yu, of KPMG. The aforesaid Financial Statements together with the Business Report were reviewed by the Audit Committee, which the Audit Committee' Review Report is presented.。

2. For the aforementioned Business Report, please refer to page 4 through page 13 of the Meeting Handbook. As for the Financial Statements, please refer to page 31 through page 42 of the Handbook. Please approve the Business Report and the Financial Statements.

Resolution：Total voting rights represented by the attending shareholders are 5,057,536,419 votes for this proposal. Voting results show adoption of 4,545,459,745 votes (of which votes through electronic means account for 3,753,257,492), representing 89.9％ of the total voting rights. Dissent voting rights are 75,258 votes (of which votes through electronic means account for 75,258 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 512,001,416 votes (of which votes through electronic means account for 504,488,273 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

Proposal：For Approval of the Proposal for Distribution of 2017 Profits as required by the Company Act. (Proposed by the Board of Directors)

Explanation：Please refer to page 43 of the Handbook for the Statement of Profits Distribution, which has been reviewed by the Audit Committee members of Formosa Plastics Corporation and approved by the Board of Directors on March 22, 2018.

Resolution：Total voting rights represented by the attending shareholders are 5,057,536,419 votes for this proposal. Voting results show adoption of 4,553,860,199 votes (of which votes through electronic means account for 3,761,657,946), representing 90.0％ of the total voting rights. Dissent voting rights are 77,824 votes (of which votes through electronic means account for 77,824 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 503,598,396 votes (of which votes through electronic means account for 496,085,253 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

Proposal：To amend the Articles of Association of the Company, the corresponding comparison table for the current and amended articles is attached. Please discuss and resolve.

(Proposed by the Board of Directors)

Article	Current Article	Amended Article	Reason for Amendment
20	The Board shall consist of fifteen directors. The election of directors will be made by nomination. Shareholders may elect the directors from the candidates list. The total registered shares held by the directors shall not be less than a certain quorum of the company's total shares. The calculation of quorum shall conform to the method instructed by the competent authority. (Omitted)	The Board shall consist of eleven to fifteen directors. The election of directors will be made by nomination. Shareholders may elect the directors from the candidates list. The total registered shares held by the directors shall not be less than a certain quorum of the company's total shares. The calculation of quorum shall conform to the method instructed by the competent authority. (Omitted)	To conform to the needs of commercial practice, the company proposes to adjust the number of directors to increase flexibility.
21	The directors shall elect among themselves five directors to serve as the executive directors, including one independent director. The five executive directors shall elect one of them to become the Chairman of the Board and another person to be the Vice Chairman. The Chairman represents the Company and is responsible for general business. When the Chairman is on leave or not able to perform his duty for any reason, the Vice Chairman shall act as the deputy. When the Vice Chairman is also on leave or not able to perform his duty, the Chairman shall appoint one executive director to act on his behalf.	The directors shall elect at least three from among themselves but not more than one third of all the directors to serve as the executive directors, including one independent director. The five executive directors shall elect one of them to become the Chairman of the Board and another person to be the Vice Chairman. The Chairman represents the Company externally and is responsible for general business. When the Chairman is on leave or not able to perform his duty for any reason, the Vice Chairman shall act as the deputy. When the Vice Chairman is also on leave or not able to perform his duty, the Chairman shall appoint one executive director to act on his behalf.	To refer to Article 208 of Company Law regarding managing directors, the company amend its Articles of Association accordingly.
42	(Omitted)	Add "sixty-second amendment on June 20, 2018" to the existing Article.	To amend directors related articles, the Company encloses the date of the

Article	Current Article	Amended Article	Reason for Amendment
			62nd amendment.

Resolution：Total voting rights represented by the attending shareholders are 5,057,536,419 votes for this proposal. Voting results show adoption of 4,550,690,098 votes (of which votes through electronic means account for 3,758,487,845), representing 90.0％ of the total voting rights. Dissent voting rights are 3,170,288 votes (of which votes through electronic means account for 3,170,288 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 503,676,033 votes (of which votes through electronic means account for 496,162,890 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

Proposal：Amendment to the Procedures for Engaging in Derivatives Transactions of the Company submitted for discussion.

(Proposed by the Board of Directors)

Resolution：Total voting rights represented by the attending shareholders are 5,057,536,419 votes for this proposal. Voting results show adoption of 4,553,148,609 votes (of which votes through electronic means account for 3,760,946,356), representing 90.0％ of the total voting rights. Dissent voting rights are 704,297 votes (of which votes through electronic means account for 704,297 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 503,683,513 votes (of which votes through electronic means account for 496,170,370 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

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

(Proposed by the Board of Directors)

Results of Election：

Total voting rights represented by the attending shareholders are 5,057,536,419 votes for this proposal. The Chairman designed the shareholder, Ming Han Wu, as scrutineer, and Hsing Ai Chang, Yi Ting Kuo, Cheng Han Lu, Hsiu Mei Wu and Cheng Lin Chi as vote counter. The election results are announced by the secretary. The elected directors and the number of votes for elected directors are as follows：

1. Elected 12 Directors of the Company

Name	Number of votes for the elected directors	Name	Number of votes for the elected directors
Jason Lin	3,646,752,923	Ralph Ho	3,268,283,691
William Wong Representative of Formosa Chemicals & Fibre Corp.	3,630,640,586	K. H. Wu	3,241,246,138
Susan Wang Representative of Nanya Plastics Corp.	3,500,850,195	K. L. Huang	3,211,780,472
Wilfred Wang Representative of Formosa Petrochemical Corp.	3,442,982,736	Cheng-Chung Cheng	3,184,036,807
C. T. Lee	3,348,877,192	Jerry Lin	3,151,339,856
Cher Wang	3,306,592,013	Ching-Lian Huang	3,103,446,518

2. Elected 3 Independent Directors of the Company

Name	Number of votes for the elected directors	Name	Number of votes for the elected directors
C. L. Wei	3,384,651,254	Yen-Shiang Shih	3,006,367,383
C. J. Wu	3,030,398,355		

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

(Proposed by the Board of Directors)

(Total voting rights represented by the attending shareholders who are related parties are 967,211,890 votes not accounting in total number of voting right for this proposal.)

Resolution：Total voting rights represented by the attending shareholders are 4,090,324,529 votes for this proposal. Voting results show adoption of 2,513,560,952 votes (of which votes through electronic means account for 1,775,338,427), representing 61.5％ of the total voting rights. Dissent voting rights are 803,422,153 votes (of which votes through electronic means account for 803,422,153 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 773,341,424 votes (of which votes through electronic means account for 765,828,281 votes). The rights of adoption has exceeded the required number. The proposal has been adopted.

(2) Execution of key resolution

A. The 2018 Shareholders' Meeting resolved cash dividends of NT$5.7 per share. On June 20, 2018, the Board of Directors set the date of July 17, 2018 as the base for the distribution of cash dividends. The actual distribution date was on August 8, 2018.

B. Other proposals of 2018 Shareholders' Meeting including amendments to Articles of Association and Procedures for Engaging in Derivatives Transaction of the Company are carried out in accordance with the resolutions of the Shareholders' Meeting.

2. Board of Directors Meeting on March 22, 2018

Proposal：Employee compensation of 2017.

Resolution：All attendants approved and it submitted to report on the 2018 Shareholders’ Meeting.

Proposal：Creation of the 2017 business report and financial statements and the 2018 operating plans.

(The Secretariat reported that the appendix of this proposal have been submitted to the Audit Committee for approval, and the managers of each division reported the 2017 operating status and the 2018 annual operating plans.)

Resolution：All attendants voted in favor of the resolution.

Proposal：Distribution of 2017 profits.

Resolution：All attendants voted in favor of the resolution.

Proposal：Calling of the 2018 Shareholders' Meeting to take place on June 20, 2018.

Resolution：All attendants voted in favor of the resolution.

Proposal：Re-election of all directors at 2018 Shareholders’ Meeting.

Resolution：All attendants voted in favor of the resolution.

Proposal：Drawing a requisition to Shareholders’ Meeting for releasing the prohibition on the new Directors from participation in competitive business.

Resolution：All attendants voted in favor of the resolution.

Proposal：Amendment of the Articles of Association of the Company with corresponding comparison table for the current and amended articles.

Article	Current Article	Amended Article	Reason for Amendment
20	The Board shall consist of fifteen directors. The election of directors will be made by nomination. Shareholders may elect the directors from the candidates list. The total registered shares held by the directors shall not be less than a certain quorum of the company’s total shares. The calculation of quorum shall conform to the method instructed by the	The Board shall consist of <u>eleven to</u> fifteen directors. The election of directors will be made by nomination. Shareholders may elect the directors from the candidates list. The total registered shares held by the directors shall not be less than a certain quorum of the company’s total shares. The calculation of quorum shall conform to the	To conform to the needs of commercial practice, the company proposes to adjust the number of directors to increase

Article	Current Article	Amended Article	Reason for Amendment
	competent authority. (Omitted)	method instructed by the competent authority. (Omitted)	flexibility.
21	The directors shall elect among themselves five directors to serve as the executive directors, including one independent director. The five executive directors shall elect one of them to become the Chairman of the Board and another person to be the Vice Chairman. The Chairman represents the Company and is responsible for general business. When the Chairman is on leave or not able to perform his duty for any reason, the Vice Chairman shall act as the deputy. When the Vice Chairman is also on leave or not able to perform his duty, the Chairman shall appoint one executive director to act on his behalf.	The directors shall elect at least three from among themselves but not more than one third of all the directors to serve as the executive directors, including one independent director. The five executive directors shall elect one of them to become the Chairman of the Board and another person to be the Vice Chairman. The Chairman represents the Company externally and is responsible for general business. When the Chairman is on leave or not able to perform his duty for any reason, the Vice Chairman shall act as the deputy. When the Vice Chairman is also on leave or not able to perform his duty, the Chairman shall appoint one executive director to act on his behalf.	To refer to Article 208 of Company Law regarding managing directors, the company amend its Articles of Association accordingly.
42	(Omitted)	Add “sixty-second amendment on June 20, 2018” to the existing Article.	To amend directors related articles, the Company encloses the date of the 62nd amendment.

Resolution：All attendants approved and submitted to Shareholders’ Meeting for approval.

Proposal：Plan for loaning funds in Q2, 2018.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, William Wong and Susan Wang, serve as Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Issuance of a letter of undertaking for the renewal of credit line of financial institution of Formosa Ha Tinh (Cayman) Limited.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, William Wong and Susan Wang, serve as Directors of Formosa Ha Tinh (Cayman) Limited were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Donation of NT$93,896,100 to the Mailiao Township Office in Yunlin County.

Resolution：All attendants voted in favor of the resolution.

Proposal：Issuance of domestic unsecured ordinary corporate bonds of NT$7 Billion to raise long-term funds to build and expand current plant, to replace current plant and equipment, to pay off loans, to fund the working capital, and to invest in domestic or overseas business.

Resolution：All attendants voted in favor of the resolution.

3. <u>Board of Directors Meeting on May 10, 2018</u>

Proposal：Review for the list of Directors (including Independent Directors) candidates nominated by shareholders holding more than 1% of the Company's shares.

Results of Review：The nominated Directors (including Independent Directors) are in compliance with the regulations, and they are be included in the list of Directors candidates

Proposal：Plan for loaning funds in Q3, 2018.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, William Wong, Susan Wang, Wilfred Wang, and Director, K.H. Wu, serve as Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Signature of a "Contract for Construction and Urban Renewal Implementation" with Formosa Plastics Development Co., Ltd.

(Proposed by the Audit Committee)

(The Chairman serves as Director of Formosa Plastics Development Co., Ltd. was recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Office buildings purchase from TransGlobe Life Insurance Inc. and Meifu development Co., Ltd.

(Proposed by the Audit Committee)

Resolution：All attendants voted in favor of the resolution.

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

(Proposed by the Audit Committee)

Resolution：All attendants voted in favor of the resolution.

Proposal：Amendment of the relevant specifications of the Company's share operations. (Proposed by the Audit Committee)

Resolution：All attendants voted in favor of the resolution.

4. Board of Directors Meeting on June 20 ,2018

Proposal：Election of the Company's Managing Directors and Chairman.

Resolution：All of the attending Directors unanimously elected 5 people including Jason Lin, William Wong, Susan Wang, Wilfred Wang and C. L. Wei as managing directors, and all the attending managing directors unanimously elected Jason Lin as chairman.

Proposal：Setting the base date and distribution date of the Company's 2017 allocation of cash dividend.

Resolution：All attendants voted in favor of the resolution.

Proposal：Appointment of Independent Directors, C. L. Wei, C. J. Wu and Yen-Shiang Shih, to serve as members of the Company's Remuneration Committee.

(The attending Director, C. L. Wei, C. J. Wu and Yen-Shiang Shih,, involved in this proposal, were recused from the discussion and voting.)

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

5. Board of Directors Meeting on August 7, 2018

Proposal：Re-appointment the new internal audit officer.

(Proposed by the Audit Committee)

Resolution：All attendants voted in favor of the resolution.

Proposal：Dismissal and re-appointment the manager of Mailiao and Xingang branch. (Proposed by the Audit Committee)

(The attending Director, K. L. Huang, involved in this proposal, was recused from the discussion and voting.)

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

Proposal：Issuance of a letter of undertaking for the renewal of credit line of financial institution for Formosa Ha Tinh (Cayman) Limited.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, William Wong and Wilfred Wang, serve as Directors of Formosa Ha Tinh (Cayman) Limited were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Plan for loaning funds in Q4, 2018.

(Proposed by the Audit Committee)

(The Chairman and attending Directors, William Wong, Wilfred Wang and K. H. Wu serve as Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Setting compensation of Chairman.

(Proposed by the Remuneration Committee)

(The Chairman involved in this proposal, was recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

Resolution：Except for Chairman had to recuse themselves from voting due to conflict of interest, the rest voted in favor of the resolution.

Proposal：Setting compensation of current Directors.

(Proposed by the Remuneration Committee)

(The attending Independent Directors, C. L. Wei, C. J. Wu, Yen-Shiang Shih, involved in this proposal was recused from the discussion and voting.)

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

Proposal：Continuing adoption of the current existing compensation standards and structures for managers.

(Proposed by the Remuneration Committee)

Resolution：All attendants voted in favor of the resolution.

Proposal：Continuing adoption of the current evaluation system for managers.

(Proposed by the Remuneration Committee)

Resolution：All attendants voted in favor of the resolution.

6. Board of Directors Meeting on November 13, 2018

Proposal：Issuance of a letter of undertaking for the renewal of credit line of financial institution for Formosa Ha Tinh (Cayman) Limited.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, William Wong, Susan Wang and Wilfred Wang, serve as Directors of Formosa Ha Tinh (Cayman) Limited were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Plan for loaning funds in Q1, 2019.

(Proposed by the Audit Committee)

(The Chairman and attending Directors, William Wong, Susan Wang and Wilfred Wang serve as Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Donation of NT$ 3,611,725 to Chang Gung University.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, William Wong and Wilfred Wang, serve as Directors of Chang Gung University were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

7. <u>Board of Directors Meeting on December 17, 2018</u>

Proposal：Preparation of 2018 internal audit plan.

Resolution：All attendants voted in favor of the resolution.

Proposal：Guarantee of bank loan for Formosa Ha Tinh (Cayman) Limited.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, Susan Wang, serve as Directors of Formosa Ha Tinh (Cayman) Limited were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Issuance of a letter of undertaking for bank loan of Formosa Ha Tinh Steel Corp. (Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, Susan Wang, serve as Directors of Formosa Ha Tinh Steel Corp. were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Increased to invest Formosa Industries Corporation (FIC) for USD 12,375,000. (Proposed by the Audit Committee)

(The Chairman and attending Directors, C. T. Lee, serve as Director or Chairman of FIC were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

8. <u>Board of Directors Meeting on March 25, 2019</u>

Proposal：Employee compensation of 2018.

Resolution：All attendants approved and it submitted to report on the 2019 Shareholders’ Meeting.

Proposal：Creation of the 2018 business report and financial statements and the 2019 operating plans.

(The Secretariat reported that the appendix of this proposal have been submitted to the Audit Committee for approval, and the managers of each division reported the 2018 operating status and the 2019 annual operating plans.)

Resolution：All attendants voted in favor of the resolution.

Proposal：Distribution of 2018 profits.

Resolution：All attendants voted in favor of the resolution.

Proposal：Calling of the 2019 Shareholders' Meeting to take place on June 11, 2019.

Resolution：All attendants voted in favor of the resolution.

Proposal：Amendment to the Procedures for Acquisition and Disposal of Assets, the Procedures for Engaging in Derivatives Transactions, the Procedures for Loaning Funds to other Parties and the Procedures for Providing Endorsements and Guarantees to other Parties of the Company.

(Proposed by the Audit Committee)

Resolution：All attendants voted in favor of the resolution and it is submitted to 2019 Shareholders' Meeting for approval.

Proposal：Plan for loaning funds in Q2, 2019.

(Proposed by the Audit Committee)

(The Chairman and attending Managing Directors, William Wong and Wilfred Wang, serve as Chairman, Managing Director, Director or representative of the institutional shareholders of the borrowing company were recused from the discussion and voting. The Managing Director, C. L. Wei, was designated as temporary chair of the meeting.)

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

Proposal：Issuance of domestic unsecured ordinary corporate bonds of NT$8 Billion to reinvest the domestic or oversea companies, raise long-term funds to build and expand current plant, to replace current plant and equipment, to pay off loans, to fund the working capital, and to invest in domestic or overseas business.

Resolution：All attendants voted in favor of the resolution.

3.4.12 During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution approved by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof：None.

3.4.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, internal audit officer, and principal research and development officer：

2019.3.31

Title	Name	Date of appointed	Date of termination	Reasons for resignation or dismissal
Internal Audit Officer	Jerry Lin	2010.12.24	2018.8.7	Job adjustment

3.5 Information Regarding the Company's Audit Fee

Audit fee Range Table

Name of accounting firm	Name of CPA	Audit period	Remarks
KPMG Certified Public Accountants Firm	Astor Kou	2018.01.01~ 2018.12.31	Cooperate with the position adjustment of the accounting firm
	Winston Yu	2018.01.01~ 2018.12.31	

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

Unit: NT$ thousands

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 1,999,999	-	870	870
2	NT$2,000,000 ~ NT$3,999,999	-	-	-
3	NT$4,000,000 ~ NT$5,999,999	-	-	-
4	NT$6,000,000 ~ NT$7,999,999	6,680	-	6,680
5	NT$8,000,000 ~ NT$9,999,999	-	-	-
6	Over NT$100,000,000	-	-	-

3.5.1 When non-audit fees paid to CPA, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed：

Name of accounting firm	Name of CPA	Audit Fee	Non-audit Fee					Audit period	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
KPMG Certified Public Accountants Firm	Astor Kou	6,680	0	0	0	870	870	2018.01.01 ~ 2018.12.31	
	Winston Yu								

Explanation：Non-audit fee includes the transfer pricing documentation with NT$400 thousand, master file with NT$200 thousand, country- by-country report with NT$150 thousand and sales tax direct deduction method with NT$120 thousand.

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

3.5.3 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 % or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed：Not applicable.

3.6 Replacement of CPA：If the company has replaced its CPA within the last two fiscal years or any subsequent interim period, it shall disclose the following information.

3.6.1 Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="5">2018.3.29</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="5">Accounting firm internal job adjustment</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="3">Parties
Status</td><td>CPA</td><td>Appointer</td></tr>
<tr><td colspan="3">Take the initiative to terminate the appointment</td><td>V</td><td></td></tr>
<tr><td colspan="3">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="5">None</td></tr>
<tr><td rowspan="7">The disagreement opinion with the issuer or not</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="3">Check the scope or step</td></tr>
<tr><td></td><td colspan="3">Other</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>None</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Description</td></tr>
<tr><td>Other disclosed items (Items which should be disclosed according to item 6-1-4~6-1-7 , article 10 of the criteria</td><td colspan="5"></td></tr>
</table>

1. The former CPA had informed the Company that there was a lack of sound internal control system lending to its financial report not be trusted: None.
2. The former CPA has informed the Company that he/she is unable to rely on the Company's statement or is unwilling to have any connection with the Company's financial report: None.
3. The former CPA has informed the Company that it is necessary to expand the scope of the audit, or the information indicates that if the scope of the audit is expanded, the credibility of the previously issued or about to be issued financial report may be impaired. However, due to the replacement of CPA or other reasons, the former CPA did not expanded the scope: None.
4. The former CAP has informed the Company that the credibility of the financial report that has been issued or is about to be issued may be impaired based on the information collected. However, due to replacement of CPA or other reasons, the former CPA did not deal with this matter: None.

3.6.2 Regarding the successor CPA

Name of accounting firm	KPMG Certified Public Accountants Firm
Name of CPA	Astor Kou, Winston Yu
Date of appointment	2018.3.29
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

3.6.3 Reply of former CPA to item 6-1 and item 6-2-3, article 10 of the criteria：None.

3.7 The Company’s Chairman, President, or Any Manager Involved in Financial or Accounting Affairs Being Employed by the Auditor’S Firm or Any of its Affiliated Company within the Last Year：None.

3.8 Changes in Shareholding Transfer or Shareholding Pledge by Directors, Supervisors, or Managers, and Major Shareholders Who Holds 10% of the Company Shares or More during the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report.

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

Title (Note 1)	Name	2018		As of April 13, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman (President)	Jason Lin	0	0	0	0
Managing Director	Formosa Chemicals & Fibre Corp.	0	0	0	0
	William Wong	0	0	0	0
Managing Director	Nanya Plastics Corp.	0	0	0	0
	Susan Wang	0	0	0	0
Managing Director	Formosa Petrochemical Corp.	0	0	0	0
	Wilfred Wang	0	0	0	0
Managing Director (Independent Director)	C. L. Wei	0	0	0	0
Independent Director	C. J. Wu	0	0	0	0
Independent Director	Yen-Shiang Shih	0	0	0	0
Director	C. T. Lee	0	0	0	0
Director	Cher Wang	0	0	0	0
Director	K. H. Wu	0	0	0	0
Director	Ralph Ho	0	0	0	0
Director (Excutive Vice President)	K. L. Huang	0	0	0	0
Director (Senior Vice President)	Cheng-Chung Cheng	0	0	0	0
Director (Senior Vice President)	Jerry Lin	0	0	0	0
Director (Vice President)	Ching-Lian Huang	0	0	0	0
Vice President	Tien-Hsiang Lee	0	0	0	0
Vice President	Kwang-Ming Chen	0	0	0	0
Vice President	Jiann-San Yang	0	0	0	0
Vice President	Dong-Qin Ji	0	0	0	0
Vice President	Jen-Long Wu	0	0	0	0
Financial Officer	Ray Lei	0	0	0	0

Title (Note 1)	Name	2018		As of April 13, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Accounting Officer	Chia-Tse Chang	0	0	0	0

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

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

3.8.2 Information of Shareholding Transfer：None.

Name (Note1)	Reason for Transfer (Note2)	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price
-	-	-	-	-	-	-

Note 1：Fill in the name of shareholders of the Company directors, supervisors, managers and whose shareholding rate is over 10 percent.。

Note 2：Fill in gain or disposal.

3.8.3 Information of Shareholding Pledge：None.

Name (Note1)	Reason for change of pledge (Note 2)	Date of change	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Shareholding Ratio	Pledge Ratio	Amount of pledge (redemption)
-	-	-	-	-	-	-	-	-

Note 1：Fill in the name of shareholders of the Company directors, supervisors, managers and whose shareholding rate is over 10 percentage.。

Note 2：Fill in pledge or redemption.

3.9 Information on the Relationship of the 10 Largest Shareholders Any One Is A Related Party According to Financial Accounting Criteria No.6, spouses or a Relative within Second Degree of Kinship of Another

2019.4.13

Name (Note1)	Own shareholding		Spouse's/minor's Shareholding		Shareholding by nominee arrangement		The relationship of the 10 largest shareholders who are related parties according to Financial Accounting Criteria No.6, spouses or within second degree of kinship(Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Chang Gung Medical Foundation Representative：Ruey-Huei Wang	601,011,035	9.44%	-	-	-	-	Ming Chi University of Technology	Representative of Ming Chi University of Technology is the one of Chang Gung Medical Foundation's Directors.	
							Formosa Chemicals & Fibre Corp.	Representative of Formosa Chemicals & Fibre Corp. is the one of Chang Gung Medical Foundation's Directors.	
							Nanya Plastics Corp.	Representative of Nanya Plastics Corp. is the one of Chang Gung Medical Foundation's Directors.	
Formosa Chemicals & Fibre Corp. Representative：William Wong	486,978,692	7.65%	-	-	-	-	Formosa Petrochemical Corp.	1.Formosa Chemicals & Fibre Corp. invests in Formosa Petrochemical Corp. under equity method. 2.Formosa Petrochemical Corp. is the one of Formosa Chemicals & Fibre Corp.'s Directors.	
							Nanya Plastics Corp.	Nanya Plastics Corp. is the one of Formosa Chemicals & Fibre Corp.'s Directors.	
							Chang Gung Medical Foundation	Representative of Formosa Chemicals & Fibre Corp. is the one of Chang Gung Medical Foundation's Directors.	
							Ming Chi University of Technology	Representative of Formosa Chemicals & Fibre Corp. is the one of Ming Chi University of Technology's Directors.	

Credit Suisse AG- Credit Suisse Singapore Branch	398,731,554	6.26%	-	-	-	-	Chindwell International Investment Corp.	Those two have the same key management personnel.	
							Vanson International Investment Co., Ltd.	Those two have the same key management personnel.	
Nanya Plastics Corp. Representative：Chia-Chau Wu	294,793,105	4.63%	-	-	-	-	Formosa Chemicals & Fibre Corp.	Formosa Chemicals & Fibre Corp. is the one of Nanya Plastics Corp.'s Directors.	
							Formosa Petrochemical Corp.	1.Nanya Plastics Corp. invests in Formosa Petrochemical Corp. under equity method. 2.Formosa Petrochemical Corp. is the one of Nanya Plastics Corp.'s Directors.	
							Chang Gung Medical Foundation	Representative of Nanya Plastics Corp. is the one of Chang Gung Medical Foundation's Directors.	
Chindwell International Investment Corp. Representative：Everred Corporate, Inc.	264,692,768	4.16%	-	-	-	-	Credit Suisse AG- Credit Suisse Singapore Branch	Those two have the same key management personnel.	
							Vanson International Investment Co., Ltd.	Those two have the same key management personnel.	

Vanson International Investment Co., Ltd. Representative：Landmark Capital Holdings Inc.	194,241,528	3.05%	-	-	-	-	Credit Suisse AG- Credit Suisse Singapore Branch	Those two have the same key management personnel.	
							Chindwell International Investment Corp.	Those two have the same key management personnel.	
Formosa Petrochemical Corp. Representative：Bao-Lang Chen	131,460,365	2.07%	-	-	-	-	Nanya Plastics Corp.	1.Nanya Plastics Corp. invests in Formosa Petrochemical Corp. under equity method. 2.Nanya Plastics Corp. is the one of Formosa Petrochemical Corp.'s Directors.	
							Formosa Chemicals & Fibre Corp.	1.Formosa Chemicals & Fibre Corp. invests in Formosa Petrochemical Corp. under equity method. 2.Formosa Chemicals & Fibre Corp.is the one of Formosa Petrochemical Corp.'s Directors.	
Government of Singapore	97,745,690	1.54%	-	-	-	-	-	-	
Fubon Life Insurance Company Limited Representative：Richard M. Tsai	92,670,462	1.46%	-	-	-	-	-	-	

Ming Chi University of Technology Representative： William Wong	90,902,297	1.43%	-	-	-	-	Chang Gung Medical Foundation	Representative of Ming Chi University of Technology is the one of Chang Gung Medical Foundation's Directors.	
							Nanya Plastics Corp.	Representative of Nanya Plastics Corp. is the one of Ming Chi University of Technology's Directors.	
							Formosa Chemicals & Fibre Corp.	Representative of Formosa Chemicals & Fibre Corp. is the one of Ming Chi University of Technology's Directors.	
							Formosa Petrochemical Corp.	Representative of Formosa Petrochemical Corp. is the one of Ming Chi University of Technology's Directors.	

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.

3.10 The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

Unit：share；%；2018.12.31

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Formosa Petrochemical Corp.	2,720,549,010	28.56	4,505,566,106	47.30	7,226,115,116	75.86
Formosa Plastics Corp. U.S.A	69,654	22.61	10,558	3.43	80,212	26.04
Formosa Heavy Industries Corp.	651,827,897	32.92	1,328,393,746	67.08	1,980,221,643	100.00
Sky Dragon Investments Limited	425,800,000	50.00	0	0.00	425,800,000	50.00
Formosa Plastics Corporation (Cayman) Limited	76,000	100.00	0	0.00	76,000	100.00
Mai Liao Power Corp.	547,030,137	24.94	1,641,124,525	74.83	2,188,154,662	99.77
Formosa Sumco Technology Corp.	112,707,716	29.06	71,137	0.02	112,778,853	29.08
Formosa Transportaion Corp.	6,566,371	33.33	13,132,871	66.67	19,699,242	100.00
Formosa Fairway Corp.	4,697,951	33.33	9,397,318	66.67	14,095,269	100.00
Yi-Jih Development Corp.	5,700,000	28.72	14,150,000	71.28	19,850,000	100.00
Ya Tai Development Corp.	1,306,130	45.04	1,303,870	44.96	2,610,000	90.00

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Formosa Asahi Spandex Co., Ltd.	50,125	50.00	0	0.00	50,125	50.00
Formorsa Automobile Corp.	27,044,199	45.00	27,045,801	45.00	54,090,000	90.00
Wha Ya Park Management Consulting Co,.Ltd.	33,000	33.00	67,000	67.00	100,000	100.00
Formosa Daikin Advanced Chemicals Co., Ltd.	24,459	50.00	0	0.00	24,459	50.00
Formosa Resources Corp.	584,594,000	25.00	1,753,782,000	75.00	2,338,376,000	100.00
Formosa Environmental Technology Corp.	41,714,475	24.34	87,971,050	51.33	129,685,525	75.67
Formosa Plastics Development Co.,Ltd.	10,000,000	33.33	20,000,000	66.67	30,000,000	100.00
Formosa Group (Cayman) Limited	12,500	25.00	37,500	75.00	50,000	100.00
Formosa Plastics International (Cayman) Limited	52,000	100.00	0	0.00	52,000	100.00
Formosa Industries Corporation	2,099	100.00	0	0.00	2,099	100.00

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

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
102.7	10	6,365,740,781	63,657,407,810	6,365,740,781	63,657,407,810	Earnings capitalization NT$ 2,448,361,840 (Approval sought from Letter No. Jin-Guan-Zheng-Fa -1020025067 dated 2013.6.28)	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.

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Common Stock	6,365,740,781	0	6,365,740,781	None

Note：Issued Shares are the shares of listed company.

4.1.2 Structure of Shareholders

2019.4.13

Structure of Shareholders / Quantity (Qty)	Governmental Institution	Financial Institution	Other legal persons	Natural Person	Foreign Institutions and Foreign Individuals	Total
Number of persons	8	157	716	195,993	1,096	197,970
Shareholding	97,305,044	622,009,709	2,077,077,457	1,140,322,598	2,429,025,973	6,365,740,781
Shareholding ratio	1.53%	9.77%	32.63%	17.91%	38.16%	100.00%

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 Status of Shareholding Distribution (The Company does not issue preferred stock.)

2019.4.13

Shareholding class	Number of Shareholders	Shareholding (Shares)	Shareholding ratio(%)
1~ 999	108,194	26,130,759	0.411
1,000~ 5,000	62,078	130,827,210	2.055
5,001~ 10,000	12,005	84,288,903	1.324
10,001~ 15,000	5,203	62,263,726	0.978
15,001~ 20,000	2,338	40,884,390	0.642
20,001~ 30,000	2,696	65,172,792	1.024
30,001~ 50,000	2,010	77,526,003	1.218
50,001~ 100,000	1,554	107,652,732	1.691
100,001~ 200,000	814	112,811,406	1.772
200,001~ 400,000	396	110,993,064	1.744
400,001~ 600,000	172	86,060,823	1.352
600,001~ 800,000	103	70,687,676	1.110
800,001~1,000,000	60	53,835,067	0.846
Over 1,000,001	347	5,336,606,230	83.833
Total	197,970	6,365,740,781	100.000

4.1.4 List of Major Shareholders 2019.4.13

Name of Major Shareholders \ Shares	Shareholding	Shareholding ratio(%)
Chang Gung Medical Foundation	601,011,035	9.44
Formosa Chemicals & Fiber Corp.	486,978,692	7.65
Credit Suisse AG- Credit Suisse Singapore Branch	398,731,554	6.26
Nanya Plastics Corp.	294,793,105	4.63
Chindwell International Investment Corp.	264,692,768	4.16
Vanson International Investment Co., Ltd.	194,241,528	3.05
Formosa Petrochemical Corp.	131,460,365	2.07
Government of Singapore	97,745,690	1.54
Fubon Life Insurance Company Limited	92,670,462	1.46
Ming Chi University of Technology	90,902,297	1.43

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share in the Most Recent Two Years Unit：NT$；per share

Item \ Year			2017	2018	2019/1/1~ 2019/3/31 (Note 8)
Market Value per share(Note 1)	Highest		98.80	119.50	109.50
	Lowest		86.50	95.50	94.80
	Average		91.90	105.72	102.63
Net Worth per Share (Note 2)	Before Distribution		54.20	55.86	58.73
	After Distribution		48.50	50.06	-
Earnings per Share	Weighted Average Outstanding Shares		6,365,740,781	6,365,740,781	6,365,740,781
	EPS (Note 3)		7.76	7.78	1.28
Dividends per Share	Dividends per Share		5.70	5.80	-
	Stock Dividends	Stock Dividends from Retained earnings	0	0	-
		Stock Dividends from Capital Surplus	0	0	-
	Accumulated Undistributed Dividends (Note 4)		0	0	-
Investment Return Analysis	Price / Earnings Ratio (Note 5)		11.85	13.59	-
	Price / Dividend Ratio (Note 6)		16.14	18.23	-
	Cash Dividend Yield Rate (Note7)		6.20	5.49	-

＊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 2018 is estimated, including NT$ 5.8 cash dividends/per share and NT$ 0 stock dividends/per share.

4.1.6 Dividend Policy and Implementation Status

1. Dividend policy：

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

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

2. The proposal to this Shareholders’ Meeting for dividend distribution：For this Shareholders’ Meeting, a proposed dividend per share is NT$ 5.8, including cash dividends with NT$ 5.8 per share and stock dividend with NT$ 0 per share.

3. Expected significant change in dividend policy：None.

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

4.1.8 Compensation of Employees and Directors

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

Article 39：If the Company gains any profits in any year, the Company shall retain 0.05% to 0.5% of the pre-tax profit as employee compensation before deducting the employee compensation of such year; provided, however, that the Company shall reserve the amount for compensating the deficit, if any. The determination of employee compensation shall be made in accordance with Article 235-1 of the Company Act.

Article 40：If there are any earnings after final account settlement, the Company shall pay off the applicable taxes, compensate the accrued deficit and retain 10% as legal reserve and an additional amount as special reserve before distributing dividends. If there are any remaining earnings of such year, the Board may, combining the undistributed earnings of previous years, propose a shareholder bonus plan and submit for the approval in a general shareholders meeting.

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

Based on the Articles of Association of the Company, it retains 0.13％ of the pre-tax profit of 2018 as employee compensation before deducting the employee compensation of such year and employee compensation is paid in cash. If the actual amounts are different from the accrual amounts approved by Board of Directors, the difference will be treated as changes in accounting estimates for next year.

3. Distribution of 2018 compensation approved by the Board of Directors：

The Board of Directors meeting on March 25, 2019 approved：

(1) The amounts of employees’ cash compensation are NT$ 74,167 thousand; the amount of employees’ stock compensation is NT$ 0; the amount of directors’ cash compensation is NT$ 0.

(1) The amount of employees’ stock compensation is NT$ 0, which accounted for 0% to the amount to earnings after tax and employee compensation.

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

   The Board of Directors meeting on March 22, 2018 approved：

(2) The actual amounts of employees' cash compensation are NT$ 69,454 thousand; the actual amount of employees' stock compensation is NT$ 0; the actual amount of directors' cash compensation is NT$ 0.

(3) The actual amount of employees' stock compensation is NT$ 0, which accounted for 0% to the amount to earnings after tax and employee compensation.

(4) The actual amounts of employees' cash compensation and stock compensation, and the actual amounts of directors' cash compensation are the same with the accrual amounts approved by Board of Directors. If the directors and supervisors have not received the compensations for more than five years, they will be transferred to other income of the Company.

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

4.1.9 Share Repurchases by the Company：None.

4.2 Issuance of Corporate Bonds

Corporate Bond Type (Note 1)		The 1st Tranche of Unsecured Corporate Bonds, 2012	The 2nd Tranche of Unsecured Corporate Bonds, 2012
Issue date		2012.5.22	2012.9.12
Denomination		NT$1,000,000	NT$1,000,000
Issuing and transaction location(Note 2)		Taiwan	Taiwan
Issue price		According to the denomination of bonds full issue	According to the denomination of bonds full issue
Total price		NT$7,000,000,000	NT$5,000,000,000
Coupon rate		5 years：1.26% 7 years：1.42%	5 years：1.28% 7years：1.40%
Tenor		Coupon A：5 years； Maturity：2017.5.22 Coupon B：7 years； Maturity：2019.5.22	Coupon A：5 years； Maturity：2017.9.12 Coupon B：7 years； Maturity：2019.9.12
Guarantee		None	None
Trustee		Bank of Taiwan- Trust Department o	Bank of Taiwan- Trust Department o
Underwriting institution		None	None
Certified lawyer		AY Commercial Law Offices：Frank Lin	AY Commercial Law Offices：Frank Lin
CPA		KPMG：Eric Wu, Isabel Lee	KPMG：Eric Wu, Isabel Lee
Repayment method		1.Interest：paid annually on the outstanding amount of the bond. 2. Principle： Coupon A：Repayment of 50% of the principal in the fourth and fifth year respectively. Coupon B：Repayment of 50% of the principal in the sixth and seventh year respectively.	1.Interest：paid annually on the outstanding amount of the bond. 2. Principle： Coupon A：Repayment of 50% of the principal in the fourth and fifth year respectively. Coupon B：Repayment of 50% of the principal in the sixth and seventh year respectively.
Outstanding principal		NT$1,000,000,000	NT$1,450,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause(Note 3)		None	None
Name of credit rating agency, rating date, rating of corporate bonds		Taiwan Ratings Corp.；2012.4.9；twAA-	Taiwan Ratings Corp.；2012.7.23；twAA-
Other rights attached	As of the publication date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	None	None
	Issuance and conversion (exchange or subscription) method	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		None	None

Corporate Bond Type (Note 1)	The 3rd Tranche of Unsecured Corporate Bonds, 2012	The 1st Tranche of Unsecured Corporate Bonds, 2013
Issue date	2012.11.5	2013.6.10
Denomination	NT$1,000,000	NT$1,000,000
Issuing and transaction location(Note 2)	Taiwan	Taiwan
Issue price	According to the denomination of bonds full issue	According to the denomination of bonds full issue
Total price	NT$9,000,000,000	NT$11,500,000,000
Coupon rate	5 years：1.25% 7 years：1.39% 10 years：1.53%	4 years：1.23% 10 years：1.52%
Tenor	Coupon A：5 years； Maturity：2017.11.5 Coupon B：7 years； Maturity：2019.11.5 Coupon C：10 years； Maturity：2022.11.5	Coupon A：4 years； Maturity：2017.6.10 Coupon B：10 years； Maturity：2023.6.10
Guarantee	None	None
Trustee	Bank of Taiwan- Trust Department	Bank of Taiwan- Trust Department
Underwriting institution	None	None
Certified lawyer	AY Commercial Law Offices： Frank Lin	AY Commercial Law Offices： Frank Lin
CPA	KPMG：Eric Wu, Isabel Lee	KPMG：Eric Wu, Isabel Lee
Repayment method	1.Interest：paid annually on the outstanding amount of the bond. 2. Principle： Coupon A：Repayment of 50% of the principal in the fourth and fifth year respectively. Coupon B：Repayment of 50% of the principal in the sixth and seventh year respectively. Coupon C：Repayment of 50% of the principal in the ninth and tenth year respectively.	1.Interest：paid annually on the outstanding amount of the bond. 2. Principle： Coupon A：Repayment of 50% of the principal in the third and fourth year respectively. Coupon B：Repayment of 50% of the principal in the ninth and tenth year respectively.
Outstanding principal	NT$4,650,000,000	NT$1,500,000,000
Terms of redemption or advance repayment	None	None
Restrictive clause(Note 3)	None	None
Name of credit rating agency, rating date, rating of corporate bonds	Taiwan Ratings Corp.；2012.9.19；twAA-	Taiwan Ratings Corp.；2013.4.9；twAA-
Other rights attached: As of the publication date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	None	None
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 existing shareholders' equity	None	None
Transfer agent	None	None

Corporate Bond Type (Note 1)		The 2nd Tranche of Unsecured Corporate Bonds, 2013	The 1st Tranche of Unsecured Corporate Bonds, 2014
Issue date		2013.11.8	2014.5.21
Denomination		NT$1,000,000	NT$1,000,000
Issuing and transaction location(Note 2)		Taiwan	Taiwan
Issue price		According to the denomination of bonds full issue	According to the denomination of bonds full issue
Total price		NT$8,500,000,000 元	NT$6,000,000,000 元
Coupon rate		5 years：1.42% 10 years：1.94%	10 years：1.83% 12 years：1.92%
Tenor		Coupon A：5 years； Maturity：2018.11.8 Coupon B：10 years； Maturity：2023.11.8	Coupon A：10 years； Maturity：2024.5.21 Coupon B：12 years； Maturity：2026.5.21
Guarantee		None	None
Trustee		Bank of Taiwan- Trust Department	Bank of Taiwan- Trust Department
Underwriting institution		None	None
Certified lawyer		AY Commercial Law Offices：Frank Lin	AY Commercial Law Offices：Frank Lin
CPA		KPMG：Eric Wu, Astor Kou	KPMG：Eric Wu, Astor Kou
Repayment method		1.Interest：paid annually on the outstanding amount of the bond. 2. Principle： Coupon A：Repayment of 50% of the principal in the fourth and fifth year respectively. Coupon B：Repayment of 50% of the principal in the ninth and tenth year respectively.	1.Interest：paid annually on the outstanding amount of the bond. 2. Principle： Coupon A：Repayment of 50% of the principal in the ninth and tenth year respectively. Coupon B：Repayment of 50% of the principal in the eleventh and twelfth year respectively.
Outstanding principal		NT$6,300,000,000	NT$6,000,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause(Note 3)		None	None
Name of credit rating agency, rating date, rating of corporate bonds		Taiwan Ratings Corp.; 2013.8.23；twAA-	Taiwan Ratings Corp.； 2014.3.27；twAA-
Other rights attached	As of the publication date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	None	None
	Issuance and conversion (exchange or subscription) method	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		None	None

Corporate Bond Type (Note 1)		The 1st Tranche of Unsecured Corporate Bonds, 2017	The 1st Tranche of Unsecured Corporate Bonds, 2018
Issue date		2017.5.19	2018.6.26
Denomination		NT$1,000,000	NT$1,000,000
Issuing and transaction location(Note 2)		Taiwan	Taiwan
Issue price		According to the denomination of bonds full issue	According to the denomination of bonds full issue
Total price		NT$7,000,000,000	NT$9,300,000,000
Coupon rate		5 years：1.09% 7 years：1.32%	5 years：0.82% 7 years：0.93% 10 years：1.09%
Tenor		Coupon A：5 years； Maturity：2022.5.19 Coupon B：7 years； Maturity：2024.5.19	Coupon A：5 years； Maturity：2023.6.26 Coupon B：7 years； Maturity：2025.6.26 Coupon C：10 years； Maturity：2028.6.26
Guarantee		None	None
Trustee		Bank of Taiwan- Trust Department	Bank of Taiwan- Trust Department
Underwriting institution		Total 13 underwriting institutions, including Yuanta Securities and so on.	Total 13 underwriting institutions, including Fubon Securities and so on.
Certified lawyer		AY Commercial Law Offices：Frank Lin	AY Commercial Law Offices：Frank Lin
CPA		KPMG：Delphi Chen, Winston Yu	KPMG：Astor Kou, Winston Yu
Repayment method		1.Interest：paid annually on the outstanding amount of the bond. 2. Principle： Coupon A：Repayment of 50% of the principal in the fourth and fifth year respectively. Coupon B：Repayment of 50% of the principal in the sixth and seventh year respectively.	1.Interest：paid annually on the outstanding amount of the bond. 2. Principle： Coupon A：Repayment of 50% of the principal in the fourth and fifth year respectively. Coupon B：Repayment of 50% of the principal in the sixth and seventh year respectively. Coupon C：Repayment of 50% of the principal in the ninth and tenth year respectively.
Outstanding principal		NT$7,000,000,000	NT$9,300,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause(Note 3)		None	None
Name of credit rating agency, rating date, rating of corporate bonds		None	None
Other rights attached	As of the publication date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	None	None
	Issuance and conversion (exchange or subscription) method	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		None	None

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.

4.3 Issuance of Preferred Stock：None.

4.4 Issuance of Global Depositary Receipts：None.

4.5 Issuance of Employee Stock Options：None.

4.6 Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies：None.

4.7 The Implementation of the Company's Capital Allocation Plans

4.7.1 Content of the Plan

1. For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities：None.
2. Issues and placements that were completed in the past 3 years but have not yet fully yielded the planned benefits：None.

4.7.2 The Status of Implementation

With respect to funds usage under the plans referred to in the preceding subparagraph, the annual report shall (for the period as of the quarter preceding the date of publication of the annual report) analyze the status of implementation and compare actual benefits with expected benefits：None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Scope of Business

1. Main areas of business operations：
   - (1)B202010: Nonmetallic Mining
   - (2)C199990: Other Food Manufacturing Not Elsewhere Classified
   - (3)C801010: Basic Industrial Chemical Manufacturing
   - (4)C801020: Petrochemical Manufacturing
   - (5)C801100: Synthetic Resin & Plastic Manufacturing
   - (6)C801120: Manmade Fiber Manufacturing
   - (7)C801990: Other Chemical Materials Manufacturing
   - (8)C802120: Industrial Catalyst Manufacturing
   - (9)C802170: Poisonous Chemical Material Manufacturing
   - (10)C805020: Plastic Sheets & Bags Manufacturing
   - (11)C901070: Stone Products Manufacturing
   - (12)CB01010: Machinery and Equipment Manufacturing
   - (13)CC01080: Electronic Parts and Components Manufacturing
   - (14)D101050: Steam and Electricity Paragenesis
   - (15)D301010: Water Supply
   - (16)D401010: Heat Energy Supplying
   - (17)E603050: Cybernation Equipments Construction
   - (18)H701010: Residence and Buildings Lease Construction and Development
   - (19)H701040: Specialized Field Construction and Development
   - (20)ID01010: Metrological Instruments Identify
   - (21)IZ99990: Other Industry and Commerce Services Not Elsewhere Classified
   - (22)J101050: Sanitary and Pollution Controlling Services
   - (23)ZZ99999: All business items that are not prohibited or restricted by law, except those that are subject to special approval

2. Revenue distribution

Divisions	(%) of Total Sales	Mainly Products
Plastics Division	34.26	Polyvinyl chloride(PVC), Caustic soda
Polyolefin Division	17.27	High density polyethylene(HDPE), Ethylene vinyl acetate copolymer(EVA), Linear low density polyethylene(LLDPE), Low density polyethylene(LDPE)
Polypropylene Division	17.67	Polypropylene(PP)、Polyoxymethylene(POM)
Tairylan Division	14.72	Acrylic esters(AE), Carbon fiber, N-butanol(NBA)、Super absorbent polymer(SAP)
Chemicals Division	14.67	Acrylonitrile(AN), Methyl tert-butyl ether(MTBE), Methyl methacrylate (MMA), Epichlorohydrin(ECH)
Carbide Division	0.56	Calcium carbonate, Calcium oxide
Eng. & Const. Division	0.40	Water, Electricity, Steam
Others	0.45	Distributed control system(DCS), etc.

3. Products：

(1) Petrochemical and plastic products：PVC, caustic soda (liquid, flakes, pearls), liquid chlorine, hydrochloric acid (HCl), vinyl chloride (VCM), ethylene dichloride (EDC), impact modifier (MBS), refrigerant, processing aids (PA), lithium-ion battery electrolyte, acrylic acid and ester, SAP, NBA, butyraldehyde, iso-butyraldehyde, HDPE, LDPE, EVA, LLDPE, wax, acetonitrile (ACN), AN, ECH, MMA, methacrylic acid(MAA), MTBE, 1-butene (B1), PP, POM.

(2) Electronic control system：DCS, power management system (PMS), safety instrumented system (SIS), automated warehouse management system & logistics

control system, cloud application integration & big data analysis, artificial intelligence application, the solution of the industrial internet of things, real-time production management system (RTPMS), laboratory information management system (LIMS).

(3) Others：calcium oxide, ground calcium carbonate, precipitated calcium carbonate, calcium carbonate masterbatch and white masterbatch

(4) Artificial fiber：Carbon fiber.

4. New product development plan：

dye-sensitized cell (DSC), abrasion resistance paste resin PR-1060 for leather surface, low fogging high viscosity paste resin PR-501, PVC copolymer emulsion latex PR-900G for medical gloves, electrolyte for the 48V start-stop lithium battery, high flow property S-57 PVC powder resin for injection pipe fittings, cellulose nanofiber (CNF), carbon fiber reinforced thermoplastic unidirectional sheet(CF/PP UD sheet and UD tape), long carbon fiber reinforced thermoplastic composites, medium absorption capacity SAP, low energy consumption SAP, new type SAP applied to ultra-thin pre-making core diaper, eco-friendly SAP, novel odor control SAP, HDPE high SCG pipe grade, HDPE cap & closure grade 8020L/8040L, HDPE injection grade 8050L, HDPE fiber grade 7200FL, high strength EVA elastomer, PP for ultra-soft non-woven fabric, PP for aluminum laminated CPP film、high anti-scratch PP, PP for high heat resistance retort CPP film, extruded PP foam, high melt strength blow molding PP, Functional PP for Fiber reinforced composites, PP/glass-fiber reinforced composites, POM/long-fiber reinforced composites, PET functional masterbatch, barium sulfate masterbatch, calcium carbonate whisker, calcium carbonate for high opacity coating

5.1.2 Industry Overview

1. The current status and development of the industry, and development trends and competition for the Company's products：

(1) PVC：China's PVC demand increased from 17.9m tons in 2017 to 18.6m tons in 2018, up 3.4% YoY. PVC volume, of which the Company exports to China accounted for 26% of total exports. China's PVC market continued to grow with total capacities increased from 24.1m tons in 2017 to 25.0 m tons in 2018 and a utilization rate of 73%. In 2019, as China will continue to conduct environmental and safety inspections, eliminate idle capacity and to limit new capacity expansion, the PVC peers should see higher expense on improving the

manufacturing processes and the discharge of waste water and gas. In addition, various costs such as transportation, labor force and raw material prices (e.g. coal, calcium carbide, etc.) have increased significantly, pushing up the cost for coal-based PVC production. If crude prices maintained at USD60-70/b level, ethylene-based PVC production will be more competitive and the export volume of PVC from China should be pressured. In 2018, PVC demand in India was 3.2m tons, grew 10.3% from 2017. The Company's India PVC export accounted for 34% of total PVC export volume. Given the incoming president election in India, PVC demand is expected to be driven largely by Modi government's focus on the development of agriculture, railway, infrastructure and healthcare. As the Company's PVC sales in India is not subject to anti-dumping duty, and with higher ASP, it is expected that the sales in India will increase steadily in 2019. Moreover, the Company has recently expanded its Australia market and have received the credential from clients on the quality and delivery time. In addition, clients have provided the technical exchanges and increase the purchase volume. The Company estimates that PVC sales volume in Australia will increase slightly from 149k tons in 2018 to 150k tons in 2019, and a total of 168k tons including sales volume in New Zealand. Furthermore, PVC demand in the US has increased from 4.7m tons in 2017 to 4.78m in 2018, a 1.7% increase from 2017, and a total capacity at 8.23m tons with a 91% utilization rate. Following Trump's "Made in the USA" slogan, it is expected that domestic PVC demand in the US will grow and export volume will decline in 2019. In summary, the decrease in the export volume from China and the US along with the incremental demand from emerging market will benefit the Company's PVC sales.

(2) Caustic Soda：In 2018, as there were illegal emission of waste acid to the river from downstream producers in

Eastern China, the central government and local authorities have carried out a strict environmental inspection, resulting in many caustic soda's downstream manufacturers being forced to cut production or shut down. This caused caustic soda demand to reduce sharply. Following the intensified US-China trade conflict, China is facing the risk of downward revision on its economic growth forecast. However, in response to the slowdown in economic growth, China has been loosening the environmental protection requirements, which resulted in the growing production volume of downstream producers. Meanwhile, benefiting from the winter production cut (from November 15 to March 15) from alumina producers in Shandong and Shanxi, utilization rate for caustic soda was able to maintain at a high level with a stable incremental demand. In 2018, demand for caustic soda in China increased 2% from 2017, while export volume decreased by 1%. Nevertheless, in 4Q18, due to the new requirement of BIS (Bureau of Indian Standards) license from India government for importing PVC to India with the 4-6 months of application process, which resulted in the dumping of lower price PVC in the market to Southeast Asia and China from key India PVC importing countries like Japan and Middle East. Other than the India issue, the price decline in caustic soda in 4Q18 was also partially due to the incremental production from EU versus the previous expectation on the supply shortage following the closure of the mercury process caustic soda producer in EU. However, with the completion of BIS license issuance in 1Q19 and the yearly capacity maintenance in Japan, the factor of short-term market oversupply should be eliminated, and the price of caustic soda is expected to bottom out. Aside from the contract volume, the Company will lift its sales volume in the spot market to response to the gradual price increase so as to lift its profits.

(3) Acrylic esters (AE)：Starting from 4Q17, the severe environmental inspection from China government has resulted in the supply shortage, and the situation has continued into 1Q18. Added that the heavy maintenance shutdown from competitors in East Asia, including Nippon Shokubai's plant in Indonesia, BASF's plant in Malaysia, Toagosei's plant in Singapore, etc., AE price thus increased on supply constrain. The Company has grasped the opportunity to make profit under full production. However, in 4Q18, prices have declined to the lowest levels in the cycle given US interest rate hike that caused fund outflows from emerging markets, and these had led to the shrink in AE demand. Looking into 2019, total global capacity is expected to increase by 9.2% (or 780k tpa), to a total of 9.23m tpa. The incremental capacity addition will mainly be seen in China, followed by Korea and India. Although the global capacity addition has been greatly reduced, China's slowdown in economic growth along, the oversupply in AE given the decline in crude oil and propylene prices in 2019, and US-China trade war together will result in a large exporting volume from competitors to intensify the competition. Other than maintaining the domestic market share, the Company will strive for orders from Rohm and Haas and BASF to replace some of the imported goods, and continue to expand into emerging markets such as Southeast Asia and India, of which have higher economic growth rates. The Company expects AE sales volume to increase but the ASP should decline on higher feedstock costs in 2019 comparing to 2018.

(4) Carbon fiber：Despite the continued global demand growth in carbon fiber in 2018, there were no significant demand recovery seen in other industries. The Company's order for wind turbine blades had resulted in a tight supply and thus raised ASP in 2018, hoping to increase the market sentiment and to reflect the costs. Starting from 3Q18, Japanese peers have shown signs of

supply reduction, ASP increase, and began the bargaining on new quarter orders. This has led to the return of some Taiwanese clients. Yet, the intensify competition from China peers have resulted in weaker prices. For 2019, due to the stable demand growth from wind power, lighter materials for automotive industry, sports equipment and aerospace industry, it is estimated that the demand for carbon fiber will grow by 7.0% in 2019 and the global capacity is estimated grow by 8.2% to 172.5k tpa in 2019. The new capacity addition will be concentrated in China and will be large tow carbon fiber capacity. In view of that China has been putting focus on the development of carbon fiber, the large scale capacity expansion plan will impact the normal industrial grade and large tow carbon fiber market prices. In 2019, aside from maintaining the existing orders, the Company will make efforts in stabilizing the price and avoiding enter into the “red-sea” carbon fiber market.

(5) Super Absorbent Polymer (SAP)：Global SAP demand have grown steadily in 2018. The Company's sales volume growth increased the most in Central and South America. However, due to the abundant supply in the market, the SAP industry is still suffering from a severe pricing competition in order to maintain at higher utilization rates. In 1H18, the crude oil price rebound had drove up the feedstock propylene price. The SAP peers have increased their ASPs as they were not able to suffer from loss making. The Company had adjusted the selling price and proactively expanded into new market in response to market dynamics. The Company also strived for orders from international companies to improve capacity utilization rate. Looking into 2019, SAP peers such as LG, Sumitomo and Nippon Shokubai will continue to expand its capacities. It is estimated that the global capacity will reach 4.0m tpa in 2019, which is higher than the demand of 2.7 m tpa and the market should still be oversupply with a more severe pricing

competition versus 2018. In order to lower the impact form the new supplies, the Company will enhance the cooperation with international companies as well as to continue expanding its market into Africa, America, Europe and Southeast Asia.

(6) n-butanol (NBA)：NBA is mainly used in various resins and solvents such as butyl acrylate (BA), butyl acetate and ethylene glycol butyl ether. In 1H18, the increasing price of NBA was mainly driven by higher oil and propylene prices, as well as the maintenance shutdowns by peers, while in 2H18, NBA prices have retreated on the back of US-China trade war and the shrinking downstream esters demand. In addition, China announced an anti-dumping duty on NBA from Taiwan on 29 December 2018, of which the Company is 6%, while the others were 56.1%. This has caused higher costs for exporting to China. As for 2019, new capacities from China and India will be 365k tpa, and it is estimated that the total capacity will reach to 6.3m tpa. However, as affected by US-China trade war and the slowdown of China economic growth, it is expected that the demand for tapes and coatings will decline. While the global demand is only at 4.2m tpa, the oversupply situation will intensify the competition. In 2019, the Company will give its priority to the supply of NBA to AE factory in Taiwan to produce BA, and strengthen the advantages from vertical integration. At the same time, the Company will develop the bonded customers in China and expand its NBA, n-butyraldehyde and isobutyraldehyde sales in other East Asia and South Asia.

(7) Polyethylene (PE)：In 2018, due to the impact from US-China trade war, the demand growth was not as good as that in the past. Total PE demand was at 31.4m tpa in 2018, grew 8.3% from 2017, but was lower than that in previous year by 1.5 percentage points. Add that there are new PE capacities entering into the US market, which raised the competition and lower the prices on a quarterly

basis. Looking into 2019, demand in China will decline from last year, while due to the lack of capacities, China needs to depend on imports. Nevertheless, the import volume from Iran and the USA, of which accounted for 15% and 5% of China's total import, respectively, will be negatively impacted from the US sanction and trade war, which will favor the Company's sales. But as there will be some PE sales from the new US capacities that sold to other Asia countries, the competition will still be fierce. In addition, EVA will be benefit from the expiration of anti-dumping duties and the anti-subsidy on EVA from China in EU. It is expected that the installed capacity of PV modules will grow in 2019, which will increase the demand for EVA photovoltaic materials. The delay of new EVA capacity in China will also help to stabilize the EVA market sentiment.

(8) Acrylonitrile (AN)：In 1H18, Ineos's Seal Sands plant in UK (300k tpa) had operational issues, and Köln ANΠ's plant in Germany (100k tpa) was also forced to lower its production due to insufficient supply from upstream liquid ammonia supply. Other European and the US peers sold only limited sales to Asia on the strong domestic demand. Driven by the heavy maintenance shutdown in Asia, spot market had been tight and the average AN price had increased to USD2,090/tin at June 2018 from USD1,788/t at the end of 2017, which was up USD302/t. In 3Q18, due to many operational issues or schedule maintenance, the tight supply situation continued, causing Asian AN price continued to grow to high level of USD2,230/t in September 2018. However, starting from in 4Q18, although there were still some maintenance shutdowns from peers, demand has turned weak as the downstream acrylic cotton clients were not able to bear the high cost so as to reduce the capacity utilization rate, and the ABS companies were also been impacted by the US-China trade war that caused a weaker demand and turned loss making on the back of

lower utilization rates. As a result, the AN price had plunged drastically to an average level of USD1,442/t in December 2018. Looking into 2019, as economic growth outlook for the US, India and ASEAN are still very strong, it is expected that global AN demand will grow by 3.1% to 6.3m tons. The new AN capacity addition will be 545k tons, mainly concentrated in China. Total global capacity will be 7.8m tons. As there will be no large-scale maintenance shutdown for AN peers, the competition should be intensified.

(9) Methyl methacrylate (MMA)：Starting 2018, new capacities such as Saudi Arabian Lucite (SAMAC, 250k tpa), Sumitomo (90k tpa), China Dongming Huayi Yuhuang (50k tpa) , and Shandong Yidali (50k tpa) had come on stream. However, due to the un-smooth operation, MMA supply has remained tight and price have been rising gradually. Despite the gradual production recovery from the new supplies, supply continued to remain tight as entering into heavy turnaround season and strong season in 2Q18 in Asia. In June 2018, the average MMA price reached USD2,750/t. However, in 3Q18, due to the impact from trade war, demand had been weak in China with a declining MMA price. And China, which was used to rely on imported MMA, on the contrary, started to export MMA to overseas market for arbitrage trade. Moreover, Sabic, a joint venture from Saudi Arabian Lucite and Sumitomo Chemical, together with Aramco had dump their cargoes with lower prices into the market. Downstream clients had thus turned conservative on the procurement along with a weakening demand. In 4Q18, due to the slowdown in demand and the increase in supply, the market was oversupplied. The average market price at the end of December 2018 was at around USD2,300/t, and in 2H18, the price further declined by US$450/ton from its historical peak. Looking ahead into 2019, it is expected that the MMA market should experience an intensified

competition with price to decline on the back of a total new MMA capacity of 165k tpa, the smoother production from new MMA plant in China and Saudi Arabia in 2018 (a total of 490k tpa) after one year of learning curve and the lack of large-scale turnaround schedule for peers in 2019.

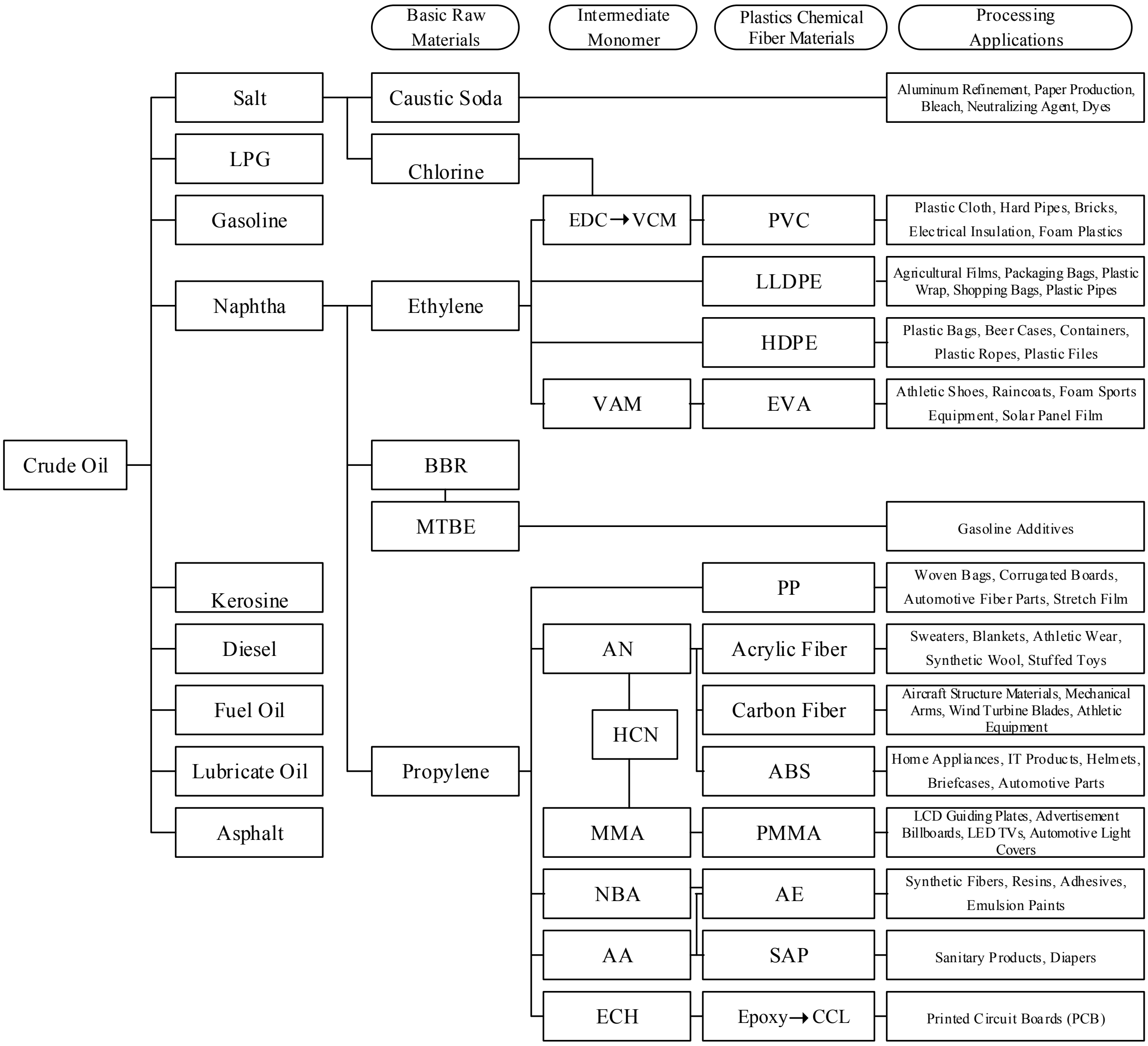
(10) Epichlorohydrin (ECH)：In 2018, due to the launch of Chijna Zhejiang Haobang (60k tpa) in January, plus the idle capacity of Zhonghai Fine (40k tpa) and Yihai Kerry (100k tpa year) had re-start operation in January and April, respectively, the supply of ECH increased significantly. The average ECH price in Asia fell from USD2,047/t at the end of 2017 to USD1,900/t in June 2018. In 2H18, there were still sufficient supply in the market, while downstream epoxy demand declined due to the depreciation of emerging countries' currencies and the impact from trade war. In December 2018, ECH price sank to USD1,550/t, with an accumulated decline at USD497/t in 2018. For 2019, the global new capacity addition is 345k tpa, coupled with the incremental production from China on the easing of production constrain from environmental inspection after two years of improvement. The oversupply should become more severe in 2019, along with the environmental issue among downstream epoxy manufacturers, it is estimated that there will be downside risks to ECH market.

(11) Polypropylene (PP)：In 2018, the three domestic PP companies (the Company, FCFC, and LCY Chemical) produced a total of 1.39m tons PP, a 3.7% increase from the 1.34m tons in 2017. Taiwan's PP demand is about 520k tpa, comparing with the production output, the PP market is obviously oversupplied, and the imported volume at around 140k tpa that further intensified the competition. The total exporting volume was at around 1.02m tpa, accounting for 73% of total production volume, and mainly sold to China, Hong Kong, with the rest sold to South Asia, Southeast Asia, USA, Middle

East, Africa, India and other European countries. As China has surpassed USA to become the world's largest PP consumer with a demand at around 28.4m tpa in 2018, of which 4.8m tpa were imported. Although China's economic growth is slowing, the demand volume is still the highest in the world. The PP industry should continue to grow in Southern and Eastern Asia with a rising demand. Looking ahead into 2019, PP market should be impacted by the oversupply worldwide and the slowdown in economy growth with lower prices cargoes from Middle East to continue selling in the market, the PP competition should remain fierce. However, following the urbanization in China, the lighter trend in automobiles, as well as wider applications into medical equipment, home appliances, and daily necessities, which could increase the consumption of PP. Since there is no tariff for selling PP copolymer into China for the Company, the Company has better advantage comparing to other countries. The Company will develop new PP applications and expand the sales in differentiated products with better margins, as well as to diversify the markets into Southern Asia, Southeast Asia, Central and South America and other regions.

2. The links between the upstream, midstream, and downstream of industry：

The links of products of the Company with the upstream, midstream, and downstream of industry.



5.1.3 Research and Development (R&D)

1. R&D expenditures (including R&D and improvement)：

Unit：NT$ thousands

Year	2018	2019(Estimated)	2019/1/1~ 2019/3/31
Amount	2,200,828	2,376,000	507,198

2. Technologies or products successfully developed

Items	R&D product project	R&D expenditures (NT$ thousands)	R&D completion date	Explanation
1	PVC S-50 with ultra-low degree of polymerization	400	2018/3	It is mainly applied for electrical parts and special fittings.
2	Low odor PVC S-60M	600	2018/6	It is mainly applied for the masterbatch for low-odor artificial leather of car.
3	Semi-solid electrolyte of lithium ion battery	500	2018/12	Currently, lithium ion battery has safety issues in practical applications. In order to increase the safe of lithium ion battery, it is necessary to change electrolyte from liquid to semi-solid.
4	Weather resistant impact modifier A-607	600	2018/3	Nanya Plastics Corp. intends to improve the weatherability and low temperature impact resistance

Items	R&D product project	R&D expenditures (NT$ thousands)	R&D completion date	Explanation
				of pipes. NPC and the Company develop a new type of acrylic weathering modifier and introduce the composition of the lower glass transition temperature monomer.
5	Low cost carbon fiber	2,720	2018/12	The cost of carbon fiber was decreased by increasing the yield of carbon fiber precursor.
6	Carbon fiber composite for fan of cooling tower	717	2018/12	Improving the cooling efficiency of the cooling tower achieves energy saving and carbon reduction.
7	Fast-swelling and anti-hydrolysis SAP	2,336	2018/6	The request of re-making core baby diaper in China is fast-swelling and long-term dryness. New type SAP was successfully developed by foaming technology and adapting new cross-linkers.

Items	R&D product project	R&D expenditures (NT$ thousands)	R&D completion date	Explanation
8	High absorption against pressure SAP	1,000	2018/6	It is applied for thin diaper.
9	New antibacterial agents SAP	500	2018/6	New antibacterial agents are lower cost and improve the hydrophilicity of SAP.
10	Special low-sagging grade HDPE	5,000	2018/6	It is applied for PE pipe with diameter over 1.6m.
11	Special injection-press molding grade HDPE	1,500	2018/12	It is applied for cap and closure of mineral water or beverage bottle.
12	High weather-resistance rotational molding grade LLDPE	600	2018/12	It is applied for water storage tank, chemical storage tank and roadblock.
13	Special vehicle fender grade LLDPE	1,000	2018/9	It is applied for vehicle fender/mudguard.
14	Yarn grade HDPE 8009L	10,000	2018/8	It is high strength and applied for fine denier ropes, fishing net and tarpaulin.
15	High fluidity, low odor and excellent transparency grade PP	4,000	2018/9	It is applied for disposable food container and frozen food packaging.
16	High fluidity and high impact PP copolymer	2,600	2018/10	It is for automotive industry high-speed injection grade to

Items	R&D product project	R&D expenditures (NT$ thousands)	R&D completion date	Explanation
				satisfy the molding of oversized and complicated products.
17	Special PP grade of high-standard and general-purpose car battery casing	3,600	2018/11	It is applied for special grade of high-standard and general-purpose of car battery casing to satisfy quality requirement of PP battery casing of car makers.

3. The Company attaches great importance to R&D, and constantly focus on new product development, technology of production improvement, technology of management improvement, process improvement, energy conservation, pollution prevention, industrial safety and hygiene research to ensure operational safety, pollution prevention and energy conservation work well and increase productivity. In recent years, it has been effective on improving product productivity and added value. As of 2018, the developed products are as follows：impact modifier, lubrication type processing aid, PVC for electronic grade transparent industrial board, PVC resin for high transparent rigid sheet, paste resin PR-L for foaming product, new process processing aid, high transparent paste resin PR-G, PVC with ultra-high degree of polymerization, antifouling agent for PVC polymerization, pseudo-plastic paste resin PR-700, high molecular weight paste resin PR-800 with abrasion resistance grade, impact modifier for engineering plastics, low odor PVC for car interior, electrolyte for low-temperature start lithium battery of vehicles, electrolyte for high-capacity lithium battery of electric bus, ultra high

molecular weight processing aid, high molecular weight paste resin, low melting viscosity S-57 PVC resin for pipe fittings, PVC resin for environmental friendly ink, foaming grade PVC powder for building materials, matte PVC powder, high insulation PVC for wire and cable, PVC resin S-58 with low degree of polymerization, MASS PVC for CPVC process, fast gelation type processing aid P-251, ultra high efficiency lubrication type processing aid P-1000, electrolyte for low-temperature power battery, PVC for car interior, low fogging paste resin PR-1500 for automotive interior parts, weather resistant impact modifier A-607, copolymer C-15R, reduce plate-out processing aid P-220, VC-VAc copolymer paste resin for underbody coatings, special PVC B65G for CPVC process with gas-solid phase method, PVC S-50 with ultra-low degree of polymerization, low odor PVC S-60M, semi-solid electrolyte of lithium ion battery, electrolyte with function of high temperature and long life for lithium battery of vehicle, coated steel pipe grade HDPE, wire & cable grade HDPE, PE100 pipe grade HDPE, black PE100 pipe grade HDPE, large chemical tanks grade HDPE, small fuel tanks grade HDPE, pressure pipe grade HDPE, super thinness bag grade HDPE, cap & closure grade HDPE, nonwoven fiber grade HDPE, IBC tanks grade HDPE, high strength injection grade HDPE, monofilament grade HDPE, injection blow molding grade HDPE, flame-retarding grade HDPE, LSFH for wire & cable grade EVA, high MI for hot melt grade EVA, powder coated grade EVA, lamination grade EVA, high VA content grade EVA, hot melt grade EVA, encapsulate film for silicon solar cell grade EVA, high cleanliness for electronic grade tank HDPE, high MI for light bottle grade HDPE, fruit bag grade LLDPE, high MI injection grade LLDPE, weatherability rotation molding grade LLDPE, wire & cable grade EVA, high barrier gas injection cap grade HDPE, PERT heat resistant pipe grade HDPE, encapsulate film grade EVA, special low-sagging grade HDPE, special injection-press molding grade HDPE, high weather-resistance rotational molding grade LLDPE, special vehicle fender grade LLDPE, yarn grade HDPE 8009L, food additive calcium oxide, calcium carbonate for fine paper coating and automotive underbody coating, calcium carbonate masterbatch for food packaging, high concentration and low gel white masterbatch, aerospace carbon fiber, large tow carbon fiber, middle modulus carbon fiber, carbon fibers for electric cable, high modulus carbon fiber, pultrusion carbon fiber plate for blade of wind energy, carbon fiber composite for fan of cooling tower, high absorption capacity SAP, anti-discoloration SAP, anti-bacterial SAP, high strength and anti-hydrolysis SAP, high strength SAP, high absorption against pressure SAP, high absorption speed SAP, high heat resistance blow bottle grade PP, PP for aluminum metallized homopolymer CPP grade, high crystal impact copolymer grade PP, PP for washing-machine, high stiffness and high fluidity homopolymer grade PP, PP for PPR pipe, good luster and low whiteness impact copolymer grade PP, high heat resistance electrical appliances grade PP, high stiffness impact copolymer grade PP, PP for high heat resistance BOPP, PP for aluminum metallized BOPP, high fluidity homopolymer injection grade PP, PP for bottle cap, PP for low heat seal layer for aluminum metallized CPP film, Lamination grade PP, high stiffness thin walled injection molding grade PP, low migration and transparent pharmaceutical grade PP, PP for low heat seal layer CPP, anti-whitening injection grade PP for luggage base, PP for ultra-high transparent sheet, PP for pressure forming cup, Lightweight and high rigidity grade PP for compounding, PP for high stiffness CPP film, PP for drinking water purifier system, PP for shrink film, PP for IV bag, High impact grade PP for automotive compounding, PP for contact lens mold grade, PP for low MI high stiffness impact sheet, Less whitening extrusion grade PP, anti-scratch grade PP, high melt strength PP, high fluidity grade PP for PP filter, super high fluidity melt-blown grade PP, anti-gamma ray pharmaceutical grade PP, lithium battery PP separator film for Lithium battery , extrusion grade POM, low mold deposit POM, high liquidity, low odor and excellent transparency grade PP, high liquidity and low-temperature impact resistance transparent grade PP, high liquidity and high impact PP copolymer, special PP grade of high-standard and general-purpose car battery casing.

5.1.4 Long-term and Short-term Business Development Plans

1. PVC：In the short-term, although there are large surplus of PVC capacity in China, the exporting competitiveness and sales volume have decreased due to the increase in labor and transportation costs as well as environmental inspections, which is favorable to The Company's expansion on exporting. At present, The Company's PVC sold to India is not subject to anti-dumping duty tariff and is with better profits. Under the consideration of a stable exporting sales volume and the advantage of non-anti-dumping tax, The Company will shorten the delivery time by shipping directly to warehouses of local agents whom could deliver to their own clients efficiently. Meanwhile, in order to increase sales volume, The Company will cooperate with local PVC peers on sales, to maintain good relationship and to avoid being accused of dumping PVC into the market. The Company will also increase the deferential PVC products such as wires, cables, high quality PVC rubber film and medical catheter. In the long-term, as the upstream feedstock ethylene can be fully obtained, the company's PVC production can be fully utilized. The Company will be planning on the vertical integration selling model of caustic soda/EDC/VCM/PVC. For instance, caustic soda and PVC could be de-stocking through long-term contracts to stabilize PVC production and to receive the biggest benefits. It is expected that in 2019, crude oil will be oversupplied, and the raw material ethylene price should return to a reasonable level, of which will greatly enhance the competitiveness of ethylene-based PVC over China's calcium carbide process PVC. The Company will grasp the favorable timing of the decline in crude oil and ethylene

prices, and fully develop, produce and promote competitive differentiated products and continue to reduce costs. If the price of crude oil is maintained at USD60-70/b level, ethylene-based PVC will still be competitive. Looking ahead into 2019, in addition to maintaining stable sales in China and India, The Company's PVC export will continue to expand into Australia, New Zealand, Middle East Africa and some emerging countries. Furthermore, The Company will adjust its sales strategies following seasonality and to diversify market risk. The Company will monitor closely on impact of PVC demand from the US, EU economy development. Moreover, The Company will also raise the sales volume for clients in differentiated products, such as wires, cables, medical, automobile PVC rubber film. It is estimated that the sales volume of differentiated products will grow from 138k tpa in 2018 to 14.5k tpa in 2019.

2. Caustic Soda：In the short-term, China domestic demand could grow steadily, and the export volume will continue to drop given a more stringent environmental inspections in China with a 4.6m tpa new downstream alumina capacity to start this year. In terms of international trade, price of caustic soda is expected to increase gradually following the issuance of Indian BIS (Bureau of Indian Standards) license in 1Q19 and capacity resumption of Brazil's Alunorte alumina plant. In the long-term, given that caustic soda has long been at low prices, manufacturers are unprofitable. So far, only US Shintech and Thailand AGC have announced that they will expand a total of 490k tpa capacity. China announced that it will no longer approve new expansion of caustic soda since 2016. New capacity additions globally will be limited going forward but demand from overseas market has been increasing, such as the demand from Forindo cotton plant in Indonesia, the start of Petronas petrochemical park in Malaysia, the new 2m tpa alumina plant from EGA in Middle East and the 2m tpa lithium hydroxide plant from Tianqi Lithium Australia. The total incremental caustic soda demand will be 340k tpa. On the

other hand, in response to the US-China trade war, some downstream clients have moved their production base to Vietnam. Thus, the Company has begun to export caustic soda to Vietnam, and will continue to expand sales volume in Vietnam going forward. Meanwhile, the Company will continue to take the advantage of the superior shipment condition in Mialio port, continue to improve the contract price between the US and Australia, stabilize the sales volume of the two regions, and to increase the sales in spot market to raise profits.

3. Acrylic esters (AE)：In the short-term, the Company will maintain its long term relationship with clients in Taiwan, China and Southeast Asia, and continue to increase the supply to Dow for its Taiwan plants, raise domestic market share, and supply raw materials for Dow for its plants in Southeast Asia. In terms of export sales, the Company will negotiate with US and EU clients on better pricing formula to optimize the profits. While overseas peers enjoy the free trade agreement (FTA) in Europe, USA, India and Southeast Asia, Taiwan has no equal treatment. The Company will maintain its pricing flexibility to win the orders. In the long-term, the Company will continue to expand into Middle East market, sales exposure to India and Southeast Asia, and aggressively expand its market share.
4. Carbon fiber：In the short-term, demand growth are seen only in wind power market. Industry peers such as ZOLTEK and Mitsubishi are wining orders aggressively. The Company will increase the utilization rate through the higher large tow carbon fiber order from wind power demand. On the other hand, the Company will be promotingthe high-strength (TC36P) and middle modulus (TC42S) carbon fiber, which are applied to bicycles and thermoplastic prepregs. And to increase the ASP by increasing the orders. However, due to the wind power related orders, the sales region and specifications will be relatively concentrated. In the long-term, the Company will aggressively expand its European woven fabric and

thermoplastic compound materials market, shorten the delivery time, and provide aftermarket service through the German office. Moreover, the Company will continue to improve the product quality, and participate in various regional shows in order to enhance brand image and optimize the distribution of sales regions.

5. Super absorbent polymer (SAP)：In the short-term, the Company is planning to flexibly adjust its export sales from Ningbo plant and Taiwan plants by taking advantage of ECFA's zero tariff, low shipping fee and benefits of export tariffs in China. In addition, the Company will strive for orders from large-scale international and regional manufacturers, increase sales volume, and adjust ASP following the change of raw material prices. In the long-term, the Company will enhance product quality and value to maintain competitiveness, so as to get rid of the vicious pricing competition. At the same time, in order to meet the needs of aging society, The Company will continue to expand differentiated products such as deodorizing products to improve orders such as sanitary napkins and pants, as well as to expand into US, EU markets through eco-friendly differential products.
6. N-butanol (NBA)：In the short-term, in response to China's imposition of NBA anti-dumping duties on Taiwan, the Company will maintain its market share by seeking for more orders from domestic customers, giving priority to supply Taiwan AE factory to produce BA, and to stabilize NBA production and captive use. In the long-term, the Company will diversify its market risks through expanding into China, Southeast Asia, South Korea and India, establishing mid to long-term relationship with clients and sales channels, and to continue developing into n-butyraldehyde and isobutyraldehyde markets.
7. Polyethylene (PE)：In the short-term, the Company will continue to increase the domestic market share by giving priority to supply domestic clients, developing custom-made products to differentiate from competitors, taking advantage

of the faster delivery time locally to enhance the competitiveness between imported materials. On the other hand, due to the decreasing demand for plastic bags given the plastic restriction policy, the Company will aggressively strive for orders from cooperate with domestic solar floating companies. On the exporting side, the Company will avoid the pricing competition in China in blown film and foaming materials from imported from Middle East while continuing the expansion in differentiated products to increase profits and sales volume. Moreover, as LLDPE prices are relatively low, LLDPE plants actively switches to produce HDPE with gas phase process to increase profit. In addition, the new HDPE plant in the US is expected to be completed in 2Q19 and it is committed to produce special materials, avoiding competition within the general materials from Middle East. In terms of EVA, the Company has been working on the integration of three EVA lines in Ningbo and Mailio. Aside from increasing the sales volume of existing high VA foam grade products, the Company is expanding on the niche products such as melt adhesive grade, wire and cable grade, and photovoltaic grade. In the long-term, in order to diversify the market risks and to stabilize the sales, the Company will expand its sales to regions that have no tariff or have lower tariff such as Southeast Asia, Africa and Central and South America.

8. Acrylonitrile (AN)：In the short-term, the Company will meet the internal demand from Formosa Chemicals & Fibre Corporation at priority. In the long-term, the Company will optimize its profitability following the inventory level and market trend.
9. Methyl methacrylate (MMA)：In the short-term, the Company will increase its sales to higher margin PMMA plate molding and resin domestic customers. In the long-term, the Company will adjust its client portfolio based on clients’ profitability profile in the domestic, and oversea like China and Southeast Asia.
10. Epichlorohydrin (ECH)：In the short-term, the Company will

meet the internal demand from Nanya Plastics Corporation at priority. In the long-term, in addition to securing orders from Nanya Plastics Corporation Kunshan epoxy resin plant and other China secondary processing companies, the Company is aiming to sell drum ECH to India customers with relatively higher price with available sales volume.

11. Polypropylene (PP)：In the short-term, the Company will increase its high value-added products and the proportion of higher-profitability products (such as application for medical equipment, home appliances, low melt and high-melting spray) to avoid pricing competition with products from Middle East and to maintain product quality and supply demand balance. In the long-term, besides strengthening the relationship with existing customers, the Company will continue to expand its sales of differentiated products. Moreover, the Company will cooperate with customers to develop new products to enhance competitiveness, and continue to diversify its markets into South Asia, Southeast Asia and Central and South America. In addition, the Company will closely follow the development of trade agreements in response to the fast changing market.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales regions and market share for major products

Unit：MT；NT$ thousands

Year / Product	2018						Export location
	Domestic			Export			
	Quantity	Amount	%	Quantity	Amount	%	
PVC	333,260	9,147,871	20	1,327,712	37,004,490	80	India, China, Australia
Caustic soda	657,048	12,860,812	58	641,330	9,431,399	42	U.S.A., Australia, Canada
VCM	2,051	47,724	2	107,291	2,036,147	98	China
AE	137,812	5,909,841	34	277,577	11,452,369	66	China, India, U.S.A., Vietnam
Carbon fiber	536	309,504	13	4,936	2,030,292	87	China, India
SAP	3,591	160,592	2	178,882	7,201,583	98	Turkey, Mexico, Philippines
NBA	24,602	761,947	22	88,710	2,704,283	78	China, Korea, India
HDPE	197,856	8,532,194	42	290,684	11,828,913	58	China, Vietnam, Bengal
LDPE	586	28,249	100	0	0	0	No export
EVA	8,018	384,550	3	268,372	12,491,603	97	China, Vietnam, Indonesia
LLDPE	91,230	3,513,970	57	70,642	2,648,394	43	China, Vietnam, Bengal
AN	141,770	8,399,006	54	122,325	7,078,143	46	China, Korea, Malaysia
MTBE	173,927	3,861,183	100	0	0	0	No export
MMA	38,840	2,909,325	54	33,335	2,486,252	46	China, Vietnam, Philippines
ECH	80,282	4,499,965	90	9,033	519,593	10	China, India
PP	187,909	7,551,215	20	767,789	30,743,986	80	China, Vietnam

Note：This table does not contain internal transfer.(Consolidation basis, domestic sales refer to Taiwan, and export sales refers to all deductions from Taiwan)

2. Mark share of major products

PVC：64%。

Caustic soda：73%。

AE：90%。

Carbon fiber：41%。

SAP：51%。

NBA：93%。

HDPE：57%。

EVA：18%。

LLDPE：42%。

AN：40%。

MTBE：23%。

MMA：25%。

ECH：67%。

PP：30%。

3. Demand and supply conditions for the market in the future, the market's growth potential, the Company's competitive niche, positive and negative factors for future development, and the Company's response to such factors：Please refer to Letter to Shareholders, 5.1.2 Industry Overview and 5.1.4 Long-term and Short-term Business Development Plans.

5.2.2 Main applications and production process of major products

1.PVC

(1) Main applications：

extrusion, injection blow molding articles, calendaring process of rigid film, sheet, pipe fitting, wires and cables, foam board, printing inks, gloves, toys, canvas.

(2) Production process：

VCM → distillation → main reactor → PVC slurry → drying → PVC silo → packing

2.Caustic Soda

(1) Main applications：

paper production, textile, bleach, dyeing, water treatment, aluminum production, organic and inorganic chemistry.

(2) Production process：

industry salt → dissolution → crude brine → clarifier → pure brine → electrolyzer → 33%caustic soda → evaporation → 49% caustic soda→ tank→loading

3.AE

(1) Main applications：

synthetic fibers, fiber treatments, synthetic resins, emulsifier oil, solvent-base paints, paper finishes, adhesives, thermosetting industrial finishes.

(2) Production process：

(a)propylene → oxidization reactor (by catalyst) → absorber → fractional distillation → crude acrylic acid

(b)crude acrylic acid, alcohols (e.g. methanol, ethanol, n-butanol, 2-ethylhexanol) → esterification reactor → fractional distillation → rectification → acrylic esters

4.Carbon fiber

(1) Main applications：

(a)aircraft (structural components, interior components).

(b)industrial application：wind generators (blades), architecture reinforcement, automotive, yacht, roller, robotic arm, the fuel cell parts, oil well structure, cable core, high-pressure gas cylinders.

(c)sporting goods：bicycle, tennis rackets, badminton rackets, golf club shafts, fishing rods, helmet, baseball bat

(2) Production process：

AE → polymerization → spinning → carbonization → carbon fiber

5.SAP

(1) Main applications：

baby diaper, adult diaper, sanitary napkin, pet sheet.

(2) Production process：

Acrylic acid (AA) + NaOH → neutralization → polymerization+cross linker → dry → grinding → surface treatment → SAP

6.NBA

(1) Main applications：

butyl acrylate, butyl acetate, glycol ether.

(2) Production process：

Propylene, syn gas → hydroformylation → butyraldehyde → isolation and purification → n-butyraldehyde → hydrogenation and purification → NBA

7.HDPE

(1) Main applications：

shopping bags, garbage bags, salad oil bottles, milk bottles, labor boxes, ropes, file folders, fish net, woven bag, crate, beer boxes, toys.

(2) Production process：

polymerization reactor (HDPE slurry) → centrifugation and drying (HDPE powder)→ pelletizing (HDPE particle) → HDPE pellets

8.LDPE

(1) Main applications：

heavy duty film, agricultural shrink film, general film, zipper bag, color master batch, injection-articles, lamination-film.

(2) Production process：

ethylene, peroxide → reaction → separation → extruder → LDPE pellets

9.EVA

(1) Main applications：

greenhouse film, hot melt, foam sole, PEVA raincoat, shock absorber gasket, injection-articles, flexible items

(2) Production process：

ethylene, vinyl acetate, peroxide → reaction → separation → extruder → EVA pellets

10.LLDPE

(1) Main applications：

duty sacks, agricultural film, light or medium duty film for shopping bag, crate, thin wall food container, greenhouse film, stretching film, overwrap film.

(2) Production process：

ethylene (monomer) + butene (co-monomer) + catalyst → polymerization → polyethylene powders → degassing → extrusion and palletization → LLDPE pellets

11.AN

(1) Main applications：

acrylic fiber, ABS/SAN resin, household appliances, car parts, stationery, helmet, luggage case, fitness equipment and nitrile butadiene rubber (NBR).

(2) Production process：

propylene and ammonia → reactors → quench columns → absorber columns → recovery column → purification column (AN product)

12.MMA

(1) Main applications：

PMMA plate and particles, MBS (Methyl methacrylate -Butadiene-Styrene) resin, transparent ABS, adhesive, textile treatment, paint, water-based overprint varnish.

(2) Production process：

acetone and hydrogen cyanide (HCN) → reactors (to produce acetone cyanohydrin (ACH)) → amidation reactor → esterification (by methanol) reactor → purification column (MMA product)

13.ECH

(1) Main applications：

epoxy resin, plasticizer, polyamide-polyamine-epichlorohydrin (wet strength agent for papermaking, abbr. PPE), dyeing and finishing auxiliaries.

(2) Production process：

propylene and chlorine → reactors (to produce allyl chloride) → hypochlorous acid (HOCL) reactor → saponification (by sodium hydroxide) reactor → purification column (ECH product)

14.PP

(1) Main applications：

automotive parts, bumpers, electric appliance parts, battery case, washing machine parts, general food & garment packaging case film, electrical appliances, housewares, pail, sports appliance, luggage base, high transparent container, woven bags, medical supplies, disposable syringes.

(2) Production process：

propylene, ethylene, H_2, catalyst → reactor → degas (solvent recovery) → granulation → package

5.2.3 Supply Status of Main Materials

The Company conducts procurement operations through an internet electronic platform to ensure the fairness of the procurement process and prevent procurement defects. The procurement cases are advertised on the internet, and the supplier submits quotes after confirming the identity with an electronic signature. This ensures the safety and fairness of the overall operation and shortens the time of procurement operations, as well as achieving a win-win situation between the Company and suppliers. At present, this electronic platform has more than 10,000 manufacturers involved in online quotation. The Company's 2018 major raw materials usage status and suppliers are as follows：

Unit：NT$ thousands

Major Raw Materials	Quantity (Metric Ton)	Amount	Main Supplier
Ethylene	1,776,906	58,768,531	Formosa Petrochemical Corp., CPC Corp., Taiwan, Mitsubishi Corp., and Marubeni Corp.
VCM	2,090,101	37,908,784	Self-supplied, Mitsubishi Corp., and Marubeni Corp.
EDC	1,544,941	10,277,076	Self-supplied

Major Raw Materials	Quantity (Metric Ton)	Amount	Main Supplier
Salt	2,457,468	2,498,869	Marubeni Corp., Mitsubishi Corp., Mitsui & Co., Ltd., and Sojitz Corp.
AN	13,018	772,656	Self-supplied
Propylene	1,764,947	54,147,596	Formosa Petrochemical Corp., CPC Corp., Taiwan, JXNIPJA, Marubeni Corp., and Mitsui & Co., Ltd.
Coal Dust	1,262,412	4,558,563	Ching Lung, Wel-hunt, CARBO ONE
Alcohol	436,544	9,994,195	Self-supplied, SABIC, and BPSINSI

5.2.4 The name, purchase (sale) amount, and ratio of the customers accounted for over 10% of the total purchase (sale) in one of the most recent two fiscal years, and the reason for the changes in purchase (sales)

1. List of major suppliers in the most recent two fiscal years

Unit：NT$ thousands

	2018				2017 (Note 2)				2019Q1 (Note 2)			
Item	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	Formosa Petrochemical Corp.	95,868,581	55.77	Note 3	Formosa Petrochemical Corp.	84,227,514	57.01	Note 3	Formosa Petrochemical Corp.	20,494,592	55.71	Note 3
2	CPC Corp., Taiwan	18,074,191	10.51	None	CPC Corp., Taiwan	13,868,582	9.39	None	CPC Corp., Taiwan	3,856,392	10.48	None
	Others	57,956,059	33.72		Others	49,646,617	33.60		Others	12,435,793	33.81	
	Net purchase amount	171,898,831	100.00		Net purchase amount	147,742,713	100.00		Net purchase amount	36,786,777	100.00	

Explanation：The purchase amount in 2018 increased compared with 2017, which is mainly due to the increase purchase amount of ethylene and propylene affected by the increasing price of crude oil, light oil and ethylene and propylene in the spot market.

Note 1：List the name of the suppliers with more than 10% of the total purchase amount, purchase amount, and purchase ratio in the most recent two fiscal years.

Note 2：The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report.

Note 3：Long-term equity investments under equity method.

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

5.2.5 Production in the Most Recent Two Fiscal Years

Unit：MT；NT$ thousands

Year / Output Products	2018			2017		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
PVC	1,735,000	1,658,592	57,099,034	1,735,000	1,599,822	53,148,334
Caustic soda	1,700,000	1,611,839		1,700,000	1,573,460	
VCM	1,644,000	1,599,786	28,209,263	1,644,000	1,506,084	26,478,055
HDPE	566,000	510,660	19,182,711	566,000	481,739	16,593,531
LDPE	312,000	0	0	240,000	1,052	38,760
EVA		273,859	12,118,728		261,021	10,567,066
LLDPE	264,000	159,965	5,913,876	264,000	206,777	6,985,145
AE	668,000	555,423	19,094,517	668,000	531,509	16,673,038
Carbon fiber	8,750	5,308	2,844,905	8,750	4,781	2,681,269
SAP	200,000	182,687	6,553,747	200,000	133,309	4,959,373
NBA	250,000	244,119	6,990,091	250,000	220,081	5,495,302
AN	280,000	275,364	10,016,232	280,000	276,226	8,669,136
MTBE	174,000	173,993	3,259,227	174,000	173,904	2,771,464
MMA	98,000	81,814	3,169,647	98,000	81,656	3,201,713
ECH	100,000	92,212	3,663,436	100,000	92,337	3,092,968
PP	942,000	954,314	34,405,582	884,000	939,012	29,993,775

5.2.6 Sales in the Most Recent Two Fiscal Years

unto：MT；NT$ thousands

Year / Sales / Products	2018				2017			
	Domestic		Export		Domestic		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
PVC	333,260	22,008,683	1,327,712	46,435,889	334,631	20,552,363	1,273,858	43,610,452
Caustic soda	657,048		641,330		646,234		650,140	
VCM	2,051	47,724	107,291	2,036,147	2,831	66,554	88,198	1,719,793
HDPE	197,856	8,532,194	290,684	11,828,912	204,739	8,115,692	285,857	10,520,757
LDPE	586	28,249	0	0	2,765	126,792	16	551
EVA	8,018	384,550	268,372	12,491,603	9,066	457,643	237,754	10,778,009
LLDPE	91,230	3,513,970	70,642	2,648,394	100,334	3,878,792	106,480	3,913,195
Acrylic fiber	0	0	0	0	1,435	73,658	4,383	216,518
AE	137,812	5,909,841	277,577	11,452,369	132,810	5,133,308	278,945	10,615,493
Carbon fiber	536	309,504	4,936	2,030,292	581	318,852	4,208	1,680,554
SAP	3,591	160,592	178,882	7,201,583	3,825	161,787	128,156	4,576,062
NBA	24,602	761,947	88,710	2,704,283	11,052	304,391	85,025	2,194,947
AN	141,770	8,399,006	122,325	7,078,143	149,229	7,030,179	107,991	4,974,378
MTBE	173,927	3,861,183	0	0	173,240	3,377,339	0	0
MMA	38,840	2,909,325	33,335	2,486,252	38,873	2,534,924	31,837	2,168,748
ECH	80,282	4,499,965	9,033	519,593	81,295	3,165,497	12,600	445,681
PP	187,909	7,551,215	767,789	30,743,986	194,561	7,154,798	740,052	26,520,296
Others		10,209,462		11,625,171		9,831,288		10,490,464
Total		79,087,410		151,282,617		72,283,857		134,425,898

5.3 Employees

Employees are the most important asset of a company. The Company strives to ensure every employee can work safely and is 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.

2019.3.31

Year		2017	2018	2019.3.31
Number of Employee	Executive and Management Level	1,404	1,443	1,439
	Supervisor Level	2,015	2,037	2,106
	Staff Level	3,763	3,712	3,697
	Total	7,182	7,192	7,242
Average Age		41.0	41.4	41.5
Average Years of Service		15.6	15.9	16.0
Academy Ratio (%)	Ph.D.	0.45	0.53	0.54
	Masters	11.53	11.92	11.92
	Bachelor's Degree	14.70	14.67	14.61
	Senior High School	71.85	71.52	71.62
	Below Senior High	1.47	1.36	1.31

Note：This table contains employees of subsidiaries in China.

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties for Environmental Pollution

Unit：NT$ thousands

Year	Penalty
2018	3,018
2019/1/1~2019/3/31	300
Total	3,318

5.4.2 Future Countermeasures and Expected Expenditure：

1. In order to prevent industrial safety and environmental pollution incidents, it is planned to adopt management measures：
   (1)Continue to promote intelligent security management.
   (2)Strengthen industry safety and health management.
   (3)Arrange to set up air pollution monitoring system to quickly find the source of air pollution.
   (4)Keep monitoring the plant air pollutants with FT-IR.
   (5)Strengthen the inspection of process pipelines.
   (6)Report the process safety incident.
   (7)Control groundwater pollution.
   (8)Keep strengthening Volatile Organic Compounds (VOC) emissions management.
   (9)Continue to promote zero discharge of wastewater.
   (10)Continue to promote noise improvement measures.
   (11)Update equipment pipeline.
2. At present, each pollution prevention measures of the Company has complied with the current national control standards. In order to achieve stricter control and in view of the gradual improvement of environmental quality requirements, the Company is constantly striving to reduce pollutant emission. The Company is expected to invest NT$ 1,074,311 to improve pollution prevention.

5.4.3 Summary of Environmental Improvement Project：

Category		Number of Project	Invested Amount (NT$ thousands)
Completed	Soil	217	3,779,629
	Waste gas	959	9,438,938
	Waste water	603	5,276,436
	Waste and noise	134	865,918
	Subtotal	1,913	19,360,921
Processing	Soil	42	35,056
	Waste gas	32	666,142
	Waste water	19	285,675
	Waste and noise	4	87,438
	Subtotal	97	1,074,311
Total		2,010	20,435,232

5.4.4 Environmental Protection Policy：

1. Safety and health environmental protection policy

   The Company convinced that both environmental protection and industrial development are equally important. Ensuring the safety of product, employees, contractors, plants and communities are not only a corporate social responsibility, but also a part of corporate competitiveness.

   The Company believes that all disasters and accidents are preventable no matter how small it is. To ensure acceptable work environment standard is built across all the Company's plants and offices, our organization and system effort should be exerted to promote such corporate value. To achieve this goal, all supervisors must have a good understanding and take part in the Company's health and safety system, and at the same time, providing solid training for subordinates to ensure each procedure is completely fulfilled and continuously improved.

   All employees must constantly enhance their professional knowledge, and make all decisions by taking health and safety as prioritised concerns. Employees must thoroughly understand the spirit behind the health and safety system and carry out standards without compromise, in addition to holding the attitude of inquiring into the root of the matter and continuously making improvement by seeing themselves as a model employee.

Being self-disciplined, protecting the safety of colleagues, communities, and themselves at all times, keeping the natural environment clean, protecting corporate assets, and targeting effort at perpetual business operation – all of these should be taken as necessary responsibilities by our employees.

2. Improvement of greenhouse gas reduction

The Company adheres to the business philosophy of both industrial development and environmental protection, and does a good job in environmental protection in the spirit of pursuing the roots. In order to fulfill the responsibility of the global village, the Company actively promoted greenhouse gas reduction and formed a greenhouse gas emission investigation team. At the end of 2005, the Company held the first and largest greenhouse gas inventory personnel training in Taiwan. The total of 309 people are responsible for checking the correctness of the greenhouse gas of plants under their jurisdiction, as a reference for greenhouse gas reduction strategies, in response to future domestic and international regulatory trends. In order to actively reduce greenhouse gas emissions, the Company carries out the following emission reduction measures for large emission sources such as petrochemical plants and HCFC plants：

(1)Energy saving：Improve the combustion efficiency of electrical power and combined heat and power plants, and improve the power transmission and distribution system.

(2)Process reduction：Improve greenhouse gas emission sources and reduce the consumption of raw materials per unit.

(3)Looking for alternatives：Strengthen the leakage control and recovery management of fluorochemicals (refrigerants, solvents) and seek alternatives that have a lower impact on the greenhouse effect.

The Company reviews the energy consumption targets year by year, sets up process improvement personnel, implements improvement projects and personal creative reward system, and sets the greenhouse gas emission control standard for per unit product. The improvement of material and energy consumption reduction is as follows：

Greenhouse gas reduction practices

Item	Category	Content
1	Review energy consumption targets year by year	Each plant reviews and sets energy consumption targets when preparing annual budget at each year, and compares the implementation results monthly. It also proposes project improvement and reporting on energy-specific issues.
2	Set improvement project personnel at plants	Continue to improve to reduce materials and energy consumption.
3	Award improvement project	Implement a reward system about project improvement, and reward NT$300 to 20,000 according to the improvement level.
4	Encourage personal creativity	Have implemented a reward system about IE improvement, and reward NT$300 to 20,000 according to the improvement level.。
5	Set the greenhouse gas emission control standard for unit of each product	Understand the difference between the actual and baseline emissions of greenhouse gases at each plant, and improve the difference after review. The current implementation status is better than the international standards.

In order to comply with the operations of greenhouse gas inventory, reduction, internal audit and inventory report preparation, the Company promulgated and implemented the “Greenhouse Gas Inventory and Reduction Management Measures” in 2006. In addition, considering the long-term review of greenhouse gases, in order to save human operating time, ensure the correctness and consistency of the data, and improve the efficiency of the inventory operation, the Company also implements the "greenhouse gas inventory reduction computer operation" to computerize the manual form, which can directly obtain the statistical greenhouse gas emissions data and reduction performance from the computer to benefit comparison of emissions control.

3. Air pollution prevention and management measures

The Company has been actively improving in pollution prevention and control for a long time and has achieved good results and accumulated considerable experience in pollution prevention. Therefore, in order to do a good job in environmental protection, the Company continues to adopt the best process technology and comprehensive pollution prevention systems with long-term accumulated experience. The current pollution prevention effectiveness is not only better than national standards, but also meets the world's best standards.

In order to accurately grasp the actual emission of air pollutants in the sixth naphtha cracker, the current implementation of the air pollution emission control operation in the Mailiao sixth naphtha cracker includes total emission assessment, best available control technology (BACT) survey, pollution prevention technology research, plant maintenance dispatching plan, permitted total emission control, and total emission management.

In addition, the air pollution control of the plant includes environmental independent inspection in the plants, on-site inspection of equipment components, continuous emission monitoring systems (CEMS), chimney monitoring video of the whole plant, VOC sampling analysis of storage tank and around each plant, air quality monitoring around the out of plants and weekly odor joint inspection. The Company is committed to maintaining the surrounding environment and work safety of the plant to avoid cost loss from leakage of raw materials or finished goods.

The Company installs continuous emission monitoring systems (CEMS) on large-scale emission sources, and performs 24-hour real-time monitoring through a distributed integrated electronic equipment and distributed control system (DCS). If an abnormality occurs, an alarm will be issued and it will be immediately addressed.

In order to strengthen the prevention of VOC leakage, the Company builds a strict monitoring and control system, with 39 sets of forward-looking infrared (FLIR) detectors to find out the source of leakage more quickly, which cannot easily be captured through the general camera, eyes, and portable VOC detectors. By using a portable and easy-to-use forward-looking infrared (FLIR) detectors to scan, the source of leakage can be easily and clearly found, and it can be addressed immediately. The Company also purchased 14 sets of fourier transform infra red (FTIR) spectrometer (FTIR) to build a more comprehensive plant air pollution protection network.

4. Water pollution prevention and management measures

In order to comply with the environmental regulations of and promote wastewater reduction operation, the Company eastablished the measures of water pollution prevention in accordance with government regulations are as follows:

(1)Implementation of wastewater source management

In order to implement wastewater source management, the Company have set up the operation control and monitoring management in the following terms：

A. Collection and transportation facility about process wastewater.

B. Collection and treatment facility about construction wastewater.

C. Collection and transportation facility about Domestic sewage.

D. Collection and transportation facility about other wastewater.

E. Facility about Wastewater pre-treatment.

F. Facility about water quality and quantity stabilization of Wastewater source facility.

(2)Relevant regulations for wastewater treatment processes：

A. Scopes of regulation for plans of setting treatment facility and emission permit include：① plan for setting department ② wastewater treatment facility setting ③ wastewater discharge permit.

B. Scopes of regulation for operation management of wastewater treatment facility include：① wastewater treatment operation ② wastewater discharge operation ③ wastewater treatment records and inputs ④ wastewater treatment daily reports ⑤ wastewater treatment periodic declaration ⑥ wastewater treatment function evaluation analysis ⑦ legal abnormal report.

C. Scopes of regulation for wastewater treatment cost management include：① scope of cost ② wastewater cost center setting ③ cost comparison unit setting ④ wastewater cost item setting ⑤ cost distribution ⑥ wastewater treatment pricing ⑦ cost summary review.

D. Scopes of regulation for rainwater collection and discharge management include：① Collection, transportation and pre-treatment facilities：report for rainwater collection and discharge facilities at the plant, rainwater discharge systems in public areas, and rainwater discharge hatch. ② Management measures：regulation of rainwater discharge hatch, rainwater collection and discharge at plants, and inspection, maintenance and operation of rainwater drainage channels and gates in public areas.

E. Scopes of wastewater and rainwater supervision (inspection) measurement management include：① wastewater discharge automatically monitors ② wastewater and rainwater discharge detection.

(3)The regulation of wastewater reduction is as follows：

A. Set the wastewater standard for unit of each product.

B. Review and improve wastewater reduction.

(4)Supervision and inspection operations include：

A. Supervision

B. Inspection

C. Audit

D. Abnormal reaction and treatment

5. Waste management measures

In order to achieve sustainable use of resources and control the cost of waste disposal, the Company's management of waste is mainly based on process waste reduction, and secondly, it is considered to be properly handled by the outside party, while the order of subcontracting treatment is given priority to reuse, followed by incineration and landfill. The management measures related to the classification, storage, and removal of wastes of the company are as follows：

(1)Classification and storage after waste production：

In imply with regulations of waste and waste removal and treatment, reclassified general waste, process waste and engineering waste should be stored in a collection tank (bag) or appropriate container which should be keep intact, no dirt, rust, leaks or irregularities. In addition, according to regulations, the waste storage place should equipped with waterproof (rain) facilities, control facilities and signs of waste water and odor.

(2)Waste removal and disposal operations：

To ensure that all business waste are legally reused or cleaned, the Company has established a waste management computer system including：

A. Database of clean-up vendor to manage environmental information of waste contractor.

B. Online reporting management operations to ensure that waste shipped from the plants have completed reporting.

C. Clean-up plan management to ensure that the waste items and quantity of the plant meet the declaration information.

In addition, in order to grasp the flow of waste, the Company requires the contractor to cooperate with the network declaration, set the clearing flow tracking operation requirements, require on-site personnel to track the vehicle from time to time, and also require the waste manufacturers should attach a legal online triple list and proper documents when they bills the waste cleaning fees to avoid pollution caused by illegal cleaning of waste.

(3)Waste treatment performance management：

Each department of the Company has set three standards：A. waste clearance standard B. waste outsourcing cost standard C. waste self-processing standard. Each department will review and improve that exceeding the control standard monthly.

5.4.5 Impact of the implementation of the European Union's Restriction of Hazardous Substances (RoHS) on the financial operations of the Company：The Company's products sold in Europe are not subject to RoHS regulations, so there is no impact on the Company's business.

5.5 Labor Relations

5.5.1 Any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests：

1. Employee benefit plans：the Company’s employee benefit plans to promote a balance in work, health and life are as follows：

(1)The Company’s Employee Welfare Committee established in accordance with the " Employee Welfare Fund Act ", " Organization Regulations on Employee Welfare Committee " and other regulations, appropriates employee welfare funds for handling welfare businesses for employees including welfare club, staff restaurants, barber shop, laundry department, catering departments, library, sports facilities, movie appreciation, annual welfare products, birthday gifts, travel grants, life lectures, jogging and hiking activities, etc.

(2)Regulations on year-end bonuses and remuneration.

(3)Regulations on attendance management：According to the newly revised Labor Standards Act, set up regulations on regular leave day and holiday and overtime pay standard.

(4)Regulations on consolation payment.

(5)Regulations on marriage subsidies and funeral gifts.

(6)Regulations on preferential treatment of Chang Gung Hospital for employees and their dependants.

(7)Labor insurance and national health insurance.

(8)Occupational Safety and Health Act and Labor Health Protection Rules：Each plant has a medical office, employs doctors and full-time nurses and regularly conduct health checkups for employees according to law.

(9)Regulations on operating clothing and safety shoes provided.

(10) Regulations on dorm(including single and dependants).

(11) Regulations on stock ownership reward for employee.

(12) Departmental funds and year-end meal subsidies.

(13) Hospital condolences, senior staff commemorating gold coins and praise.
(14) Legal advisory services.
(15) Regulations on improvement proposal incentives：Set up an IE proposal bonus to encourage employees to discover abnormalities in their work, envisage a good improvement plan to improve the Company's performance. The Company will reward the employee whose proposal adopted depending on the improving effect and period.
(16) Regulations on innovative platform management：Set up an innovation platform website for employees to discuss professional issues and give appropriate rewards to those who provide good ideas for innovation.

2. Advanced study system：
(1)Regulations on foreign language development class.
(2)Professional and managerial class for each level employee.

3. Training system：The Company has a complete training system for new recruits, and has created a good working and learning environment, in order to cultivate professional talents with enthusiasm and innovative ideas. At the same time, through the complete training program at all stages of the career, each employee can become a talented person with professional and management practices under the gradual and self-transcending growth experience. Complete training programs include college management associate training, job basic training, job professional training, supervisor training at all levels, middle and high level supervisor training, etc., with online teaching, work rotation, external training opportunities, and external specialist to provide a working environment for continuous learning and development. The training system is as follows：
(1)Regulations on training management.
(2)Regulations on network knowledge base management.
(3)Regulations on college new recruits training.
(4)Dispatched training.

(5)Regulations on middle and high level supervisor talents cultivating.

4. Retirement system：

(1)Retirement application：

Employees who are in one of the following conditions are eligible for retirement：

① Those who have served for more than 15 years and are over 55 years old.

② Those who have served for more than 25 years.

③ Those who have served for more than 10 years and are over 60 years old.

(2)Mandatory retirement：

Employees who are in one of the following descriptions must retire：

① Those who are 65 years old or older, but those at or above the level of senior vice president may be extended to 70 years old.

②Employees are unable to perform their duties due to mental disorders or physical disabilities.

(3)Retirement pensions disbursement：

Employees' retirement pensions disbursement is as follows：

① Pension for service period on and before July 31, 1984 is calculated based on Taiwan Provincial Factory Workers Retirement Rules, and the average salary of the three months prior to retirement is taken into account. Pension for service period on and after August 1, 1984 is calculated based on Article 55 of the Labor Standards Act, and the average salary of the six months prior to retirement is taken into account. However, the total of the above two is limited to a maximum number of 45 bases.

② For an employee who has mental disorder or physical disability occurred in his or her work duties and can no longer fulfill the work responsibilities, the pension for the aforementioned employee is issued according to the preceding paragraph and plus 20%.

(4)The new " Labor Pension Act " was implemented on July 1, 2005. If employees choose the old pension system, they will be handled according to the above retirement system. If employees choose the new pension system, the Company will appropriate 6% of the monthly salary to the employees pension account.

(5)Employee Code of Conduct or Ethics：

① In order to clearly define the rights and obligations of employers and employees, and to maintain order in the workplace, the Company has established “Working Rules” in accordance with the law and publicly disclosed at the approval of the competent authority as the base for employee management. Working Rules includes recruitment, promotion, working time, salary, discipline, reward and punishment, dismissal, severance, retirement, training and performance evaluation, compensation and consolation payment for accident, injury or disease, and welfare measures, etc.

② In order to strengthen the behavior and ethical norms of the employees, the Company not only sets up “Regulations on Personal Information” but also requires employees to sign the “Formosa Plastics Corp. Employees' Commitment to Observe the Operational Policy Statement," which is summarized as follows:

A.Prohibition of unfair competition (antitrust) policy：
Employees must fully comply with the Fair Trade Act. The Company encourages that emplyees obtains profit by using legal and proper ways, and takes all actions complying with relevant laws and regulations.

B.Conflict of interest policy：When employees are required to engage in business related to the Company, they should avoid damaging the interests of the Company. They should never directly or indirectly request or accept gifts, entertainment or other benefits from customers or competitors of the Company.

C.Internal data security policy：Employees handling the Company's data should not reveal confidential data or other information that has not been published without the written permission of the Company. They should not use the information for personal gain or use it for any purpose that is not relevant to the Company's operation. Employees should hand over all technological information when they leave the Company.

D.Participation in political activity policy：Employees should not directly or indirectly donate money, provide services, or give valuable items to any candidates or political parties. They should not conduct any behavior forbidden by the law or give any ill-gotten gain to legislators, political figures, or government officials that may prevent them from performing their duties.

(6)Work environment and employee personal safety protection measures：

① The Company sets up rules of safety and health management to ensure each department to comply with, which could prevent accidents and achieve the goals of "zero disasters" to ensure the safety and health of employees and neighborhood residents, maintain the integrity of the Company's equipment, ensure operation smoothly, and improve the overall business performance.

② The scope of application includes the safety and health management system and the work responsibilities of each department, the establishment of various safety and health protection facilities, the establishment of safety standards for various operations, the regular automatic inspection of safety and health, personnel safety and health, fire prevention education training, safety and health performance evaluation, emergency response planning, disaster simulation exercises, and accident handling.

③ The Company regularly conducts safety and health education training and publicity and ensure that all employees receive appropriate and necessary training, and have the ability to perform work. All departments should hang the safety and health policy of the Company and verification site at entrance and exist clearly.

④ The Company regularly conducts employee health checks, such as general health (physical) checks, special health checks, foreign employee health (physical) checks and catering employee health checks, and manages health care unit settings, such as health care unit configuration, drug and equipment management, first aid staff, drug configuration and ambulance setup and management, etc.

5. Implementation status of employee benefit plans and retirement system：Well.

6. Implementation status of employee advanced study and training：In 2018, advanced study and training courses conducted by Company were 3,664 items. The average number of training hours per person was 9.6 hours, and the total cost was NT$14,065 thousand. The courses include work safety on-the-job training, English and Japanese foreign language training, Labor law, standard operating procedure (SOP), job specialty, artificial intelligence (AI) and other professional course, etc.

7. Employee and employer negotiation：

(1)Participate in the member representatives meeting of labor union and the board of directors and supervisors, and hold regular labor-management meetings to establish a labor-management consultation mechanism.

(2)Establish an employee complaints system to improve labor relations and gender equality, hold each level supervisory meetings regularly, issue corporate magazines quarterly. Employees can also express their opinions through employee suggestion boxes or reaction lines.

(3)Formulate working rules and personnel management rules, and clearly define the rights and obligations of employee and employer so that employees can fully understand and protect their rights and interests.

(4)In accordance with Occupational Safety and Health Act, conduct employee health checkups regularly, set labor safety and health personnel and rules to avoid accidents and maintain employee safety.

8. Status of implementation for preserving employees' rights and interests：Well.

5.5.2 Any loss sustained as a result of labor disputes, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken：None.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Sale and purchase contract	CPC Corp., Taiwan	2019.1~ 2019.12	Supply of ethylene for PVC and HDPE, propylene and hydrogen	None
Sale and purchase contract	Formosa Petrochemical Corp.	2019.1~ 2019.12	Supply of Ethylene, propylene, butadiene, butadiene raffinate oil	None
Technical authorization contract	Univation Technologies, LLC	2014.10~ 2034.10	Full density vapor phase polyethylene technology	None
Technical authorization contract	Dow Chemical Company	2005.10~ 2025.10	N-butanol process technology	Note 1
Long-term loan contract	Syndicated loan of Bank of Taiwan and other banks	2014.4~ 2021.4	Land mortgage	Note 2
Long-term loan contract	Sumitomo Mitsui Banking Corporation	2016.8~ 2020.8	Improve financial structure and enrich working capital	None
Long-term loan contract	Bank of Taiwan, Shanghai Branch	2016.11~ 2019.11	Improve financial structure and enrich working capital	None
Long-term loan contract	Mega Bank, Ningbo Branch	2017.7~ 2020.7	Improve financial structure and enrich working capital	None
Long-term loan contract	Taiwan Cooperative Bank, Suzhou Branch	2017.11~ 2020.11	Improve financial structure and enrich working capital	None

Note 1：The important equipment of process do not allow changes arbitrarily.

Note 2：During the credit period, the borrower's debt ratio at the end of each year shall be maintained below 150%, and the current ratio shall be maintained at more than 100%, which shall be subject to the annual financial statement audited by a CPA.

VI. Financial Information

6.1 Consolidated Balance Sheet and Income Statement for the Last Five Fiscal Years

6.1.1 Condensed Balance Sheet- Based on Consolidated Financial Statement

Unit：NT$ thousands

Item / Year		Financial information for the last five fiscal years (Note 1)					As of Mar. 31, 2019 (Note 3)
		2014	2015	2016	2017	2018	
Current assets		160,138,715	148,558,505	173,359,433	184,212,236	184,262,229	186,217,277
Property, plant and equipment (Note 2)		83,997,627	81,461,329	73,367,695	69,094,450	76,618,563	79,552,099
Intangible assets		601,282	586,857	489,499	431,315	430,613	424,606
Other assets (Note 2)		186,065,367	192,894,359	208,449,445	222,333,035	240,201,862	248,238,257
Total assets		430,802,991	423,501,050	455,666,072	476,071,036	501,513,267	514,432,239
Current liabilities	Before distribution	47,923,740	59,464,052	80,455,932	71,274,256	83,051,141	63,023,333
	After distribution	58,745,499	82,380,719	109,738,340	107,558,978	119,972,438	-
Non-current liabilities		97,729,041	76,602,094	62,139,653	59,786,614	62,894,125	77,524,003
Total liabilities	Before distribution	145,652,781	136,066,146	142,595,585	131,060,870	145,945,266	140,547,336
	After distribution	156,474,540	158,982,813	171,877,993	167,345,592	182,866,563	-
Shareholder's equity attributable to parent company		285,150,210	287,434,904	313,070,487	345,010,166	355,568,001	373,884,903
Capital stock		63,657,408	63,657,408	63,657,408	63,657,408	63,657,408	63,657,408
Capital reserve		11,277,988	11,443,715	11,428,970	11,649,929	11,713,842	11,712,889
Retained earnings	Before distribution	128,483,664	147,649,596	162,650,639	182,149,818	198,382,191	206,515,261
	After distribution	117,661,905	124,732,929	133,368,231	145,865,096	161,460,894	-
Other equity interest		81,731,150	64,684,185	75,333,470	87,553,011	81,814,560	91,999,345
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	285,150,210	287,434,904	313,070,487	345,010,166	355,568,001	373,884,903
	After distribution	274,328,451	264,518,237	283,788,079	308,725,444	318,646,704	-

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

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

Note 3：The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report：The financial information is audited by a CPA, except the information of 2019 Q1 reviewed by a CPA.

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

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

Note 6：The after-distribution data of 2018 are estimated by the earnings distribution approved by Board of Directors Meeting on March 25, 2019.

Note 7：In line with the application of the 2013 edition of the IFRSs from 2015, the Company retroactively adjusted the annual financial statements of 2014.

6.1.2 Condensed Balance Sheet– Based on the Parent Company only Financial Statement

Unit：NT$ thousands

Item \ Year		Financial information for the last five fiscal years (Note 1)				
		2014	2015	2016	2017	2018
Current assets		148,971,804	137,531,640	160,402,486	169,889,273	169,916,838
Property, plant and equipment (Note 2)		44,434,530	42,548,010	38,930,009	33,679,540	38,227,497
Intangible assets		124,762	124,762	124,762	124,762	124,762
Other assets (Note 2)		214,136,444	220,487,148	236,091,804	251,778,005	269,115,479
Total assets		407,667,540	400,691,560	435,549,061	455,471,580	477,384,576
Current liabilities	Before distribution	32,119,971	44,413,398	65,117,009	54,782,430	60,678,960
	After distribution	42,941,730	67,330,065	94,399,417	91,067,152	97,600,257
Non-current liabilities			68,843,258	57,361,565	55,678,984	61,137,615
Total liabilities	Before distribution	122,517,330	113,256,656	122,478,574	110,461,414	121,816,575
	After distribution	133,339,089	136,173,323	151,760,982	146,746,136	158,737,872
Shareholder’s equity attributable to parent company		285,150,210	287,434,904	313,070,487	345,010,166	355,568,001
Capital stock		63,657,408	63,657,408	63,657,408	63,657,408	63,657,408
Capital reserve		11,277,988	11,443,715	11,428,970	11,649,929	11,713,842
Retained earnings	Before distribution	128,483,664	147,649,596	162,650,639	182,149,818	198,382,191
	After distribution	117,661,905	124,732,929	133,368,231	145,865,096	161,460,894
Other equity interest		81,731,150	64,684,185	75,333,470	87,553,011	81,814,560
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	285,150,210	287,434,904	313,070,487	345,010,166	355,568,001
	After distribution	274,328,451	264,518,237	283,788,079	308,725,444	318,646,704

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

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

Note 3：The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report：The financial information is audited by CPAs, except the information of Q1 2019 reviewed by CPAs

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

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

Note 6：The after-distribution data of 2018 are estimated by the earnings distribution approved by Board of Directors Meeting on March 25, 2019.

Note 7：In line with the application of the 2013 edition of the IFRSs from 2015, the Company retroactively adjusted the annual financial statements of 2014.

6.1.3 Condensed Balance Sheet– Based on R.O.C. GAAP：Not applicable.

6.1.4 Condensed Comprehensive Income- Based on Consolidated Financial Statement

Unit：NT$ thousands

Item \ Year	Financial information for the last five fiscal years (Note 1)					2019/1/1~ 2019/3/31 (Note 2)
	2014	2015	2016	2017	2018	
Operating revenue	216,589,040	191,545,395	180,173,192	206,709,755	230,370,027	53,012,075
Gross profit	16,552,825	21,825,109	24,299,196	33,469,176	37,308,068	8,147,624
Gross profit from operations	5,512,713	10,501,161	13,017,213	21,938,196	25,341,312	5,267,173
Non-operating income and expense	14,919,934	24,593,147	30,796,736	32,966,147	31,751,064	4,066,583
Income before tax	20,432,647	35,094,308	43,813,949	54,904,343	57,092,376	9,333,756
Income from operations of continued segments - after tax	17,874,892	30,877,269	39,392,543	49,382,853	49,549,540	8,140,675
Income from discontinued operations	-	-	-	-	-	-
Net income (Loss)	17,874,892	30,877,269	39,392,543	49,382,853	49,549,540	8,140,675
Total other comprehensive income (net of income tax)	17,502,516	-17,936,543	10,278,034	11,618,275	-15,095,900	10,184,785
Total comprehensive income	35,377,408	12,940,726	49,670,577	61,001,128	34,453,640	18,325,460
Net income attributable to parent company’s shareholders	17,874,892	30,877,269	39,392,543	49,382,853	49,549,540	8,140,675
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive income attributable to parent company’s shareholders	35,377,408	12,940,726	49,670,577	61,001,128	34,453,640	18,325,460
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share	2.81	4.85	6.19	7.76	7.78	1.28

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

Note 2：The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report：The financial information is audited by CPAs, except the information of Q1 2019 reviewed by CPAs.

Note 3：The net loss from discontinued operations is an amount net of income tax.

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

Note 5：In line with the application of the 2013 edition of the IFRSs from 2015, the Company retroactively adjusted the annual financial statements of 2014.

6.1.5 Condensed Comprehensive Income Statement– Based on the Parent Company only Financial Statement

Unit：NT$ thousands

Item \ Year	Financial information for the past five fiscal years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	184,599,915	160,366,578	149,792,471	170,273,933	189,246,407
Gross profit	16,236,913	20,781,025	20,263,505	29,533,412	33,603,300
Gross profit from operations	6,297,516	10,836,138	10,495,959	19,290,525	22,999,374
Non-operating income and expense	14,126,761	24,112,025	32,763,068	35,578,788	34,046,784
Income before tax	20,424,277	34,948,163	43,259,027	54,869,313	57,046,158
Income from operations of continued segments - after tax	17,874,892	30,877,269	39,392,543	49,382,853	49,549,540
Income from discontinued operations	-	-	-	-	-
Net income (Loss)	17,874,892	30,877,269	39,392,543	49,382,853	49,549,540
Total other comprehensive income (net of tax)	17,502,516	-17,936,543	10,278,034	11,618,275	-15,095,900
Total comprehensive income	35,377,408	12,940,726	49,670,577	61,001,128	34,453,640
Net income attributable to parent company's shareholders	17,874,892	30,877,269	39,392,543	49,382,853	49,549,540
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to parent company's shareholders	35,377,408	12,940,726	49,670,577	61,001,128	34,453,640
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	2.81	4.8	6.19	7.76	7.78

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

Note 2：The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report：The financial information is audited by CPAs, except the information of Q1 2019 reviewed by CPAs.

Note 3：The net loss from discontinued operations is an amount net of income tax.

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

Note 5：In line with the application of the 2013 edition of the IFRSs from 2015, the Company retroactively adjusted the annual financial statements of 2014.

6.1.6 Condensed Balance Sheet– Based on R.O.C. GAAP：Not applicable.

6.1.7 Matters of material significance which affected the comparability of the above-mentioned condensed financial statements：None.

6.1.8 The Name of the Certified Public Accountant and the Auditor's opinion

1. The name of the certified public accountant and the auditor's opinion for the last five fiscal years

Year	2018	2017	2016	2015	2014
Name	Astor Kou Winston Yu	Delphi Chen Winston Yu	Delphi Chen Winston Yu	Delphi Chen Astor Kou	Eric Wu Astor Kou
Auditor's opinion	An unqualified opinion with emphasis of matter paragraph or other matter paragraph	An unqualified opinion with other matter paragraph	An unqualified opinion with other matter paragraph	A modified unqualified opinion	A modified unqualified opinion

2. According to the job adjustment of KPMG, the CPAs of the Company have been changed from Eric Wu and Astor Kou to Delphi Chen and Astor Kou since the first quarter of 2015.
3. According to the job adjustment of KPMG, the CPAs of the Company have been changed from Delphi Chen and Astor Kou to Delphi Chen and Winston Yu since the first quarter of 2016.
4. According to the job adjustment of KPMG, the CPAs of the Company have been changed from Delphi Chen and Winston Yu to Astor Kou and Winston Yu since the first quarter of 2018.

6.2 Financial Analysis for the Last Five Fiscal Years

6.2.1 Consolidated Financial Analysis – Consolidated Financial Statement Based on IFRS

Item	Year	Financial analysis for the last five fiscal years					
		2014	2015	2016	2017	2018	As of Mar. 31, 2019
Financial structure (%)	Debt ratio	33.81	32.13	31.29	27.53	29.10	27.32
	Ratio of long term capital to property, plant, and equipment	433.36	446.88	511.41	585.86	546.16	567.44
Solvency (%)	Current ratio	334.15	249.83	215.47	258.46	221.87	295.47
	Quick ratio	275.85	214.21	189.05	228.23	192.66	261.74
	Interest coverage ratio	12.90	18.95	31.01	36.67	39.35	21.61
Operating ability	Accounts Receivable turnover (times)	16.05	15.96	14.34	13.94	14.36	3.38
	Average collection period	23	23	25	26	25	27
	Inventory turnover (times)	8.98	8.58	9.21	9.97	10.06	2.33
	Accounts payable turnover (times)	13.27	14.26	13.41	13.99	15.66	4.19
	Average days in sales	41	43	40	37	36	39
	Property, plant, and property turnover (times)	2.58	2.35	2.46	2.90	3.16	0.68
	Total asset turnover (times)	0.50	0.45	0.40	0.44	0.47	0.10
Profitability	Return on total assets (%)	4.57	7.49	9.23	10.87	10.38	1.66
	Return on stockholders' equity (%)	6.53	10.79	13.12	15.01	14.15	2.23
	Pre-tax income to paid-in capital ratio (%)	32.10	55.13	68.83	86.25	89.69	14.66
	Profit margin (%)	8.25	16.12	21.86	23.89	21.51	15.36
	Earnings Per Share (NT$) (Note)	2.81	4.85	6.19	7.76	7.78	1.28
Cash flow	Cash flow ratio (%)	28.04	68.67	45.43	64.64	60.81	13.39
	Cash flow adequacy ratio (%)	99.02	98.68	111.11	126.08	120.31	132.15
	Cash reinvestment ratio (%)	0.26	6.06	2.54	3.02	2.46	1.38
Leverage	Operating leverage	2.46	1.80	1.69	1.38	1.29	1.35
	Financial leverage	1.40	1.15	1.12	1.07	1.06	1.07

Reasons for changes of financial ratios for the last two years(analysis is exempted for any change less than 20%): all of variation of items are not over 20％.

Note 1：It is required to specify the fiscal year that has not been audited by the certified public accountant.

Note 2：The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report.

Note3：The following equations should be included in the end of the above table:

1. Financial structure
   (1) Debt ratio = Total liabilities/total assets.
   (2) Long term funds to property, plant, and equipment ratio = (Total shareholders' equity + non-current liabilities)/net property, plant, and equipment
2. Solvency
   (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 expense/current interest expense
3. Operating ability
   (1) Accounts Receivable (including account receivable and note receivable from operating) turnover = Net sales/average Receivables (including account receivable and note receivable from operating) balance
   (2) Average collection period = 365 days/ accounts receivable turnover
   (3) Inventory turnover(times) = Cost of goods sold/average inventory
   (4) Accounts Payable (including Account payable and Note payable from operating) turnover = Cost of goods sold/average accounts payable (including Account payable and Note payable from operating)
   (5) Average inventory turnover days = 365 days/ inventory turnover
   (6) Property, plant, and equipment turnover (times) = Net sales/ average net average property, plant, and equipment
   (7) Total asset turnover = Net sales/average total assets
4. Profitability
   (1) Return on total assets = [net income + interest expense x (1-tax ratio)]/average total assets
   (2) Return on shareholder's equity = Net income/average total shareholder's equity
   (3) Profit margin = Net income/ net sales
   (4) Earnings per Share = (Net income attributable to parent company's shareholders - preferred stock dividend)/ weighted average number of shares issued (Note 4)
5. Cash flow
   (1) Cash flow ratio = Cash flow from operating activities/current liabilities
   (2) Net cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends)/ (gross property, plant, and equipment + long-term investments + other non-current assets + working capital) (Note 5)
6. Leverage
   (1) Operating leverage = (Net operating income - variable operating cost and expense)/operating income (Note 6)
   (2) Financial leverage = Operating income/ (operating income - interest expenses)

Note 4：The calculation of earnings per share referred to above should be with the following matters included for consideration:

1.It is based on the weighted average outstanding number of common stock shares rather than the issued shares at the end of year.
2.Capital increased by cash or treasury stock transaction should be take into account when the calculating the circulation period of the weighted average outstanding shares
3.Where there is a capitalization from earnings or capital reserve, when calculating earnings per share for the prior years and every interim, it should be retroactively adjusted by proportional capitalization without considering the issuance period of the capitalization.
4.If the preferred stock is non-convertible cumulative preferred stock, the its dividends (whether distributed or not) should be deducted from net income, or added to the net loss. If the preferred shares are non-cumulative, when there is net income, preferred stock dividends should be deducted from net income; when there is net loss, no adjustment is needed.

Note 5：The cash flow analysis should be with the following matters included for consideration:

1.1. Net cash flow from operating activities refers to the net cash inflow from operating activities on the statement of cash flow.
2.Capital expenditures refer to the annual cash outflow of capital investment.
3.Inventory additions are included for calculation only when the balance at the end is greater than the balance at the beginning. If inventories are decreased at the end of year, it is counted as zero.
4.Cash dividends include cash dividends of common stock and preferred stock.
5.Gross property, plant, and equipment meant for the total amount of property, plant, and equipment before deducting the accumulated depreciation.

Note 6：The issuer shall have the operating costs and operating expenses classified as fixed and variable by the nature. If it involves estimates or subjective judgments, it should pay attention to its rationality and consistency.

Note 7：If the Company's stock is not denominated or the denomination is not NT$10, the calculation of ration with the paid-in capital should be calculated based on the equity attributable to the patent company's shareholders in the balance sheet.

Note 8：In line with the application of the 2013 edition of the IFRSs from 2015, the Company retroactively adjusted the annual financial statements of 2014.

6.2.2 Financial Analysis– Based on the Parent Company only Financial Statement

Item		Financial analysis for the last five fiscal years (Year)				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt ratio	30.05	28.27	28.12	24.25	25.52
	Ratio of long term capital to property, plant, and equipment	802.82	837.36	951.53	1,189.71	1,090.07
Solvency (%)	Current ratio	463.80	309.66	246.33	310.12	280.03
	Quick ratio	405.80	278.98	226.35	285.35	253.48
	Interest coverage ratio	16.89	29.90	42.79	57.25	59.37
Operating performance	Accounts Receivable turnover (times)	14.85	15.27	14.17	14.22	15.16
	Average collection period	25	24	26	26	24
	Inventory turnover (times)	9.90	9.38	10.83	12.03	11.90
	Accounts payable turnover (times)	12.45	13.28	12.27	12.33	14.01
	Average days in sales	37	39	34	30	31
	Property, plant, and property turnover (times)	4.15	3.77	3.85	4.69	5.26
	Total asset turnover (times)	0.45	0.40	0.34	0.38	0.41
Profitability	Return on total assets (%)	4.76	7.88	9.62	11.26	10.79
	Return on stockholders' equity (%)	6.53	10.79	13.12	15.01	14.15
	Pre-tax income to paid-in capital ratio (%)	32.08	54.90	67.96	86.19	89.61
	Profit margin (%)	9.68	19.25	26.30	29.00	26.18
	Earnings Per Share (NT$) (Note)	2.81	4.85	6.19	7.76	7.78
Cash flow	Cash flow ratio (%)	43.38	89.11	53.36	76.46	71.42
	Cash flow adequacy ratio (%)	106.45	110.71	132.63	149.24	130.54
	Cash reinvestment ratio (%)	0.37	6.11	2.29	2.37	1.28
Leverage	Operating leverage	1.95	1.55	1.56	1.28	1.19
	Financial leverage	1.25	1.12	1.11	1.05	1.04

Note：In line with the application of the 2013 edition of the IFRSs from 2015, the Company retroactively adjusted the annual financial statements of 2014.

6.2.3 Financial Analysis– Based on R.O.C. GAAP：Not applicable.

6.3 Audit Committee's Review Report for the Most Recent Year's Financial Statement

Formosa Plastics Corporation
Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, including Consolidated and Individual Financial Statement, and Proposal for Profits Distribution. The CPA firm of KPMG was retained to audit Formosa Plastics Corporation's Financial Statements and has issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and Proposal for Profits Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Formosa Plastics Corporation. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Plastics Corporation
Chairman of the Audit Committee：Chi-Lin, Wei

March 25, 2019

6.4 Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report：

Refer to the pages 268 to 359.

6.5 Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report：

Refer to the pages 360 to 445.

6.6 The Financial Difficulties of the Company and its Affiliated Companies：None.

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

7.1 Analysis of Financial Status

The reason, impact and the Company’s plan about the significant change (refer to the variation up to 20％ and the amount of difference over NT$ 100,000 thousand) of assets, liabilities and shareholders’ equity in the most recent two fiscal years.

Unit：NT$ thousands

Item \ Year	2018	2017	Difference	
			Amount	％
Current Assets	184,262,229	184,212,236	49,993	0.03
Fixed Assets	317,251,038	291,858,800	25,392,238	8.70
Total Assets	501,513,267	476,071,036	25,442,231	5.34
Current Liabilities	83,051,141	71,274,256	11,776,885	16.52
Long-term Liabilities	62,894,125	59,786,614	3,107,511	5.20
Total Liabilities	145,945,266	131,060,870	14,884,396	11.36
Capital Stock	63,657,408	63,657,408	0	0
Capital Reserve	11,713,842	11,649,929	63,913	0.55
Retained Earnings	198,382,191	182,149,818	16,232,373	8.91
Other Equity Interest	81,814,560	87,553,011	- 5,738,451	- 6.55
Total Stockholders' Equity	355,568,001	345,010,166	10,557,835	3.06

Note：all variation of items are not over 20％.

7.2 Analysis of Financial Performance

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

Unit：NT$ thousands

Item \ Year	2018	2017	Difference	
			Amount	%
Operating revenues	230,370,027	206,709,755	23,660,272	11.45
Cost of sales	193,061,959	173,240,579	19,821,380	11.44
Gross profit	37,308,068	33,469,176	3,838,892	11.47
Operating expenses	11,966,756	11,530,980	435,776	3.78
Operating income	25,341,312	21,938,196	3,403,116	15.51
Non-operating income and expense	31,751,064	32,966,147	- 1,215,083	- 3.69
Net income before tax	57,092,376	54,904,343	2,188,033	3.99
Income tax expense	7,542,836	5,521,490	2,021,346	36.61
Net income	49,549,540	49,382,853	166,687	0.34

Explanation：

1. From 2017 to 2018, gross profit increased 11.47％, operating income increased 15.51％ and income tax expense increased 36.61％. The main reason is as follows：In the first three quarters for 2018, the strong global economic growth has led to higher demand for petrochemical. Oil price jumped by 24% driven by production cut from major oil producing countries such as OPEC and Russia. Moreover, demand for alumina, paper, home appliance and epoxy resins have increased thanks to industry boom in automotive, construction, e-commerce and home appliance. The decreasing supply driven by capacity maintenance, production outages, or production reduction on environmental inspection of other companies, has pushed up prices and spreads for caustic soda, AN, MMA and ECH. However, amid the uncertainties brought by US-China trade tension, global economy and international trade have been

deteriorated in 4Q18. While the US is driving its economic growth, pressures on oil prices have been weighted on. The US thus increased its oil production, which resulted in around 40% of decline in oil price and led to the sharp collapse in ethylene, propylene, and petrochemical product prices. Product spreads and sales volume have decreased as downstream clients have therefore turned to hold a more conservative, wait-and-see stance on its procurement. In summary, the Company has completed the phase 1 and phase 2 Ningbo 42K tpa PP plant debottleneck project, and well-managed its equipment safety to maintain a stable operation, which have resulted in 91% capacity utilization rate in 2018, higher than 90% in 2017. Meanwhile, the Company has been developing overseas markets aggressively and increasing sales contribution from high-valued differentiated products. As a result, the Company's consolidated gross profit, operating income and income tax expense increased in 2018 from 2017.

2. Gross profit variance analysis：

Unit：NT$ thousands

Item	Variances between 2018 and 2017	Effect of variances			
		Sales variances	Cost variances	Product mix	Quantity variances
Gross Profit	3,838,892	19,241,002	-16,974,808	-269,307	1,842,005

Explanation：The gross profit increased in 2018 from 2017, mainly due to increase of prices and spreads for caustic soda, AN, MMA and ECH.

3. A sales volume forecast and the basis therefor, and describe the effect upon the Company's financial operations as well as measures to be taken in response

Looking into 2019, global agencies such as International Monetary Fund (IMF) and World Bank have revised down their forecast on 2019 global GDP growth given the impact from US-China trade tension, slowdown in China's economic growth, Brexit risk, coupled with the impact from tightening monetary policies from Euro zone and US. The reasons above are likely to pressure the economic growth in the major economies.

IHS forecasts global ethylene capacity will increase around 7 million tons in 2019, mainly concentrated in North America, and Asia. In terms of demand, based on the global ethylene demand growth of 1.1x of GDP growth, incremental demand should be 6.2 million tons in 2019. Add that global ethylene capacity maintenance shutdowns are 1 million tons lower than in 2017, global ethylene supply is rather sufficient. Among the new capacities, 3 new ethylene plants with a total of 4.5 million tons of capacity from DowDuPont, ExxonMobil and Chevron Phillips Chemical have already started production. In 2019, there are 5 ethylene plants from FPC-USA, Sasol, Lotte, Indorama and Shintech, with a total of 4.68 million tons of capacity to come on stream. Net ethylene capacity increase from above companies are 9.18 million tons in total with incremental PE capacity to be over 6 million tons, which have impacted global PE market gradually. Due to the oversupply in PE market in North America, companies have cost advantage on low shale gas feedstock price, and most of the new capacities will primarily be exported. It is expected that the impact on petrochemical market in Asia will become serious increasingly in 2019.

In addition, looking into the historical upturn and downturn of global economic cycle, there was a recession in every 10 years, such as the Asian Financial Crisis in 1998, Global Financial Crisis in 2008, and 2018 could have reached the end of the economy upturn in the decade. Moreover, the petrochemical industry had remained its upcycle in four consecutive years since 2015 and the peak could have already ended in 2018. It is expected to face a challenging year of decline in 2019.

Nevertheless, in order to stabilize and mitigate the impact from trade tension, China government has rolled out measures such as the easing of environmental control, financial deleveraging, reduction on import tariffs, corporate taxes and fees, and the increase in export tax rebates. In the meantime, to expand spending on infrastructure improves domestic demand. These measures could help to improve the downstream plastic processing industry. Furthermore, although the US is now experiencing the slower pace in economy growth, petrochemical demand should not shrink sharply, which should be supported by the large domestic market in the US, the US presidential election in 2020, of which President Trump would create a favorable environment on both financials and economy, and the expectation on the growth in global economy in 2019.

However, there are still many variables that might affect global economic growth and petrochemical industry, which includes (1) the development of US-China trade tension, (2) the monetary policy in EU and US, (3) Brexit development, (4) the geopolitical risks in Middle East, (5) the trend of crude oil prices. The Company will still need to respond prudently when it comes to the potential problems mentioned above.

In the new year, facing the uncertainties brought by US-China trade tension and the environment under the unpredictable global market changes, the Company has prepared for the long resistance war. In view of the fact that AI is the key to future growth and competitiveness, the Company will expand its application into selling and production optimization, distillation tower energy saving, intelligent monitoring system maintenance, automatic optical inspection (AOI) image recognition, instrument digitization, product defect identification and other improvements, in order to avoid operational issue to ensure a smooth production, improve product yield and customer’s quality satisfaction, as well as reduce energy and raw material consumption to lower cost. In the meantime, to strengthen the Company’s long-term competitiveness via full implementation of AI model through rapid replication between plants.

Aside from this, the Company’s scheduled maintenance shutdowns in 2019 are lower than that in 2018. Although there will be fewer days of maintenance shutdown for ethylene capacity in Taiwan in 2019 from 2018, the Company will seek for imports to cover the shortfall in raw material, aiming to reach the target of “full production and sales”. Also, in an attempt to elevate sales volume for differentiated products and business operation, the Company will implement flexible sales strategies, diversify market into emerging markets such as India, Bangladesh, Southeast Asia, New Zealand, Australia and Africa, continue to expand sales agents in each region, and set up overseas warehouses in Vietnam and Bangladesh under the opportunity of international trade flow and supply chain restructure trend.

Meanwhile, the Company will continue to implement the review for strategy regarding to production, sales, research for each product, and will continue to hold innovation presentations, enhance the R&D and innovation, focus on the R&D of forward-looking products, recyclable and biodegradable green plastics, and continue to promote the circular economy to create an eco-friendly environment, as well as to develop new high value-added compounds for new applications to boost the Company's profit. In addition, the Company will aggressively promote the transformation program of Renwu complex, other capacity expansion and debottleneck projects. Through the efforts above, the Company expects to strengthen its business and to save growth momentum, and accordingly, to make the breakthrough of the challenges in 2019 in a constructive pace and achieve another new record in 2019.

7.3 Analysis of Cash Flow

Describe and analyze any cash flow changes in the most recent fiscal year, describe corrective measures to be taken in response to illiquidity, and provide a liquidity analysis for the coming year.

1. Cash flow analysis for the current year：

Unit：NT$ thousands

Cash, Beginning of Year	Net Cash Flow from Operating Activities	Cash Outflow	Cash Surplus (Deficit)	Remedies of Cash Deficit	
				Investment Plans	Financing Plans
18,165,145	50,507,277	45,361,650	23,310,772	-	-

(1)Operating activities：The current year's net cash inflow from operating activities is NT$50,507,277 thousand, which is mainly due to net cash inflow generated from operations of NT$30,959,532 thousand, interest received of NT$644,092 thousand, dividends received of NT$25,574,093 thousand, interest paid of NT$1,488,457 thousand and income tax of NT$5,181,983 thousand.

(2)Investing activities：The current year's net cash outflow from investing activities is NT$20,492,311 thousand, which is mainly due to acquisition of property, plant and equipment of NT$15,672,540 thousand and acquisition of investments accounted for using equity method of NT$4,461,444 thousand.

(3)Financing activities：The current year's net cash outflow from financing activities is NT$24,753,627 thousand, which is mainly due to cash dividends paid of NT$36,293,43 thousand, proceeds from issuing bonds of NT$9,300,000 thousand and increase in short-term notes and bills payable of NT$2,500,000 thousand.

2. Remedy for cash deficit and liquidity analysis

(1)There was no cash deficit in current year.

(2)Liquidity analysis in the most recent two fiscal years：

Year / Item	2018	2017	Variation (%)
Cash flow ratio	60.81%	64.64%	-3.83%
Cash flow adequacy ratio	120.31%	126.08%	-5.77%
Cash reinvestment ratio	2.46%	3.02%	-0.56%

Explanation：The current year's cash flow ratio decreased in 2018 from 2017, mainly due to the increase current liabilities in 2018 by NT$11,776,885 thousand. The current year's cash flow adequacy ratio decreased from in 2018 from 2017, mainly due to the increase inventories in 2018 by NT$3,139,140 thousand and increase cash dividend incomes in 2018 by NT$1,904,946 thousand.

3. Liquidity analysis for the coming year

Unit：NT$ thousands

Estimated Cash, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow	Estimated Cash Surplus (Deficit)	Remedies of Cash Deficit	
				Investment Plans	Financing Plans
23,310,772	41,775,035	42,964,021	22,121,786	-	-

Explanation：Cash flows from operating activities in 2019 is expected to be less than in 2018. However, due to sufficient cash at beginning of 2019, the estimated cash at the end of 2019 is surplus.

7.4 The Effect upon Financial Operations of Any Major Capital Expenditures in the Most Recent Years

7.4.1 Major Capital Expenditure Items and Source of Capital：

Unit：NT$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure			
				2018	2019	2020	2021
New expansion of HDPE plant in USA	Working Capital, Bank loan	2019.06.30	19,018,849	10,894,306	8,124,543		
PP debottleneck project in Ningbo	Working Capital	2019.10.31	309,666	154,389	124,360		
PDH expansion project in Ningbo	Working Capital, Bank loan	2021.09.30	23,992,026	60,893	7,143,529	10,396,838	5,549,530

Note：If material change is expected in the corresponding cost of capital of future borrowings and capital increase or in the policy of borrowing and capital increase, an explanation shall be provided

7.4.2 Expected Benefits：

1. Estimated increase in production, sales, and gross profits:

Unit：Metric tons；NT$ thousands

Year	Item	Quantity of Production	Quantity of Sales	Amount of Sales	Gross Profit
2020	New expansion of HDPE plant in USA	400,000	400,000	18,695,754	2,969,695
2020	PP debottleneck project in Ningbo	72,000	72,000	2,856,600	365,400
2022	PDH expansion project in Ningbo	600,000	600,000	15,282,180	3,147,120

2. Other benefits(such as the quality of products, pollution prevention, cost reduction and so on)：None.

7.5 Reinvestment Policy in the Most Recent Years, the Main Reasons for the Profits/Losses Generated Thereby, the Plan for Improving Reinvestment Profitability, and investment plans for the Coming Year：

Unit：NT$ thousands

Remark / Item	Amounts	Policies	Reasons for Gain or Loss	Action Plan	Investment Plan
Formosa Plastics International (Cayman) Limited (reinvests Formosa Ha Tinh (Cayman) Limited, which reinvests Formosa Ha Tinh Steel Corp.)	1,676,070	Long-term investment	The two blast furnaces have put into production at May 2017, and May 2018 respectively. The output is not up to the designed capacity, but it will continue to improve.	Continue to increase operating rates and reduce costs	None
Sky Dragon Investments Limited (reinvests Fujian Fuxin Special Steel Co., Ltd)	4,461,424	Long-term investment	The price of nickel raw materials rose affected by environmental audits in China, the increase in production capacity of Indonesian industry and low-cost competition, and the market demand in the fourth quarter shrank rapidly due to China-US trade war result in losses.	1. Expand sales of differentiated products such as ultra-pure ferrite 2. Increase the production of hot rolling carbon steel of Formosa Ha Tinh Steel Corp. under OEM contract 3.Carry out a cold rolling mill with 300 thousand tons per year	None

7.6 Risks

7.6.1 The impact of interest rate, exchange rate, and inflation rate changes on the Company's revenue, as well as corresponding actions：

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 2018 was 1.35%, and the annual growth rate of core consumer prices was 1.22%. 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. Lending of Capital：

In principle, the Company only issues loans to affiliated companies. The amount is in accordance with Article 15 of the Company Law and Procedures for Loaning Funds to other Parties of the Company, 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, no bad debt loss has occurred.

3. Endorsement：

The Company only endorses and guarantees subsidiaries, affiliated companies or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages. The endorsement is mostly for funding. The endorsement is in accordance with Procedures for Providing Endorsements and Guarantees to other Parties of the Company and granted with the approval of the Board of Directors. The Company has never been losses due to endorsement.

4. Derivative product 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 (R&D) Plans and Expected R&D expenses：

Item	R&D project products	Expected R&D Investments (NT$ thousands)	Expected R&D period	Explanation
1	PVC copolymer emulsion latex PR-900G for medical gloves	850	2019.02~2019.12	The demand of NBR medical gloves has increased rapidly in China and its price is higher. Developing a PVC copolymer emulsion mixed with NBR latex to produce medical gloves.
2	Cellulose nanofiber	21,000	2019.02~2021.02	The cellulose nanofiber of diameter of 3~4 nanometers made after chemical and mechanical processing with pulp. It weighs only one-fifth as much as steel but is five times stronger than steel. This product is expected to replace the steel and plastics as materials.
3	Electrolyte for the 48V start-stop lithium battery	500	2019.01~2020.12	It is equipped with miniaturization and brake recharging function to

Item	R&D project products	Expected R&D Investments (NT$ thousands)	Expected R&D period	Explanation
				improve the fuel efficiency of the car by 15%. It will be the standard equipment for hybrid electric vehicles in the future.
4	High flow property S-57 PVC powder resin for injection pipe fittings	6,200	2018.10~2019.12	It has high processing fluidity, and is applied to manufacture large diameter (>4 inch) PVC injection pipe or fittings.
5	Carbon fiber reinforced thermoplastic unidirectional sheet	5,803	2017.01~2019.04	It is applied to offshore oil pipe, automobile components, bicycle components, building material.
6	Long carbon fiber reinforced thermoplastic composites	1,000	2017.01~2019.06	It is applied to automobile components.
7	Medium absorption capacity SAP	4,640	2017.01~2019.06	It is suitable for economic diaper product.
8	Low energy consumption SAP	6,050	2018.01~2019.06	It improves the smell of SAP products, the moisture content of SAP products and saves steam.

Item	R&D project products	Expected R&D Investments (NT$ thousands)	Expected R&D period	Explanation
9	Novel odor control SAP	962	2018.06~2019.06	To meet the market needs of an aging society, developing new odor control type SAP applied to adult.
10	High resistance to crack growth pipe grade HDPE	5,000	2018.06~2020.12	It is applied to high resistance to crack growth gas pipe, water pipe.
11	Cap and closure grade HDPE	10,000	2019.01~2019.09	It is applied to low-odor cap and closure for mineral water, beverage bottle.
12	Injection grade HDPE	10,000	2019.02~2019.10	It is applied to high modulus injection products.
13	Fiber grade HDPE	10,000	2019.03~2019.12	It is applied to high strength/high spin ability/low fisheye/low smoke bicomponent fiber.
14	High strength EVA elastomer	8,000	2019.01~2019.12	It is applied to high value shoe-sole, LSFH wire and cable coating.
15	PP for ultra-soft non-woven fabric	1,600	2018.10~2019.10	It is developed to prevent chafing and protect a newborn’s delicate skin, and it is applied to baby diapers.

Item	R&D project products	Expected R&D Investments (NT$ thousands)	Expected R&D period	Explanation
16	Extruded PP foam	4,200	2018.02~2019.12	PP foaming material is with a young, strong, low cost, easy to recycle, reuse and high value. It can be used in transportation, car decoration materials, temperature preservation, high file packaging materials and other fields.
17	PP for high heat resistance retort CPP film	4,500	2018.03~2019.08	Developing PP for high heat resistance retort CPP film will benefit to expand the Japan market.
18	Functional PP for fiber reinforced composites	2,880	2018.06~2019.11	The use of high-strength modified PP can re-enhance the physical property of short fiber materials. It can meet the different fiber length needs of customers by provide long/short fiber PP special materials for use in high-strength automotive materials.

7.6.4 Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response：

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 2018 to February 28, 2019, the following changes or developments in governmental policies and regulations may influence the Company’s business and financial operations：

1. Amendment to the Company Act on August 1st, 2018, according to the President-Hua-Tzung-Yi-Ching-Tzu order number 10700083291: Shareholders continuously holding 50% or more of the total number of outstanding shares of a company for a period of three months or a longer time may convene a special shareholders’ meeting. A company may explicitly provide for in its Articles of Incorporation that the surplus earning distribution proposal may be proposed at the close of each quarter or each half fiscal year. Matters such as reduction of capital and approval of competing with the company by directors shall not be brought up as extemporary motions in a shareholders’ meeting. Non-public company may, if it is agreed by all directors, held its Board of Directors meeting by means of written consents. A company shall report annually items as required by the central competent authority of its directors, supervisors, managerial officers, and shareholders holding more than 10 percent of the total shares of a company. Overall the amendment to the Company Act in the order mainly focus on strengthening corporate governance. There is no material impact on the Company’s operation. The Company has followed the amendment to the Company Act.
2. IFRS 16 is a new lease accounting standard published by the International Accounting Standards and comes into effect on

January 1st, 2019. According to the evaluation of the CPA, there is no material impact on the Company’s financial statements.

3. The National People's Congress of China passed the amendment of 「Individual income tax of resident of People's Republic of China」 on August 31st, 2018, and the command number 707 from the State Department of the People's Republic of China amendment of「Detailed rules for implementation of Individual income tax of resident of People's Republic of China」 on December 18th 2018. The above-mentioned amendments mainly focus on limiting the standard of taxable residents, establishing the system of individual income tax and extending tax exempt period of foreigners, etc. The company has adjusted the tax payable amount from personal income, including the salary and bonus of the Company’s dispatched personnel and staffs of subsidiaries in the Republic of China.

7.6.5 Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response：None.

7.6.6 Effect on the Company's crisis management of changes in the company's corporate image, and measures to be taken in response：The Company has built up the good image by adhering to the business philosophy of “Diligence, Perseverance, Frugality and Trustworthiness; Aiming at the Sovereign Good; Perpetual Business Operation; Dedication to the Society”. It will continue to strive for excellence and make greater contributions to the society.

7.6.7 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken：None.

7.6.8 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken：Please refer to 7.4 The Expected benefits of major capital expenditures in recent years. The potential risks and measures to be taken in response：None.

7.6.9 Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken：

1. Purchases：The Company's raw materials, ethylene and propylene, are mainly from Formosa Petrochemical Corp. and CPC Corp., Taiwan. If those two companies arrange maintenance or reduce the output, the Company also has to cooperate with maintenance or reduce production. Therefore, the Company sets up an imported ethylene storage tank lease contract with CPC Corp., Taiwan. When the supply of ethylene is insufficient due to maintenance and reduction production of CPC Corp., Taiwan, the Company can purchase the imported ethylene supplement from abroad and apply for a foreign ship to carry the ethylene from Mailiao to Kaohsiung or exchange with the trading company to carry ethylene to Kaohsiung. However, if the petrochemical market is at a high level, in order to maintain production, there will be a risk of being forced to import high-priced raw materials. In addition, the raw material, industry salt, is imported from Mexico, Australia and other regions by diversifying import areas to avoid purchasing concentration.
2. Sales：At present, most of the Company's petrochemical products are exported to China, which situation faces the risks of that rapid increase in production capacity or policy changes in China. Therefore, the Company gradually expands its export market to other regions to diversify risks. Taking PVC as an example, the proportion of the Company's exports to China has dropped from 27% in 2017 to 24.4% in 2018. In the future, it will actively expand markets in Southeast Asia, New Zealand, Australia, the Middle East, Africa and South America to diversify risks. In 2018, PE

export market is concentrated in China. However, expected slow economic growth in China, the tax barriers, and the Middle East materials and the new capacity from coal chemical industry competing at a low price are not conducive to the sales of PE products of the Company. In order to mitigate those risks, the Company actively expands the high-yield products market, and diversifies markets risk by actively expanding areas of zero tariffs (such as Vietnam) or lower tariff barriers (such as Bangladesh), and spreading to other potential markets (Africa Kenya, Egypt, Turkey, etc.). In addition, the Company sets up overseas delivery warehouses to shorten the delivery period, and sets up technical service offices outside China, such as Dubai, Germany, India and Vietnam, with sales and technical personnel to stay in the station, to strengthen relationship with foreign customers and promote business and technical services to increase sales.

7.6.10 Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken：None.

7.6.11 Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken：None.

7.6.12 Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that： (1) involve the company and/or any company director, any company supervisor, preside t, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation, where such a dispute could materially affect shareholders' equity or the prices of the company's securities：

The civil lawsuit about 74 people including Shu-fen Zhang from Taixi Township against five company, Formosa Plastics Corp., Nanya Plastics Corp., Formosa Chemicals & Fiber Corp., Formosa Petrochemical Corp. and Mai-Liao Power Corp. for NT$70,176,986.

(1)Disputes：74 people including Shu-fen Zhang from Taixi Township claimed that the five company including the Company in the sixth nephra cracker's gas emission caused that 20 persons in their families died and 9 persons suffered from cancer. Hence, they filed damaged lawsuit from Taiwan Yulin District Court, asking compensation. However, despite that fact that plaintiff makes the case that petrochemical industry is the direct cause to the death and caner by the air pollution it produced, but never provide evidence about the pollution tolerance, air quality, causation to cancer by its operation. None of them filed by scientific evidence. Therefore, the Company asks lawyer to represent us as defendant to protect our own interest. The case is still on trial at Yulin District Court.

(2)Target amount:：NT$70,176,986

(3)The commencement date of the lawsuit：August 13, 2015

(4)Main litigant：74 people including Shu-fen Zhang from Taixi Township

(5)Current situation：On trial at Yunlin District Court

7.6.13 Other important risks, and mitigation measures being or to be taken：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, the Company has 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 faster, 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 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, the Company cannot guarantee the information system will not be affected by cyber threats. To mitigate the effects of cyber threats, the Company has considerable security protection measures and trainings.

7.6.14 The Organization Structure of Risk Management：

Risk Evaluation Items	Risk Management Unit	Risk Review
1. Interest rate, fluctuation in foreign exchange rate, and inflation	President Office, Accounting Department, Financial Department, President Office of the General Administrative Office of Formosa Plastics Group	Computer audit and regular self-inspection, monthly fund meeting, joint meeting of financial executives, internal auditing office, and the Board of Directors
2.High-risk, high leverage investments, loaning funds to other parties, providing endorsements and guarantees to other parties, and derivatives transaction	President Office, Financial Department, President Office of the General Administrative Office of Formosa Plastics Group	Computer audit and regular self-inspection, monthly fund meeting, joint meeting of financial executives, internal auditing office, and the Board of Directors
3. R&D plan	President Office, Support Department of each businessDivision, General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, R&D project meeting, the Board of Directors, and internal auditing office
4. Important policy and legal changes at home and abroad	President Office, Manager Office and Support Department of each business Division, Legal Affairs Office of the General Administrative Office, President Office of the General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, the Board of Directors, and internal auditing office
5. Technology Changes	President Office, Manager Office of each business Division, R&D Department, General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, internal auditing office, and the Board of Directors
6. Changes in Corporate Image	President Office, Manager Office of each business Division, General Administrative	Production and sales meeting, business performance meeting, and the Board of Directors

Risk Evaluation Items	Risk Management Unit	Risk Review
	Office of Formosa Plastics Group	
7. M&A or reinvestment	President Office, Manager Office of each business Division, General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, internal auditing office, and the Board of Directors
8. Expansion of Plants	President Office, Manager Office and Factory Affairs Office of each business Division, General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, internal auditing office, and the Board of Directors
9. Purchase or turnover concentration	President Office, Manager Office of each business Division, Procurement Department, President Office of the General Administrative Office of Formosa Plastics Group	Market weekly meeting, production and sales meeting, business performance meeting, auditing department, and the Board of Directors
10. Directors and supervisors and major shareholders equity transfer	President Office, Share Unit of Financial Department	Business management meeting and the Board of Directors
11. Changes in Operation Right	President Office, General Administrative Office of Formosa Plastics Group	Business management meeting and the Board of Directors
12. Litigious and non-litigious matters	President Office, Manager Office of each business Division, Legal Affairs Office of the General Administrative Office	Production and sales meeting, business performance meeting, internal auditing office, and the Board of Directors
13. Information Security	President Office, Manager Office of each business Division, General Administrative Office of Formosa Plastics Group	Business management meeting, internal auditing office and the Board of Directors

7.7 Other Important Matters：None.

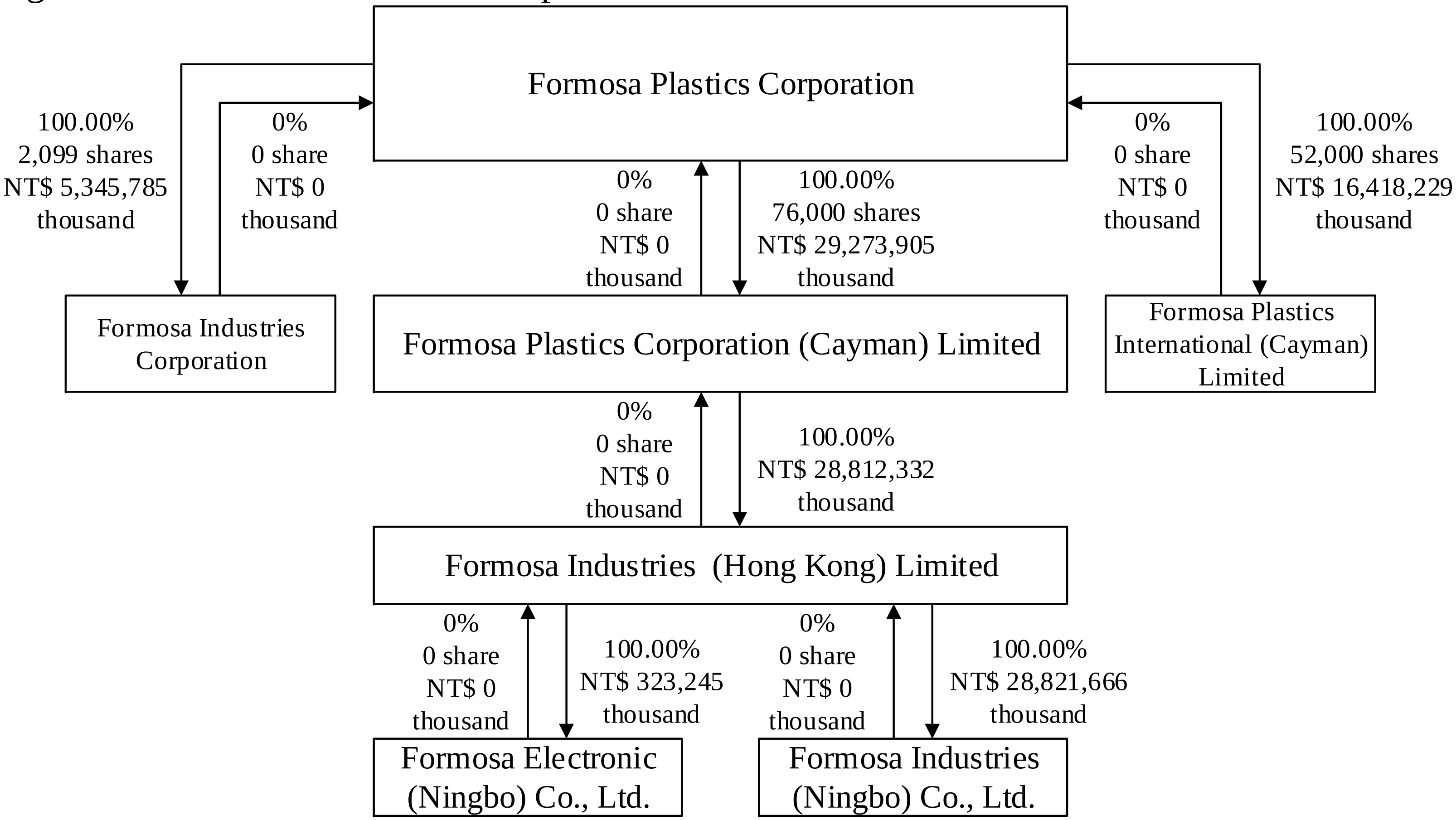
VIII. Other Special Notes

8.1 Summary of Affiliated Companies

8.1.1 Consolidated Business Report of Affiliated Companies

1.Status of affiliated companies

(1) Organization chart of affiliated companies



Note 1：The Company is the controlling company of the above-mentioned companies and those are the subordinate companies of the Company. (The information of shareholding shares and ratio is as of December 31, 2018)

Note 2：The unit of the amount of investment is NT$ thousands.

Note 3：The definition of affiliated companies is based on the Article 369-1 of Company Act.

(2) The basic information of affiliated companies

Name of Company	Incorporation Date	Address	Paid-in capital Unit: USD thousands	Main Business Items
Formosa Plastics Corporation (Cayman) Limited	2002	Corporate Centre, West Bay Road, P.O. Box 31106 SMB, Grand Cayman, Cayman Islands, British West Indies	76	Investment
Formosa Industries (Hong Kong) Limited	2007	7/F, Citicorp Centre, 18 Whitfield Rd, Causeway Bay, HK	724,280	Investment
Formosa Industries (Ningbo) Co., Ltd.	2002	FPG Industrial Zone, Xiapu, Beilun, Ningbo, China	722,023	PVC, acrylic acid and ester, polypropylene, super absorbent polymer, ethylene vinyl acetate copolymer
Formosa Electronic (Ningbo) Co., Ltd.	2004	FPG Industrial Zone, Xiapu, Beilun, Ningbo, China	2,260	Distributed control system (DCS)
Formosa Industries Corporation	2015	9 Peach Tree Hill Road, Livingston, NJ, U.S.A.	209,880	High density polyethylene
Formosa Plastics International (Cayman) Limited	2016	Caribbean Plaza, 878 West Bay Road, P.O. Box 10335, Grand Cayman, Cayman Islands	52	Investment

Note 1：All affiliated companies should be disclosed no matter its scales.

Note 2：If an affiliated company has a factory which sales value of product exceeds 10% of the operating income of the controlling company, the name of the factory, the incorporation date, address and the main production products of the factory should be specified.

Note 3：If the affiliated company is a foreign company, the name and address could be stated in English and the incorporation date could be stated with Common Era and the amount of paid-in capital also could be stated in foreign dollar. The exchange rate of US Dollar to New Taiwan Dollar at the end of fiscal year is 1:30.733.

(3) Shareholders concluded as the existence of the controlling and subordinate company relation：

None.

Unit：NT$ thousands；share；%

Presumptive reason	Name (Note 1)	Shareholding (Note 2)		Incorporation Date	Address	Paid-in capital	Main Business Items
		Shares	Shareholding ratio				
-	-	-	-	-	-	-	-

(4) The industries covered by the business operated by the affiliates overall. (Please describe the mutual dealings and division of work among such affiliates)：

Industry：petrochemical industry, electronic industry, investment industry.

Business relationship：The Company sells vinyl chloride (VCM) and n-butanol (NBA) to Formosa Industries (Ningbo) Co., Ltd.

(5) Directors, Supervisors and Presidents of affiliated companies

Unit：share；%

Name of Company	Title (Note 1)	Name or Representative	Shareholding (Note 2) (Note 3)	
			Shares	Shareholding ratio
Formosa Plastics Corporation (Cayman) Limited	Chairman	Jason Lin (Note 3.1)	76,000	100.00
Formosa Industries (Hong Kong) Limited	Chairman	Jason Lin (Note 3.2)	-	100.00
Formosa Industries (Ningbo) Co., Ltd.	Chairman	Jason Lin (Note 3.3)	-	100.00
	Director	K. L. Huang (Note 3.3)	-	100.00
	Director	Cheng-Chung Cheng (Note 3.3)	-	100.00
	Director	Ming-Hung Cheng (Note 3.3)	-	100.00
	Director	Han-Sheung Wang (Note 3.3)	-	100.00
	Director	T. T. Chen (Note 3.3)	-	100.00
	Director	Feng-Chou Chuang (Note 3.3)	-	100.00
	Supervisor	Chia-Tso Chang (Note 3.3)	-	100.00
Formosa Electronic (Ningbo) Co., Ltd.	Chairman	Jason Lin (Note 3.4)	-	100.00
	Director	Y.Y. Lee (Note 3.4)	-	100.00
	Director	Si-Fu Hsieh (Note 3.4)	-	100.00
	Supervisor	Chia-Tso Chang (Note 3.4)	-	100.00
Formosa Industries Corporation	Chairman	C. T. Lee (Note 3.5)	2,098.8	100.00
	Director	Jason Lin (Note 3.5)	2,098.8	100.00
	Director	K. L. Huang (Note 3.5)	2,098.8	100.00

Name of Company	Title (Note 1)	Name or Representative	Shareholding (Note 2) (Note 3)	
			Shares	Shareholding ratio
Formosa Plastics International (Cayman) Limited	Chairman	Jason Lin (Note 3.6)	52,000	100.00

Note 1：If an affiliated company is a foreign company, list the equivalent title.

Note 2：If the invested company is a company limited by shares, please fill in the share number and shareholding ratio. For others, please indicate so, and fill in invested amount and invested percentage.

Note 3：1. The chairman of Formosa Plastics Corporation (Cayman) Limited, Jason Lin, is the representative of Formosa Plastics Corporation. He and his spouse & minor children do not hold the share of Formosa Plastics Corporation (Cayman) Limited.

2.The chairman of Formosa Industries (Hong Kong) Limited, Jason Lin, is the representative of Formosa Plastics Corporation (Cayman) Limited. He and his spouse & minor children do not hold the shares of Formosa Industries (Hong Kong) Limited.

3. The chairman of Formosa Industries (Ningbo) Co., Ltd., Jason Lin, and directors, K. L. Huang, Cheng-Chung Cheng, Ming-Hung Cheng, Han-Hsiung Wang, T. T. Chen and Feng-Chou Chuang and supervisor, Chia-Test Chang, are the representatives of Formosa Industries (Hong Kong) Limited. They and their spouses & minor children do not hold the shares of Formosa Industries (Ningbo) Co., Ltd.

4. The chairman of Formosa Electronic (Ningbo) Co., Ltd., Jason Lin, and directors, Y.Y. Lee and Si-Fu Hsieh and supervisor, Chia-Test Chang, are the representatives of

Formosa Industries (Hong Kong) Limited. They and their spouses & minor children do not hold the shares of Formosa Electronic (Ningbo) Co., Ltd.

5. The chairman of Formosa Industries Corporation, C. T. Lee, and directors, Jason Lin, and K. L. Huang, are the representatives of Formosa Plastics Corporation. They and their spouses & minor children do not hold the shares of Formosa Industries Corporation.
6. The chairman of Formosa Plastics International (Cayman) Limited, Jason Lin, is the representative of Formosa Plastics Corporation. He and his spouse & minor children do not hold the shares of Formosa Plastics International (Cayman) Limited.

1. Operation results of affiliated companies

Unit：NT$ thousands 2018.12.31

Name of Company	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	Earnings per share (NT$)
Formosa Plastics Corporation (Cayman) Limited	2,530	29,283,239	0	29,283,239	0	-90	472,346	6,215.08
Formosa Industries (Hong Kong) Limited	23,797,042	29,144,911	0	29,144,911	0	0	499,270	-
Formosa Industries (Ningbo) Co., Ltd.	23,074,124	46,544,510	17,722,844	28,821,666	51,243,540	2,303,167	466,761	-
Formosa Electronic (Ningbo) Co., Ltd.	74,648	821,872	498,627	323,245	317,551	35,823	32,509	-
Formosa Industries Corporation	6,864,287	14,821,384	9,475,598	5,345,786	0	-6,460	-569,094	-271,126.45
Formosa Plastics International (Cayman) Limited	1,741	16,418,228	0	16,418,228	0	0	0	0

Note 1：All affiliated companies should be disclosed no matter its scales.

Note 2：If the affiliated company is a foreign company, the amount should be exchange into New Taiwan Dollar with the exchange rate at the end of fiscal year. The exchange rate of US Dollar to New Taiwan Dollar at the end of fiscal year is 1:30.733.

8.1.2 Affiliated company's consolidated financial statements：same as the Company financial statements.

8.2 The Status of Private Placement of Securities in the Most Recent Year and as of the Date of Publication of the Annual Report：None.

8.3 The Subsidiaries of the Company Acquired, Disposed of the Shares of the Company in the most Recent Year and as of the Date of Publication of the Annual Report：None.

8.4 Other Necessary Supplement：None.

8.5 The Significant Impacts on Shareholders' Right or Share Prices as Stated in Item 3 Paragraph 2 of Article36 of Securities and Exchange Law of Taiwan in the Most Recent Year and as of the Date of Publication of the Annual Report：None.

Stock Code:1301

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: No.100, Shuiguan Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.)

Telephone: (07)371-1411

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Table of Contents

Representation Letter

The entities that are required to be included in the combined financial statements of Formosa Plastics Corporation as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Formosa Plastics Corporation and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Formosa Plastics Corporation
Chairman: Jaing-Nan Lin
Date: March 25, 2019

Independent Auditors' Report

To the Board of Directors of Formosa Plastics Corporation:

Opinion

We have audited the consolidated financial statements of Formosa Plastics Corporation (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in 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 during our audits and the reports of the other auditors are sufficient and appropriate to provide a basis of 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, and we do not provide a separate opinion on these matters.

1. Revenue Recognition

   As the control of products transfers at different points in time, it exposes the risk wherein revenue may not be recognized within the proper period. For this reason, revenue recognition is considered to be one of our key audit matters. The accounting policies and the related information for the revenue recognition were discussed in Notes 4(q) and 6(o) to the consolidated financial statements.

The principal audit procedures we have performed to address the aforementioned key audit matter included assessing the rationality of accounting treatment for revenue recognition; vouching the original sales documents according to the transactions with the customers during a selected period of time before and after the balance sheet date to evaluate whether the revenue is recorded appropriately.

2. Valuation of Inventories

The Group measured the cost and net realizable value of inventory and recognized the loss on the balance sheet date according to IAS 2 (including loss on obsolescence of inventories); However, to determine whether or not the loss of inventories should be recognized depends on the subjective judgment of the management. For this reason, the valuation of inventories is considered to be one of the key audit matters. The accounting policies and the related information for the valuation of inventories were discussed in Notes 4(h), 5 and 6(f) to the consolidated financial statements.

The principal audit procedures we have performed to address the aforementioned key audit matter included assessing the appropriateness of the policy on inventory valuation and slack loss recognition; ensuring whether the process of inventory valuation is in conformity with the accounting policies, confirming the sales price adopted by the management and the changes in the market price of inventory in the period after the balance sheet date; and sampling procedures to assess the reasonableness of the net realizable value of inventory.

Other Matter

We did not audit the financial statements of certain investee companies under the equity method. The Group's investments in the aforementioned investee companies constituted 31.81% and 32.31% of the consolidated total assets as of December 31, 2018 and 2017, respectively; and the recognized shares of profit of associates accounted for using equity method of these investee companies constituted 39.98% and 53.15% of the consolidated income before tax for the years ended December 31, 2018 and 2017, respectively. The consolidated financial statements of the aforementioned investee companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investee companies, is based solely on the reports of other auditors.

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017 and have expressed an unqualified opinion thereon.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations and SIC interpretations as endorsed by the Financial Supervisory Commission of the Republic of China, 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 the audit committee) are responsible for overseeing the Group’s financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

The engagement partners on the audit resulting in this independent auditors' report are
Hui-chih Kou and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 23,310,772	5	18,165,145	4
1110	Current financial assets at fair value through profit or loss (Note 6(b))	4,017,249	1	-	-
1120	Current financial assets at fair value through other comprehensive income (Note 6(b))	98,426,404	20	-	-
1125	Available-for-sale financial assets－current (Note 6(c))	-	-	111,581,327	23
1150	Notes receivable (Notes 6(d)(q))	2,432,446	-	3,051,878	1
1170	Accounts receivable, net (Notes 6(d)(q))	9,422,032	2	7,971,516	2
1180	Accounts receivable－related parties (Notes 6(d)(q) and 7)	4,295,591	1	4,911,470	1
1200	Other receivables (Note 6(e))	1,381,590	-	1,304,199	-
1210	Other receivables－related parties (Notes 6(e) and 7)	16,692,844	3	15,665,975	3
130X	Inventories (Note 6(f))	20,756,740	4	17,617,600	4
1470	Other current assets	3,526,561	1	3,943,126	1
	Total current assets	184,262,229	37	184,212,236	39
1517	Financial assets at fair value through other comprehensive income-non-current(Note 6(b))	26,542,369	5	-	-
1543	Financial assets carried at cost－non-current	-	-	18,538,315	4
1550	Investments accounted for using equity method (Notes 6(g) and 8)	203,967,598	42	194,029,840	41
1600	Property, plant and equipment (Notes 6(h), 7 and 8)	76,618,563	15	69,094,450	14
1780	Intangible assets	430,613	-	431,315	-
1840	Deferred tax assets	2,455,815	-	2,156,300	-
1900	Other assets (Notes 7 and 8)	7,236,080	1	7,608,580	2
	Total non-current assets	317,251,038	63	291,858,800	61
	Total assets	$ 501,513,267	100	476,071,036	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Notes 6(i))	$ 20,398,302	4	14,921,759	3
2110	Short-term notes and bills payable (Note 6(j))	11,995,636	3	9,495,509	2
2170	Accounts payable	4,278,011	1	4,052,981	1
2180	Accounts payable－related parties (Note 7)	7,866,286	2	8,452,435	2
2200	Other payables	4,739,699	1	3,480,988	1
2220	Other payables－related parties (Note 7)	11,390,216	2	5,424,029	1
2321	Current portion of bonds payable (Note 6(l))	4,598,557	1	5,696,600	1
2322	Current portion of long-term debts (Notes 6(k) and 8)	4,541,715	1	6,737,722	1
2399	Other current liabilities (Note 7)	13,242,719	3	13,012,233	3
	Total current liabilities	83,051,141	18	71,274,256	15
	Non-Current liabilities:				
2530	Bonds payable (Note 6(l))	32,556,004	6	27,861,638	6
2540	Long-term debts (Notes 6(k) and 8)	6,281,339	1	9,893,975	2
2570	Deferred tax liabilities(Note 6(n))	16,670,784	4	14,464,611	3
2640	Net defined benefit liabilities(Note 6(m))	7,123,118	1	7,262,543	2
2670	Other liabilities (Note 6(g))	262,880	-	303,847	-
	Total non-current liabilities	62,894,125	12	59,786,614	13
	Total liabilities	145,945,266	30	131,060,870	28
	Equity (Note 6(o)):				
3110	Common stock	63,657,408	13	63,657,408	13
3200	Capital surplus	11,713,842	2	11,649,929	2
	Retained earnings:				
3310	Legal reserve	57,103,815	11	52,165,530	11
3320	Special reserve	58,778,533	12	51,285,206	11
3350	Unappropriated retained earnings	82,499,843	16	78,699,082	17
	Total retained earnings	198,382,191	39	182,149,818	39
3400	Other components of equity	81,814,560	16	87,553,011	18
	Total equity	355,568,001	70	345,010,166	72
	Total liabilities and equity	$ 501,513,267	100	476,071,036	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (Notes 6(q)(r) and 7)**	$ 230,370,027	100	206,709,755	100
5000	**Operating costs (Notes 6(f)(h)(m)(s) and 7)**	193,061,959	84	173,240,579	84
	Gross profit	37,308,068	16	33,469,176	16
	Operating expenses (Notes 6(d)(h)(m)(s) and 7):				
6100	Selling expenses	6,115,295	3	5,778,400	3
6200	Administrative expenses	4,713,287	2	4,784,185	2
6300	Research and development expenses	1,138,174	-	968,395	-
	Total operating expenses	11,966,756	5	11,530,980	5
	Operating income	25,341,312	11	21,938,196	11
	Non-operating income and expenses (Notes 6(d)(g)(h)(t) and 7):				
7010	Other income	8,344,017	4	6,241,452	3
7020	Other gains and losses	807,515	-	(1,642,268)	(1)
7050	Finance costs	(1,480,040)	(1)	(1,527,802)	(1)
7060	Recognized share of profit of associates and joint ventures accounted for using equity method, net	24,079,572	10	29,894,765	14
	Total non-operating income and expenses	31,751,064	13	32,966,147	15
	Income before income tax	57,092,376	24	54,904,343	26
7950	Less: income tax expense (Note 6(n))	7,542,836	3	5,521,490	3
	Net income	49,549,540	21	49,382,853	23
8300	**Other comprehensive income(Notes 6(m)(n)(o)):**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(285,593)	-	(577,649)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(12,003,865)	(5)	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(4,615,730)	(2)	(121,817)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	169,178	-	98,200	-
	Total amount of items that could not be reclassified subsequently to profit or loss	(16,736,010)	(7)	(601,266)	-
8360	**Components of other comprehensive income that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation	1,770,369	1	(6,363,713)	(3)
8362	Unrealized gains on valuation of available-for-sale financial assets	-	-	14,838,705	7
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	392,426	-	2,508,328	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(522,685)	-	1,236,221	1
	Total amount of components of other comprehensive income that will be reclassified to profit or loss	1,640,110	1	12,219,541	6
8300	**Other comprehensive income, net**	(15,095,900)	(6)	11,618,275	6
8500	**Total comprehensive income**	$ 34,453,640	15	61,001,128	29
	Basic earnings per share (Note 6(p))				
		Before	After	Before	After
	-before/after income tax	$ 8.97	7.78	8.62	7.76

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Share capital		Retained earnings			Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on hedging instruments	Total equity
Balance at January 1, 2017	$ 63,657,408	11,428,970	48,226,276	46,721,324	67,703,039	2,794,229	-	72,488,184	51,057	-	313,070,487
Net Income for the period	-	-	-	-	49,382,853	-	-	-	-	-	49,382,853
Other comprehensive income (loss) for the period, net of income tax	-	-	-	-	(601,266)	(6,019,258)	-	18,280,305	(41,506)	-	11,618,275
Total comprehensive income (loss) for the period	-	-	-	-	48,781,587	(6,019,258)	-	18,280,305	(41,506)	-	61,001,128
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	3,939,254	-	(3,939,254)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,563,882	(4,563,882)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(29,282,408)	-	-	-	-	-	(29,282,408)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	917	-	-	-	-	-	-	-	-	917
Other changes in capital surplus	-	220,042	-	-	-	-	-	-	-	-	220,042
Balance at December 31, 2017	63,657,408	11,649,929	52,165,530	51,285,206	78,699,082	(3,225,029)	-	90,768,489	9,551	-	345,010,166
Effects of retrospective application	-	-	-	-	3,181,817	-	99,924,374	(90,768,489)	(9,551)	9,551	12,337,702
Balance at January 1, 2018 after adjustments	63,657,408	11,649,929	52,165,530	51,285,206	81,880,899	(3,225,029)	99,924,374	-	-	9,551	357,347,868
Net Income for the period	-	-	-	-	49,549,540	-	-	-	-	-	49,549,540
Other comprehensive income (loss) for the period, net of income tax	-	-	-	-	(201,564)	1,668,424	(16,534,446)	-	-	(28,314)	(15,095,900)
Total comprehensive income (loss) for the period	-	-	-	-	49,347,976	1,668,424	(16,534,446)	-	-	(28,314)	34,453,640
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	4,938,285	-	(4,938,285)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	7,493,327	(7,493,327)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(36,284,722)	-	-	-	-	-	(36,284,722)
Cash dividends of preference share	-	-	-	-	(12,698)	-	-	-	-	-	(12,698)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	(27,612)	-	-	-	-	-	-	-	-	(27,612)
Other changes in capital surplus	-	91,525	-	-	-	-	-	-	-	-	91,525
Balance at December 31, 2018	**$ 63,657,408**	**11,713,842**	**57,103,815**	**58,778,533**	**82,499,843**	**(1,556,605)**	**83,389,928**	**-**	**-**	**(18,763)**	**355,568,001**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 57,092,376	54,904,343
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	6,936,928	7,904,294
Amortization expense	514,967	545,805
Expected credit loss / Provision for bad debt expense	945	(1,678)
Net gain on financial assets or liabilities at fair value through profit	(215,889)	-
Interest expense	1,480,040	1,527,802
Interest income	(660,660)	(483,538)
Dividend income	(7,511,680)	(5,606,734)
Share of profit of associates and joint ventures accounted for using equity method	(24,079,572)	(29,894,765)
Gain on disposal of property, plant and equipment	(119,338)	(9,851)
Gain on disposal of investments	-	(1,762,716)
Impairment loss on non-financial assets	911,512	2,347,867
Unrealized foreign exchange loss	14,651	110,414
Total adjustments to reconcile profit	(22,728,096)	(25,323,100)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	619,432	(1,203,340)
Increase in accounts receivable	(1,461,514)	(68,277)
Decrease (increase) in accounts receivable due from related parties	615,879	(983,188)
(Increase) decrease in other receivable	(62,057)	(214,914)
(Increase) decrease in other receivable due from related parties	(378,511)	(63,700)
(Increase) decrease in inventories	(3,204,370)	(570,634)
(Increase) decrease in other current assets	416,317	207,550
Total changes in operating assets	(3,454,824)	(2,896,503)
Changes in operating liabilities:		
Decrease in accounts payable	225,031	(767,294)
Increase (decrease) in accounts payable to related parties	(586,149)	760,581
Increase (decrease) in other payable	155,487	(824,589)
Increase in other payable to related parties	164,647	145,079
Increase in other current liabilities	230,485	398,591
Decrease in net defined benefit liability	(139,425)	(382,226)
Total changes in operating liabilities	50,076	(669,858)
Total changes in operating assets and liabilities	(3,404,748)	(3,566,361)
Total adjustments	(26,132,844)	(28,889,461)
Cash inflow generated from operations	30,959,532	26,014,882
Interest received	644,092	475,019
Dividends received	25,574,093	22,771,652
Interest paid	(1,488,457)	(1,471,320)
Income taxes paid	(5,181,983)	(1,720,079)
Net cash flows from operating activities	50,507,277	46,070,154
Cash flows (used in) from investing activities:		
Proceeds from disposal of financial assets designated at fair value through profit or loss	772,908	-
Proceeds from disposal of available-for-sale financial assets	-	2,560,664
Acquisition of financial assets at cost	(1,676,070)	-
Acquisition of derivative financial assets for hedging	-	(1,737,518)
Acquisition of investments accounted for using equity method	(4,461,444)	(1,989,918)
Proceeds from capital reduction of investments accounted for using equity method	1,127,075	-
Acquisition of property, plant and equipment	(15,672,540)	(6,710,685)
Proceeds from disposal of property, plant and equipment	222,276	18,903
Acquisition of intangible assets	(55,830)	-
(Increase) decrease in other receivables due from related parties	(647,826)	4,238,401
Increase in other non-current assets	(100,860)	(475,640)
Net cash flows (used in) from investing activities	(20,492,311)	(4,095,793)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	396,653,692	338,088,287
Decrease in short-term borrowings	(391,181,044)	(347,987,424)
Increase (decrease) in short-term notes and bills payable	2,500,000	(504,057)
Proceeds from issuing bonds	9,300,000	7,000,000
Repayments of bonds	(5,700,000)	(10,750,000)
Proceeds from long-term debt	-	3,049,851
Repayments of long-term debt	(5,813,964)	(6,817,635)
Increase in due to related parties (recognized as other payables－related parties)	5,801,540	3,780,972
Increase (decrease) in other non-current liabilities	(20,421)	(39,234)
Cash dividends paid	(36,293,430)	(29,224,705)
Net cash flows from (used in) financing activities	(24,753,627)	(43,403,945)
Effect of exchange rate changes on cash and cash equivalents	(115,712)	(282,760)
Net increase (decrease) in cash and cash equivalents	5,145,627	(1,712,344)
Cash and cash equivalents at beginning of period	18,165,145	19,877,489
Cash and cash equivalents at end of period	$ 23,310,772	18,165,145

See accompanying notes to consolidated financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Formosa Plastics Corporation (the "Company") was incorporated on November 5, 1954, and established its factories in Kaohsiung City. The Company and its subsidiaries (the "Group") engages in the manufacture and sale of plastic raw materials, chemical fibers, and petrochemical products. The Company has gone through several capital increases and established many divisions, and become a well-diversified enterprise.

(2) Approval date and procedures of the consolidated financial review:

The accompanying consolidated financial statements of the Group as of and for the six months ended December 31, 2018 and 2017 were authorized for issuance by the board of directors on March 25, 2019.

(3) New standards, amendments and interpretations:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework with five steps for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

The Company continues using IAS 18, IAS 11 and their relating explanations without restating its financial statements when applying IAS 15, and adjusts its retained earnings on January 1, 2017 to show the cumulative impact when it first adopted IAS 15.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of a products, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. For some made-to-order paper product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue will be recognized as the products are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognized earlier than at present – i.e. before the goods are delivered to the customers’ premises.

2) Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “ Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

(Continued)

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(c).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(c).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

·Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

(Continued)

·The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

－The determination of the business model within which a financial asset is held.

－ The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

－The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables	18,165,145	Amortized cost	18,165,145
Fund instruments	Available-for-sale (note 1)	4,574,268	Mandatorily at FVTPL	4,574,268
Equity instruments	Available-for-sale (note 2)	125,545,374	Designated as at FVTPL	134,739,270
Net receivables	Loans and receivables (note 3)	32,905,038	Amortized cost	32,905,038
Other financial assets (Guarantee deposits paid)	Loans and receivables	149,815	Amortized cost	149,815

Note1: Under IAS 39, these fund instruments were measured as at FVOCI because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9; therefore, there was no change in the book value of those assets recognized, resulting in the increase of $343,982 in other equity interests and decrease of $343,982 in retained earnings, respectively, on January 1, 2018.

Note2: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI, resulting in the increase of $9,193,896 in those assets recognized, as well as $7,143,169 and $2,050,727 in other equity interests and retained earnings, respectively, on January 1, 2018.

Note3: Notes receivables, accounts receivables and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. The adoption of IFRS 9 did not have any a significant impact on its accounting policies of the above assets.

(Continued)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Additions – equity instruments:						
From available for sale	$ -	4,574,268	-		(343,982)	343,982
Total	$ -	4,574,268	-	4,574,268	(343,982)	343,982
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 130,119,642	-	-		-	-
Available for sale to FVOCI	-	-	9,193,896		2,050,727	7,143,169
Subtraction – equity instruments:						
To FVTPL – required reclassification based on classification criteria	-	(4,574,268)	-		-	-
Total	$ 130,119,642	(4,574,268)	9,193,896	134,739,270	2,050,727	7,143,169

The changes due to the adoption of the above IFRSs would not have any material impact on the Group's basic earnings per share.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	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
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, warehouse and factory facilities. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

1) Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose whether to:

·apply the IFRS 16 definition of a lease to all its contracts; or

·apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can either apply the standard using the following:

·retrospective approach; or

·modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

(Continued)

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using the following practical expedients:

— apply a single discount rate to a portfolio of leases with similar characteristics.

— adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

— exempt the adoption of right-of-use assets and lease liabilities if the term of a lease ends in 12 months after the first adoption.

— exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

— use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Company estimated that its right-of-use assets and lease liabilities to increase by $457,967 thousand and $81,596 thousand respectively, on January 1, 2019. No significant impact is expected on the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

(Continued)

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
October 22, 2018	Amendments to IFRS 3 “Definition of a Business”	The IASB has issued narrow-scope amendments to IFRS 3 to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the IASB has provided supplementary guidance.
October 31, 2018	Amendments to IAS 1 and IAS 8 “Definition of Material”	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

(4) Summary of significant accounting policies:

The following significant accounting policies are adopted in the accompanying consolidated financial statements. The significant accounting policies have been applied consistently to all the reporting periods presented in these financial statements.

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Guidelines) and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations and SIC interpretations as endorsed by the Financial Supervisory Commission of the Republic of China (hereinafter referred to IFRSs as endorsed by the FSC).

(b) Basis of preparation

<u>Basis of measurement</u>

The consolidated financial statements have been prepared on historical cost basis, except for the following material items in the statement of financial position.

(i) Available-for-sale financial assets measured at fair value.

(ii) The net defined benefit liabilities are measured as the fair value of the plan assets, less the present value of the defined benefit obligation.

<u>Functional and presentation currency</u>

The functional currency of the Group is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company' s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand

(c) Basis of consolidation

(i) Principles of preparing consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

(ii) List of subsidiaries in the consolidated interim financial statements:

Investor	Name of subsidiaries	Business activity	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017	
The Company	Formosa Plastics Corporation (Cayman) Limited	Investment	100 %	100 %	
The Company	Formosa Industries Corporation	High Density Polyethylene	100 %	100 %	(Note)
The Company	Formosa Plastics International (Cayman) Limited	Investment	100 %	100 %	(Note)
Formosa Plastics Corporation (Cayman) Limited	Formosa Industries (Hong Kong) Limited	Investment	100 %	100 %	
Formosa Industries (Hong Kong) Limited	Formosa Industries (Ningbo) Co., Ltd.	Plastics	100 %	100 %	
Formosa Industries (Hong Kong) Limited	Formosa Electronic (Ningbo) Co., Ltd.	Electronics	100 %	100 %	

Note : Formosa Industries (Ningbo) Co., Ltd. merged with Formosa Acrylic Esters (Ningbo) Co., Ltd., Formosa Polyethylene (Ningbo) Co., Ltd., Formosa Polypropylene (Ningbo) Co., Ltd. and Formosa Super Absorbent Polymer (Ningbo) Co., Ltd. on January 1, 2017, with Formosa Industries (Ningbo) Co., Ltd. as the surviving entity.

(iii) Subsidiary not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary assets and liabilities is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and such assets and liabilities reported in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency denominated non-monetary assets and liabilities measured at fair value are retranslated to the functional currency at the exchange rate on the date when fair value was determined. Foreign currency denominated non-monetary items measured at historical cost is translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

(Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

(i) The liability is expected to be settled during the Group's normal operating cycle;

(ii) The liability is held primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the balance sheet date; or

(iv) The Group does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

(f) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are 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 are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(g) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

· contingent events that would change the amount or timing of cash flows;

· terms that may adjust the contractual coupon rate, including variable rate features;

· prepayment and extension features; and

· terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

(Continued)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, others receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (applicable before January 1, 2018)

Financial assets are categorized into available-for-sale financial assets, loans, and receivables.

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and dividend income, are recognized in other comprehensive income and presented in other equity interest in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other income and expenses in statement of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment loss, and are included in financial assets measured at cost.

Dividend income from equity investments is recognized when the Group obtains the right to receive the dividend (usually the ex-dividend date) and is recognized in other income.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, which comprise accounts receivable and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses, except for short-term receivables in which the effect of discounting is immaterial. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income from receivables is recognized in other income.

3) Impairment of financial asset

Except for financial assets at fair value through profit or loss, a financial asset is assessed for impairment at reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') that occurred subsequent to the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

(Continued)

Objective evidence that financial assets are impaired includes delinquency or default (such as unpaid or delayed payment of interest or principal) by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an available-for-sale investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Objective evidence that receivables are impaired includes historical trends of collection and increasing level of overdue receivables which are collected beyond the credit term.

An impairment loss in respect of a financial asset measured at amortized cost is determined based on the excess of its carrying amount over the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is determined based on the excess of its carrying amount over the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is written off directly against its carrying amount, except for accounts receivable, in which an impairment loss is credited to an allowance account against the receivables. When a receivable is determined to be uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is charged to the allowance account. Changes in the amount of the allowance accounts are recognized into profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the other equity interest in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial assets measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity interest in equity.

Impairment losses and recoveries on receivables are recognized in profit or loss.

(Continued)

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income are recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized based on the proceeds received, net of direct issue costs.

Interest related to the financial liability is recognized in profit or loss under non-operating income and expenses.

2) Other financial liabilities

Except for those held-for-trading or is designated at fair value through profit or loss, financial liabilities which comprise of short-term and long-term loans, and accounts and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in finance costs.

3) Derecognition of financial liabilities

A financial liability is derecognized when the contractual obligation thereon has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date when significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group’s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group’s share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures. Joint ventures should account the rights from the joint arrangement as an investment, and account it for using equity method according to IAS 28, unless, the entity is exempted from applying the equity method as specified in the standard.

(Continued)

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost eligible for capitalization. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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 is depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

Gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is charged to profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure can be assessed reasonably, and will flow to the Group. The carrying amount of those parts that are replaced is derecognized. On-going repairs and maintenance is expensed as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is provided over their estimated useful lives by using the straight-line method. Each significant item of property, plant and equipment is evaluated individually and depreciated separately if it possesses different useful life. The depreciation charge for each period is recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings and constructions: 3 to 55 years.

2) Machinery and equipment: 2 to 25 years.

3) Other facilities: 3 to 15 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(Continued)

(l) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income.

(ii) Lessee

Operating leases are not recognized in the Group's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(m) Intangible assets

(i) Goodwill

1) Initial Recognition

When Yung Chia Chemical Industries Corp. was acquired, the excess of original investment cost over the fair value of net assets acquired was recognized as goodwill.

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure:

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iv) Amortization:

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date that they are made available for use. The estimated useful lives for the current and comparative periods are as follows:

Technical development expense 5~15 years

(Continued)

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life are reviewed at least annually at each fiscal year-end. Any change thereof is treated as a change in an accounting estimate, and is charged to profit or loss.

(n) Impairment of non-derivative financial assets

At each balance sheet date, an assessment is made whether there is any indication that an asset (including inventories, deferred tax assets, and other non-financial assets) may have been impaired. If any such indication exists, the recoverable amount of the asset is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such reduction is treated as an impairment loss, which is charged to profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increase in the carrying amount shall not exceed the carrying amount (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. If the carrying value of the CGUs exceeds the recoverable amount thereof impairment loss is recognized and allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(o) Revenue recognition

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(Continued)

1) Sale of goods–plastic raw materials, chemical fibers, and petrochemical products.

The Group manufactures and sells plastic raw materials, chemical fibers, and petrochemical products to downstream manufacturers. The Group recognizes revenue 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 customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Construction contracts

Since the Group entered into separate agreements with different customers on the development of electronic components and software products, wherein the customers have control over the development process of the said items, the Group recognizes its revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized a revenue without issuing any bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

3) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(Continued)

(ii) Revenue recognition (applicable before January 1, 2018)

1) Sales of goods

Revenue from the sale of goods in the course of ordinary business activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

2) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract cannot be estimated reliably, contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

3) Rental

Revenue from sub-lease of property, plant and equipment is recognized as rental income on accrual basis.

(Continued)

(p) Contract costs (applicable from January 1, 2018)

(i) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(ii) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

· the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

· the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

· the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(q) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss for the period in which services are rendered by employees.

(Continued)

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of a defined benefit pension plan is calculated separately for the plan by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods. Any unrecognized past service costs and the fair value of any plan assets are deducted from aforementioned net obligation. The discount rate is the yield on the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in the same currency in which the benefits are expected to be paid.

An actuarial calculation of pension costs and related liabilities are performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, an asset is recognized but the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurement of the net defined benefit liabilities (assets), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Gains or losses on the curtailment or settlement of a defined benefit plan are also recognized as pension expenses when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that was not previously recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(Continued)

(r) Income Tax

Tax expense comprises current tax expense and deferred tax expense. Current and deferred tax shall be included in profit or loss for the period, except to the extent that the tax arises from a business combination or a transaction or event which is recognized directly in equity or other comprehensive income.

Current tax comprises the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax lows) that have been enacted or substantively enacted by the balance sheet date, and any adjustments for current tax of prior periods.

Deferred tax is recognized for the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is recognized for all temporary differences, except to the extent that the deferred tax arises from:

(i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); or

(ii) the investments in subsidiaries, branches and associates, and interests in joint ventures, and it is probable that the temporary difference will not reverse in the foreseeable future; or

(iii) the initial recognition of goodwill.

Deferred tax is measured, at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and tax laws that have been enacted or substantively enacted by the balance sheet date.

The Group offset deferred tax assets and deferred tax liabilities only if:

(i) the Group has a legal enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intent either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously; in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the benefit of part or all of that deferred tax asset will be utilized.

(Continued)

(s) Earnings per share

The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Group divided by weighted average number of ordinary shares outstanding.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about allocating the resources to the segment and assessing its performance.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

The Information about the assumptions and estimation of valuation of inventories uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(f) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Cash on hand	$	358	382
Bank deposit		4,766,248	1,910,953
Cash equivalents			
Cash equivalents－Time deposits		16,522,375	14,313,690
Repurchase bonds		2,021,791	1,940,120
	$	**23,310,772**	**18,165,145**

Please refer to Note 6(v) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(Continued)

(b) Financial assets at fair value through profit or loss and other comprehensive income

	December 31, 2018
(i) Mandatorily at FVTPL	
Private fund	$ 4,017,249

Please refer to Notes 6(t) for amount of remeasurement at FVTPL.

	December 31, 2018
(ii) Equity investments at fair value through other comprehensive income	
Listed stocks	98,426,404
Non-listed stocks	5,056,694
Non-domestic stocks	21,485,675
Total	$ 124,968,773

Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity instruments as at fair value through other comprehensive income because these equity instruments represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on 2017.

On April 16, 2018, the Group participated in the cash capital increase of Formosa Ha Tinh (Cayman) Ltd., with a subscription in proportion to its original shareholding percentage of 11.43%, leading to a total investment of US$57,161 thousand (equivalent to $1,676,070 thousand and $1,737,518 thousand).

No strategic investments were disposed as of June 30, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(c) Available-for-sale financial assets

	December 31, 2017
Listed securities:	
Listed stocks	$ 107,007,059
Unpublicly traded investment:	
Private fund	4,574,268
Total	$ 111,581,327

The impact to other comprehensive income of hypothetical changes in prices of the equity securities on the reporting date were as follows:

(Continued)

(d) Notes receivable, accounts receivable and other receivables:

	December 31, 2018	December 31, 2017
Notes receivable	$ 2,432,446	3,051,878
Accounts receivable (including related parties)	13,722,378	12,886,796
Less : allowance for doubtful receivables	(4,755)	(3,810)
	$ 16,150,069	15,934,864

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The loss allowance provision on receivables as of December 31, 2018 amounted to $4,755 thousand, and the expected credit risk was no more than 0.1%.

As of 2017 the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, as well as the aging analysis of notes and trade receivable as of December 31, 2018 and 2017, which were past due but not impaired, as follows:

	December 31, 2018	December 31, 2017
Within 30 days	$ 27,753	24,919
30~60 days	5	586
Total	$ 27,758	25,505

The movement of the allowance for doubtful receivable were as follows:

	2018	For the years ended December 31, 2017 Impairment loss of group evaluation
Beginning balance (IAS39)	$ 3,810	5,488
Adjustment of the first adoption of IFRS 9	-	
Beginning balance (IFRS 9)	3,810	
Impairment loss recognized	945	-
Reversal of impairment	-	(1,678)
Ending balance	$ 4,755	3,810

The terms of sales made by the Group were net 30~90 days. Based on historical default rates, the Group recognizes 0.1% allowance for impairment of uncollectible accounts receivables.

(Continued)

(e) Other receivable

	December 31, 2018	December 31, 2017
Other receivable—loans to related parties	$ 15,285,765	14,637,938
Other receivable—related parties	1,407,079	1,028,037
Other receivable	1,381,590	1,304,199
	$ 18,074,434	**16,970,174**

As of December 31, 2018 and 2017, the aging analysis of other receivables were not recognized which estimated by the Group.

(f) Inventories

	December 31, 2018	December 31, 2017
Finished goods	$ 11,834,742	10,664,612
Work in process	1,475,170	1,612,192
Raw materials	3,679,589	2,719,401
Supplies	644,653	619,983
Machinery and accessories in process	1,884,782	1,775,541
Others	1,237,804	225,871
	$ 20,756,740	**17,617,600**

Cost of goods sold and expense recognized for the year 2018 and 2017 are $193,223,225 thousand and $172,815,299 thousand, respectively.

Change of net realizable value of inventories：

	For the years ended December 31,	
	2018	2017
(Loss from devaluation) gain from recovery of inventories	**$ (161,266)**	**425,280**

The changes in net realizable value of the above inventories have been recognized as cost of goods sold.

(Continued)

(g) Investments accounted for using equity method

The components of the investments accounted for using equity method were as follows:

	December 31, 2018	December 31, 2017
Associates		
Formosa Petrochemical Corporation	$ 96,197,632	97,144,019
Formosa Plastics Corp., U.S.A.	63,350,563	56,660,362
Formosa Heavy Industries Corp.	7,717,150	7,616,375
Sky Dragon Investments Limited	6,547,397	2,973,156
Mai Liao Power Corp.	11,163,467	10,845,857
Formosa Sumco Technology Corporation	6,327,209	6,297,821
Formosa Transportation Corp.	1,014,210	694,761
Formosa Fairway Corp.	98,624	100,952
Yi-Jih Development Corp.	63,305	63,027
Ya Tai Development Corp.	18,887	23,408
Formosa Automobile Corporation	105,760	-
Wha Ya Park Management Consulting Corporation Ltd.	1,503	1,382
Su-Hua Transportation Corporation	-	275,864
Formosa Environmental Technology Corporation	225,838	226,435
Formosa Resources Corporation	5,370,047	5,361,771
Formosa Plastics Development Corporation Ltd.	82,299	87,773
Formosa Group (Cayman) Limited	631,060	348,135
Formosa Olefins, L.L.C.	2,409,179	2,611,119
Lolita Packaging, L.L.C.	261,377	289,745
Joint ventures		
Formosa Asahi Spandex Co., Ltd.	1,323,203	1,337,432
Formosa Daikin Advanced Chemical Co., Ltd.	1,009,244	992,930
Formosa Mitsui Advanced Chemical Co., Ltd.	49,644	77,516
	$ 203,967,598	**194,029,840**

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017, the Group's share of net income (loss) of associates and joint ventures were as follows:

	For the years ended December 31,	
	2018	**2017**
Associates		
Formosa Petrochemical Corporation	$ 17,228,355	22,866,965
Formosa Plastics Corp., U.S.A.	5,598,261	6,316,205
Formosa Heavy Industries Corp.	152,403	118,039
Sky Dragon Investment Limited	(768,574)	(128,536)
Mai Liao Power Corp.	133,645	213,360
Formosa Sumco Technology Corporation	1,621,643	651,743
Formosa Transportation Corp.	13,745	4,992
Formosa Fairway Corp.	(679)	(5,130)
Yi-Jih Development Corp.	278	266
Ya Tai Development Corp.	(4,520)	(3,153)
Formosa Automobile Corporation	136,045	38,434
Wha Ya Park Management Consulting Corporation Ltd.	401	108
Su-Hua Transportation Corporation	4,881	26,150
Formosa Environmental Technology Corporation	308	(29,134)
Formosa Resources Corporation	(231,542)	(135,857)
Formosa Plastics Development Corporation Ltd.	(5,474)	(4,151)
Formosa Group (Cayman) Limited	267,773	(163,146)
Formosa Olefins, L.L.C.	(274,411)	(138,688)
Lolita Packaging, L.L.C.	(36,305)	(5,252)
Joint ventures		
Formosa Asahi Spandex Co., Ltd.	106,642	131,428
Formosa Daikin Advanced Chemical Co., Ltd.	163,531	159,415
Formosa Mitsui Advanced Chemical Co., Ltd.	(26,834)	(19,293)
	$ 24,079,572	**29,894,765**

(Continued)

(i) Associates

1) The information of the major associate of the investments accounted for using the equity method was as follows:

Associates	Relationship	Registration Country	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017
Formosa Petrochemical Corporation	Formosa Petrochemical Corporation, the main supplier of raw materials for the Group, has principal activities that consists of petroleum refining and integrated manufacture of hydrocarbon	Taiwan	28.56 %	28.56 %
Formosa Plastics Corp., U.S.A.	Formosa Plastics Corp., U.S.A, engages in the manufacturing and sales of oil, plastic raw materials, and petrochemical raw materials, with the Group as its main sales target.	U.S.A	22.61 %	22.61 %

The fair value of investments in publicly traded stocks of the major associate was as follows:

	December 31, 2018	December 31, 2017
Formosa Petrochemical Corporation	$ **296,539,842**	**314,223,411**

The following is the aggregated financial information of the major associate, and necessary changes have already been made to the information therein concerning the associates' consolidated financial statements based on the IFRS as endorsed by FSC to reflect the fair value adjustments made at the time of acquisition and adjustment for accounting policy variations.

The financial information of Formosa Petrochemical Corporation was as follows:

	December 31, 2018	December 31, 2017
Current assets	$ 232,198,754	266,200,257
Non-current assets	173,570,701	165,340,469
Current liabilities	(50,431,424)	(65,117,512)
Non-current liabilities	(14,681,851)	(22,276,730)
Net asset	$ **340,656,180**	**344,146,484**
Net asset contributed to non-controlling interest of Formosa Petrochemical Corporation	$ **2,917,972**	**2,859,884**
Net asset contributed to Formosa Petrochemical Corporation	$ **337,738,208**	**341,286,600**

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31, 2018	2017
Revenue	$ **767,550,218**	**624,107,892**
Net income	60,070,831	80,175,421
Other comprehensive (loss) income	(9,983,466)	9,186,884
Total comprehensive income	$ **50,087,365**	**89,362,305**
Comprehensive income allocated to non-controlling interest of Formosa Petrochemical Corporation	$ **63,198**	**(12,068)**
Comprehensive income allocated to Formosa Petrochemical Corporation	$ **50,024,167**	**89,374,373**

	For the years ended December 31, 2018	2017
Beginning balance of investments in major associate at January 1	$ 97,144,019	87,970,770
Retrospective adjustment	1,850,448	-
Share of net assets of associates as of January 1 after adjustment	98,994,467	87,970,770
Total comprehensive income allocated to the Company	14,352,949	25,495,629
Dividend Received	(17,139,459)	(16,323,294)
Share of net assets of affiliates as of December 31	96,207,957	97,143,105
Add : share premium acquired not according to holding percentage	(10,325)	914
Total carrying amount of equity of the major associate as of December 31	$ **96,197,632**	**97,144,019**

The financial information of Formosa Plastics Corp., U.S.A. was as follows:

	December 31, 2018	December 31, 2017
Current assets	$ 113,319,996	123,602,500
Non-current assets	212,593,457	172,307,285
Current liabilities	(15,063,386)	(14,514,493)
Non-current liabilities	(23,830,982)	(24,570,230)
Net asset	$ **287,019,085**	**256,825,062**
Net asset contributed to non-controlling interest of Formosa Plastics Corp., U.S.A.	$ **7,189,678**	**6,743,441**
Net asset contributed to Formosa Plastics Corp., U.S.A.	$ **279,829,427**	**250,081,621**

(Continued)

	For the years ended December 31, 2018	2017
Revenue	**151,631,407**	**134,789,930**
Net income	24,392,035	27,772,678
Other comprehensive (loss) income	(2,824,218)	123,638
Total comprehensive income	**21,567,817**	**27,896,316**
Comprehensive loss allocated to non-controlling interest of Formosa Plastics Corp., U.S.A.	**(369,389)**	**(164,252)**
Comprehensive income allocated to Formosa Plastics Corp., U.S.A.	**21,937,206**	**28,060,568**

	For the years ended December 31, 2018	2017
Beginning balance of investments in major associate at January 1	$ 56,660,362	54,436,736
Total comprehensive income allocated to the Group	6,690,201	2,223,626
Total carrying amount of equity of the major associate	**$ 63,350,563**	**56,660,362**

2) The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2018	December 31, 2017
Carrying amount of individually insignificant associates' equity	**$ 42,037,311**	**37,817,581**

	For the years ended December 31, 2018	2017
Attributable to the Group:		
Net income	1,009,618	440,045
Other comprehensive income (loss)	577,216	(594,131)
Total comprehensive income (loss)	**1,586,834**	**(154,086)**

3) The Group, which invested in " Formosa Automobile Corporation" (an investee accounted for using the equity method) recognized the gains of $136,045 thousand and $38,434 thousand from this investment for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Group's cumulative losses from this investment had already exceeded the book value of the investment by $29,472 thousand, respectively. As the Group intends to support this investee company which were reclassified to other non-current liabilities. Until September 30, 2018, situation mentioned above no longer exists.

(Continued)

4) On July 1, 2018, Su-Hua Transportation Corporation, an associate previously owned by the group, was merged into Formosa Transportation Corp, another associate owned by the group, through 5.843543-for-1 stock exchange. The group's Shareholding ratio of Formosa Transportation Corp remains unchanged

5) On July 5 and July 26, 2018, the Group participated in the capital increase by cash, at 50% ownership interest (originally of Sky Dragon Investment Limited, an associate), with the total investment amounting to US$145,800 thousand (equivalent to $4,461,424 thousand)

6) On July 13, 2018, Formosa Sumco Technology Corporation, an associate owned by the group, reduced its capital by 50%. The group received $1,127,075 thousand on September 25 due to the capital reduction. Shareholding ratio remains unchanged.

7) On March 9, 2017, the Group acquired 38 percentage equity ownership of Lolita Packaging, L.L.C. through cash investment of US$9,880 thousand (equivalent to $306,478 thousand).

8) On April 7, 2017, the Group participated in the capital increase by cash, at 25% ownership interest (originally of Formosa Resources Corporation), with the total investment amounting to US$55,000 thousand (equivalent to $1,683,440 thousand).

(ii) Joint ventures

The Group's financial information for investments in individually insignificant joint venture accounted for using equity method at the reporting date was as follows. These financial information are included in the consolidated financial statements.

	December 31, 2018	December 31, 2017
Individually insignificant joint venture	$ 2,382,092	2,407,878

	For the years ended December 31,	
	2018	2017
Attributable to the Group:		
Net income	243,339	271,550
Other comprehensive loss	(11,256)	(8,840)
Total comprehensive income	232,083	262,710

(iii) Collaterals

Please refer to Note 8 for investments accounted for using equity method which were pledged to banks as collateral to secure the Group's bank loans as of December 31, 2018 and 2017.

(Continued)

(h) Property, plant and equipment

The movements of cost and accumulated depreciation and impairments of property, plant and equipment of the Group for the years ended December 31, 2018 and 2017 were as follows:

	Land	Buildings and constructions	Machinery and equipment	Other facilities	Construction in progress	Total
Cost:						
Balance as of January 1, 2018	$ 6,775,418	27,618,897	172,922,783	6,204,173	8,734,438	222,255,709
Additions	3,623,411	1,183,225	809,820	367,097	9,697,531	15,681,084
Disposals	-	(123,109)	(1,758,124)	(389,040)	-	(2,270,273)
Reclassification	(297)	199,523	2,315,579	343,110	(2,718,645)	139,270
Effect of exchange rate changes	-	(128,414)	(828,571)	(30,418)	254,558	(732,845)
Balance as of December 31, 2018	**$ 10,398,532**	**28,750,122**	**173,461,487**	**6,494,922**	**15,967,882**	**235,072,945**
Balance as of January 1, 2017	$ 6,775,780	27,771,297	171,780,173	6,044,397	5,158,627	217,530,274
Additions	-	775	207,143	205,092	6,309,203	6,722,213
Disposals	(362)	(78,061)	(766,171)	(137,898)	-	(982,492)
Reclassification	-	42,288	2,465,057	121,234	(2,525,710)	102,869
Effect of exchange rate changes	-	(117,402)	(763,419)	(28,652)	(207,682)	(1,117,155)
Balance as of December 31, 2017	**$ 6,775,418**	**27,618,897**	**172,922,783**	**6,204,173**	**8,734,438**	**222,255,709**
Accumulated depreciation/ impairments:						
Balance as of January 1, 2018	$ -	15,643,226	132,770,962	4,747,071	-	153,161,259
Depreciation for the period	-	864,653	5,769,303	302,972	-	6,936,928
Impairment loss	-	-	(911,512)	-	-	(911,512)
Disposals	-	(25,239)	(1,754,986)	(387,110)	-	(2,167,335)
Reclassification	-	-	(2,246)	76,286	-	74,040
Effect of exchange rate changes	-	(36,205)	1,418,105	(20,898)	-	1,361,002
Balance as of December 31, 2018	**$ -**	**16,446,435**	**137,289,626**	**4,718,321**	**-**	**158,454,382**
Balance as of January 1, 2017	$ -	13,861,706	125,692,288	4,608,585	-	144,162,579
Depreciation for the period	-	931,553	6,662,199	310,542	-	7,904,294
Disposals	-	951,658	1,385,989	10,220	-	2,347,867
Reclassification	-	(78,061)	(759,488)	(135,891)	-	(973,440)
Effect of exchange rate changes	-	(4,836)	37,900	(24,835)	-	8,229
	-	(18,794)	(247,926)	(21,550)	-	(288,270)
Balance as of December 31, 2017	**$ -**	**15,643,226**	**132,770,962**	**4,747,071**	**-**	**153,161,259**
Carrying amounts:						
Balance as of December 31, 2018	**$ 10,398,532**	**12,303,687**	**36,171,861**	**1,776,601**	**15,967,882**	**76,618,563**
Balance as of December 31, 2017	**$ 6,775,418**	**11,975,671**	**40,151,821**	**1,457,102**	**8,734,438**	**69,094,450**

(i) Impairment loss

The impairment loss amounting to $911,512 thousand was recognized for the year ended December 31, 2018 due to the equipment that had been identified to be no longer useful for future operation.

(ii) Collaterals

The property, plant and equipment pledged to secure bank loans as of December 31, 2018 and 2017, are described in Note 8.

(iii) As of December 31, 2018 and 2017, the Group's parcels of land with title temporarily registered under the names of third parties for trust purpose had carrying value as of $33,529 thousand which were recorded under property, plant and equipment. The Group has implemented a deed of trust with the authorities to secure the Group's rights related to the abovementioned properties.

(iv) Please refer to Note 6(t) for further information about the capitalized interest on borrowings for the purchase of the property, plant and equipment and gain on disposal of property, plant and equipment.

(i) Short-term borrowings

(i) Short-term borrowings consisted of the following:

	December 31, 2018	December 31, 2017
Unsecured short-term borrowings	$ 20,113,532	14,685,409
Employees' savings	284,770	236,350
Total	**$ 20,398,302**	**14,921,759**
Interest rate	**0.75%~4.3500%**	**0.7500%~4.4370%**

(ii) The assets pledged to secure loans are described in Note 8.

(iii) Issuance and redemption of loans

	Total
Balance as of January 1, 2018	$ 14,921,759
New issuance during the period	396,653,692
Repayments during the period	(391,181,044)
Effect of exchange rate change	3,895
Balance as of December 31, 2018	**$ 20,398,302**

	Total
Balance as of January 1, 2017	$ 25,020,737
New issuance during the period	338,088,287
Repayments during the period	(347,987,424)
Effect of exchange rate change	(199,841)
Balance as of December 31, 2017	**$ 14,921,759**

(Continued)

(j) Short-term notes and bills payable

	December 31, 2018		
	Institutions	**Interest rate**	**Amount**
Short-term notes and bills payable	Taishin International Bank	0.470%	$ 1,400,000
Short-term notes and bills payable	International Bills Finance Corporation	0.867%	500,000
Short-term notes and bills payable	Ta Ching Securities Co., Ltd.	0.750%	600,000
Short-term notes and bills payable	Cathay United Bank Company Limited	0.665%~0.745%	3,000,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.660%~0.857%	2,300,000
Short-term notes and bills payable	Grand Bills Finance Corporation	0.610%~0.730%	2,200,000
Short-term notes and bills payable	Taipei Fubon Commercial Bank Co., Ltd.	0.745%	1,000,000
Short-term notes and bills payable	E.SUN Commercial Bank, Ltd.	0.730%	500,000
Short-term notes and bills payable	Yuanta Commercial Bank Co., Ltd.	0.660%	500,000
			12,000,000
Less: Discount on short-term notes and bills payable			(4,364)
Total			**$ 11,995,636**

	December 31, 2017		
	Institutions	**Interest rate**	**Amount**
Short-term notes and bills payable	China Bills Finance Corporation	0.600%	$ 1,000,000
Short-term notes and bills payable	Grand Bills Finance Corporation	0.400%	2,300,000
Short-term notes and bills payable	International Bills Finance Corporation	0.590%~0.867%	1,000,000
Short-term notes and bills payable	Cathy United Bank Company Ltd	0.419%	2,200,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.410%~0.857%	1,500,000
Short-term notes and bills payable	CTBC Bank Co., Ltd	0.400%	1,500,000
			9,500,000
Less: Discount on short-term notes and bills payable			(4,491)
Total			**$ 9,495,509**

(Continued)

(k) Long-term debts

(i) Long-term debts consisted of the following:

	December 31, 2018			
	Currency	**Interest rate**	**Expiration**	**Amount**
Unsecured long-term debts	NTD	0.800% ~4.9875%	2019~2020	$ 5,110,016
Secured long-term debts	NTD	1.632%	2021	5,713,038
				10,823,054
Less: Current portion				(4,541,715)
Total				$ **6,281,339**

	December 31, 2017			
	Currency	**Interest rate**	**Expiration**	**Amount**
Unsecured long-term debts	NTD	0.800% ~4.9875%	2018~2020	$ 8,634,332
Secured long-term debts	NTD	1.632%	2021~1911	7,997,365
				16,631,697
Less: Current portion				(6,737,722)
Total				$ **9,893,975**

(ii) Issuance and redemption of loan

	For the -month period ended December 31, 2018
Balance of January 1,2018	$ 16,631,697
New issuance during the period	(5,813,964)
Effect of exchange rate charge	759
Others	4,562
Balance of December 31,2018	$ **10,823,054**

	For the -month period ended December 31, 2017
Balance of January 1,2017	$ 20,839,933
New issuance during the period	3,049,851
Repayment during the period	(6,813,074)
Effect of exchange rate charge	(445,013)
Balance of December 31,2017	$ **16,631,697**

(Continued)

(iii) Secured bank loans

In order to raise funds to build the plant and accessory equipment, the Group signed a syndicated loan agreement with Bank of Taiwan, the lead bank of the syndicated loan, and 19 other banks on November 14, 2013. As of December 31, 2018, the details of the loan agreement are as follows:

1) Credit line: $10,300,000 thousand.

2) Interest rate: as settled with each participating bank.

3) Period: 7 years (including a 3 years extension).

4) Collateral: the land at Sixth Naphtha Cracker pledged for 120 percent of the credit line financed by the loan.

5) The financial covenants under the loan agreement include the requirement to maintain certain financial ratios based on the audited consolidated financial reports. If the Group breaches these financial covenants, the syndicated banks may determine to declare the unpaid principal, interest, fees and other sums payable by the Group under the loan agreement to be immediately due and payable. These financial ratios are as follows:

   a) Current Ratio (total current assets divided by total current liabilities): not lower than 100%.

   b) Leverage Ratio (total liabilities plus contingent liabilities to tangible net worth): not higher than 150%.

6) The Group did not breach the above mentioned financial covenants in respect of its financial statements as of December 31, 2017.

7) As of December 31, 2018, $10,300,000 thousand of the credit line had been used, and $4,577,778 thousand of the loan had been repaid.

(iv) The assets pledged to secure loans are described in Note 8.

(v) The loan the Company has with sumitomo Mitsui Banking Conporation has been extended to August 9, 2020.

(l) Bonds payable

(i)

	December 31, 2018	December 31, 2017
Domestic unsecured nonconvertible corporate bonds	$ 37,154,561	33,558,238
Less: current portion	(4,598,557)	(5,696,600)
Total	**$ 32,556,004**	**27,861,638**
Expiry	**2019~2028**	**2018~2026**

(Continued)

(ii) Issuance and repayment of bonds payable for the nine-month periods ended December 31, 2018 and 2017:

1) Issuance

	For the years ended December 31, 2018	2017
	$ 9,300,000	7,000,000
	0.82%、0.93%、1.09%	1.09%、1.32%
	2023、2025、2028	2022、2024

2) Repayment

	For the years ended December 31, 2018	2017
	$ 5,700,000	10,750,000

(iii) The term of domestic corporate bonds as December 31, 2018 and 2017 were as follows:

	The first domestic unsecured nonconvertible corporate bond in 2012	The second domestic unsecured nonconvertible corporate bond in 2012	The first domestic unsecured nonconvertible corporate bond in 2012	The first domestic unsecured nonconvertible corporate bond in 2013
Issue amount	$ 7,000,000	5,000,000	9,000,000	11,500,000
2018.12.31Ending balance	999,614	1,449,442	4,646,952	1,493,183
2018.12.31Current portion	999,614	1,449,442	2,149,501	-
2017.12.31Ending balance	1,998,686	2,898,698	6,795,553	1,491,668
2017.12.31Current portion	999,073	1,449,256	2,149,349	-
Issuance date	May 22, 2012	September 12, 2012	November 5, 2012	June 10, 2013
Coupon rate	1.26%、1.42%	1.28%、1.40%	1.25%、1.39%、1.53%	1.25%、1.39%
Interest payment date	May 22	September 12	November 5	June 10
Repayment method	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2018~2019, respectively.	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2018~2019, respectively.	Payable in 2 equal installments for each different coupon rate in 2016~2017, 2018~2019 and 2021~2022, respectively.	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2022~2023, respectively.

(Continued)

	The first domestic unsecured nonconvertible corporate bond in 2013	**The first domestic unsecured nonconvertible corporate bond in 2014**	**The first domestic unsecured nonconvertible corporate bond in 2017**	**The first domestic unsecured nonconvertible corporate bond in 2018**
Issue amount	8,500,000	6,000,000	7,000,000	$ 9,300,000
2018.12.31Ending balance	6,294,220	5,992,977	6,991,679	9,286,494
2018.12.31Current portion	-	-	-	-
2017.12.31Ending balance	7,391,967	5,991,883	6,989,783	-
2017.12.31Current portion	1,098,922	-	-	-
Issuance date	November 8, 2013	May 21, 2014	May 19, 2017	June 26, 2018
Coupon rate	1.42%、1.94%	1.83%、1.92%	1.09%、1.32%	0.82%、0.93%、1.09%
Interest payment date	November 8	May 21	May 19	June 26
Repayment method	Payable in 2 equal installments for each different coupon rate in 2017~2018 and 2022~2023, respectively.	Payable in 2 equal installments for each different coupon rate in 2023~2024 and 2025~2026, respectively.	Payable in 2 equal installments for each different coupon rate in 2021~2022 and 2023~2024, respectively.	Payable in 2 equal installments for each different coupon rate in 2022~2023, 2024~2025 and 2027~2028 respectively.

(m) Employee benefits

(i) Defined benefit plan

The movements in the present value of the defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2018	**December 31, 2017**
Present value of defined benefit obligations	$ 9,710,141	9,788,989
Fair value of plan assets	(2,587,023)	(2,526,446)
Net defined benefit liabilities	**$ 7,123,118**	**7,262,543**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of the plan asset

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group’ s Bank of Taiwan labor pension reserve account balance amounted to $2,552,506 as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

	For the years ended December 31,	
	2018	**2017**
Defined benefit obligations on January 1	$ 9,788,989	9,607,708
Benefits paid	(475,699)	(519,349)
Current service and interest costs	218,402	219,593
Remeasurement of net defined benefit liabilities		
－actuarial losses arising from change in financial assumptions	364,835	580,977
Decrease due to transfer of related party employees	(186,386)	(99,940)
Defined benefit obligations on December 31	**$ 9,710,141**	**9,788,989**

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31,	
	2018	**2017**
Fair value of plan assets on January 1	$ 2,526,446	2,540,589
Interest income	29,881	30,317
Remeasurement of net defined obligation assets		
－return on plan assets (excluding interest income)	79,242	3,328
Benefits already paid by the plan	(165,646)	(166,189)
Contributions from employer	117,100	118,401
Fair value of plan assets on December 31	**$ 2,587,023**	**2,526,446**

4) Expense recognized in profit or loss

The pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Current service costs	$ 98,540	101,712
Interest costs	89,981	87,564
	$ 188,521	**189,276**
Operating costs	$ 110,835	112,486
Selling expenses	6,748	6,797
Administrative expenses	70,938	69,993
	$ 188,521	**189,276**

(Continued)

5) Remeasurement of net defined benefit assets recognized in other comprehensive income

	For the years ended December 31, 2018	2017
Balance of January 1,	$ 1,738,211	1,258,762
Recognized in current period	228,474	479,449
Balance of December 31,	**$ 1,966,685**	**1,738,211**

6) Actuarial assumptions

The following are the principal actuarial assumptions as of December 31, 2018 and 2017:

	For the years ended December 31, 2018	2017
Discount rate	1.25 %	1.25 %
Rate of future salary increases	2.85 %	2.85 %

Based on the actuarial report, the Group is expected to make contributions of $124,379 to the defined benefit plans for the one year period after the reporting date.

The weighted average duration of the defined benefit plan is 10.5 years.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Group should use judgments and estimates in determining the related actuarial assumptions at balance sheet date, including discount rate, expected return on plan assets and future salary increases. Any changes in actuarial assumptions may significantly impact the present value of the defined benefit obligation.

As of December 31, 2018 and 2017, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase Amount	**Decrease Amount**
December 31, 2018		
Discount rate (change 0.25%)	$ (202,850)	211,483
Future salary increases (change 1.00%)	898,019	(777,285)
December 31, 2017		
Discount rate (change 0.25%)	(217,664)	227,501
Future salary increases (change 1.00%)	968,975	(830,255)

(Continued)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis adopts the same methods for determining the defined benefit assets at balance sheet date.

The same methods and assumptions are adopted in the two-year sensitivity analysis.

(ii) Defined contribution plan

The Group contributes an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Group is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

The Group's pension costs under the defined contribution pension plan amounted to $291,431 and $277,901 for the years ended December 31, 2018 and 2017, respectively.

(n) Income tax

(i) Corporate tax rate rises from 17% to 20% due to the income tax amendment promulgated by Office of the President on Feburary 7, 2018. The details of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Current income tax expense	5,989,685	3,594,952
Deferred tax expense		
The origination of temporary differences	1,614,610	1,926,538
Exchange differences on tax rates	(61,459)	-
Income tax expense	**7,542,836**	**5,521,490**

(ii) The income tax expense (income) related to components of other comprehensive income for the years ended December 31, 2018 and 2017 was as follows:

	For the years ended December 31,	
	2018	**2017**
Items that could not be reclassified subsequently to profit or loss: :		
Remeasurement of defined benefit plan	**169,178**	**98,200**
Items that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	**(522,685)**	**1,236,221**

(Continued)

The income tax calculated at a statutory income tax rate on accounting income before income tax was reconciled with income tax expense recognized in profit or loss as follows:

	For the years ended December 31, 2018	2017
Income tax calculated based on pretax financial income	$ 11,418,475	9,333,738
Effect of difference in income tax rate between foreign investee and the Company	601,200	965,423
Reduction in tax rate	(61,459)	91,933
Tax- exempt income	(1,502,336)	(1,315,759)
Tax effect on investment income recognized under equity method and Non-deductible expenses	(3,726,545)	(3,505,550)
Under (over) provision in prior periods	57,643	42,408
10% income surtax on undistributed earnings	755,858	579,963
Use unrecognized deferred asset of tax losses	-	(670,666)
Income tax expense	$ 7,542,836	5,521,490

(iii) Recognized deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

For the year ended December 31, 2018	Beginning balance	Recognized in income or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Unrealized gross loss	$ -	1,867	-	1,867
Unamortized fixed manufacturing expense	24,221	624	-	24,845
Accrued pension liability	1,301,357	32,589	169,178	1,503,124
Cumulative translation adjustment	272,099	-	(272,099)	-
Unamortized impairment loss on non-financial assets	399,068	(16,061)	-	383,007
Unrealized foreign currency exchange loss	19,680	(3,581)	-	16,099
Others	139,875	386,998	-	526,873
Total	$ 2,156,300	402,436	(102,921)	2,455,815
Deferred tax liabilities				
Unrealized foreign currency exchange gain	$ 14,397,905	1,887,031	-	16,284,936
Cumulative translation adjustment	-	52,766	-	52,766
Depreciation	-	-	250,586	250,586
Depreciation	65,429	17,067	-	82,496
Unrealized gross profit	1,277	(1,277)	-	-
Total	$ 14,464,611	1,955,587	250,586	16,670,784

(Continued)

For the year ended December 31, 2017	Beginning balance	Recognized in income or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Unrealized gross profit	$ 966	(966)	-	-
Unamortized fixed manufacturing expense	32,024	(7,803)	-	24,221
Accrued pension liability	1,268,135	(64,978)	98,200	1,301,357
Unrealized foreign currency exchange gain	-	-	272,099	272,099
Unrealized impairment loss	-	399,068	-	399,068
Unrealized foreign currency exchange loss	-	19,680	-	19,680
Others	91,782	48,093	-	139,875
Total	$ 1,392,907	393,094	370,299	2,156,300
Deferred tax liabilities				
Foreign investment income under equity method	$ 12,054,017	2,343,888	-	14,397,905
Unrealized foreign currency exchange gain	50,018	(50,018)	-	-
Cumulative translation adjustment	964,122	-	(964,122)	-
Depreciation	40,944	24,485	-	65,429
Unrealized gross profit	-	1,277	-	1,277
Total	$ 13,109,101	2,319,632	(964,122)	14,464,611

(iv) The Group’s income tax returns have been examined and approved through 2015 by the ROC tax authorities.

(o) Capital and other equity

As of December 31, 2018 and 2017, the Company’s government registered total authorized capital and issued capital stock both amounted to $63,657,408, divided into $6,365,741 thousand shares of stock with $10 par value per share. All issued shares were paid up upon issuance.

(i) Capital surplus

The components of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Paid-in capital in excess of par value	$ 8,130,081	8,130,081
Treasury stock transactions	16,263	16,263
Equity in capital surplus of investee companies	192,701	203,000
Overdue unpaid directors’ remuneration and dividends	377,294	303,082
Paid in capital in excess of the par value derived from overseas corporate bond conversion	2,997,503	2,997,503
	$ 11,713,842	11,649,929

(Continued)

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

According to the rules of the Company's articles and Company Act, the Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder plus the undistributed earnings of the previous years are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the Annual Stockholders' Meeting.

The Company also adopts a dividend distribution policy, under which, net earnings after deducting the legal reserve and special reserve may first be distributed by way of cash dividends which shall be equal to at least fifty percent (50%) of the Company's total dividend distribution every year. The capitalization of earnings and capital surplus shall not exceed fifty percent of the total dividends.

1) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) of $2,790,507 thousand, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to $2,790,507 thousand as of September 30, 2018, December 31, 2017, and September 30, 2017.

Pursuant to the Regulatory Permit mentioned above, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of above-mentioned special reserve and net debit balance of the other components of stockholders' equity.

(Continued)

2) Earnings distribution

The appropriations of earnings in 2017 and 2016 were approved in the stockholders' meeting on June 20, 2018 and June 13, 2017, respectively. The amounts of appropriation of dividends per share were as follows:

	For the years ended December 31,	
	2017	**2016**
Dividends attributable to ordinary shareholders:		
Cash dividends	$ **36,284,722**	**29,282,408**
Dividends per share	$ **5.70**	**4.60**

3) Other equity

	Exchange differences on translation of foreign operations	Unrealized gain (loss) on financial assets at fair value through profit or loss	Available-for-sale investments	Cash flow hedge	Gain (loss) on hedging instruments	Total
Balance at January 1, 2018	$ (3,225,029)	-	90,768,489	9,551	-	87,553,011
Adjustments due to new standard	-	99,924,374	(90,768,489)	(9,551)	9,551	9,155,885
Balance adjusted as of January 1, 2018	(3,225,029)	99,924,374	-	-	9,551	96,708,896
Exchange differences arising on translation of foreign operations	1,247,684	-	-	-	-	1,247,684
Share of exchange differences on associates and joint ventures accounted for using equity method	420,740	(4,530,581)	-	-	-	(4,109,841)
Unrealized gains on financial assets at fair value through profit or loss	-	(12,003,865)	-	-	-	(12,003,865)
Share of cash flow hedge of associates and joint ventures	-	-	-	-	(28,314)	(28,314)
Balance at September 30, 2018	$ **(1,556,605)**	**83,389,928**	**-**	**-**	**(18,763)**	**81,814,560**

	Exchange differences on translation of foreign operations	Unrealized gains on available-for-sale financial assets	Cash flow hedge	Equity directly related to non-current assets held for sale
Balance at January 1, 2017	$ 2,794,229	72,488,184	51,057	75,333,470
Exchange differences on translation of foreign operations, net of tax				
-the Group	(5,127,492)	-	-	(5,127,492)
-associates	(891,766)	-	-	(891,766)
Unrealized gains on available-for-sale financial assets：				
-the Group	-	14,838,705	-	14,838,705
-associates	-	3,441,600	(41,506)	3,400,094
Balance at December 31, 2017	$ **(3,225,029)**	**90,768,489**	**9,551**	**87,553,011**

(p) Earnings per share

The basic earnings per share were calculated as follows:

	For the years ended December 31,	
Profit attributable to ordinary shareholders	$ **49,549,540**	**49,382,853**
Weighted average number of outstanding ordinary shares	**6,365,741**	**6,365,741**
	$ **7.78**	**7.76**

(Continued)

(q) Revenue from Contracts with Customers

(i) Revenue Segmentation

		For the years ended December 31, 2018						
		Plastic division	Polyolefin division	Polypropylene division	Tairylan division	Chemistry division	Others divisions	Total
Major market：								
Taiwan	$	25,631,278	12,739,441	8,048,632	7,758,307	22,270,403	2,639,349	79,087,410
Mainland China		19,434,307	16,921,081	25,572,873	16,594,665	8,202,518	291,882	87,017,326
Others		33,860,118	10,133,381	7,077,696	9,567,988	3,309,202	316,906	64,265,291
	$	**78,925,703**	**39,793,903**	**40,699,201**	**33,920,960**	**33,782,123**	**3,248,137**	**230,370,027**
Major goods：								
PVC	$	46,152,361	-	-	-	-	-	46,152,361
Liquid caustic soda		22,292,211	-	-	-	-	-	22,292,211
HDPE		-	20,361,107	-	-	-	-	20,361,107
LLDPE		-	6,162,364	-	-	-	-	6,162,364
EVA		-	12,876,153	-	-	-	-	12,876,153
PP		-	-	38,295,201	-	-	-	38,295,201
POM		-	-	2,404,000	-	-	-	2,404,000
AE		-	-	-	17,362,210	-	-	17,362,210
SAP		-	-	-	7,362,175	-	-	7,362,175
Carbon fiber		-	-	-	2,339,796	-	-	2,339,796
n-Butanol		-	-	-	3,466,230	-	-	3,466,230
AN		-	-	-	-	15,477,149	-	15,477,149
MMA		-	-	-	-	5,395,577	-	5,395,577
ECH		-	-	-	-	5,019,558	-	5,019,558
Others		10,481,131	394,279	-	3,390,549	7,889,839	3,248,137	25,403,935
	$	**78,925,703**	**39,793,903**	**40,699,201**	**33,920,960**	**33,782,123**	**3,248,137**	**230,370,027**

For details on revenue for the three-month and the nine-month periods ended December 31, 2017, please refer to note 6(r).

(ii) Balance of contracts

		December 31, 2018	January 1, 2018
Notes receivable	$	2,432,446	3,051,878
Accounts receivable (including related parties)		13,722,378	12,886,796
Less: allowance for doubtful receivables		(4,755)	(3,810)
Total	$	**16,150,069**	**15,934,864**

Please refer to Note 6(d) for the disclosure of accounts receivable and impairment.

(r) Revenue

For the three-month and the -month periods ended December 31, 2017, the components of revenue were as follows:

	For the years ended December 31, 2017
Sale of goods	$ 204,482,251
Construction revenue	854,551
Others	1,372,953
	$ 206,709,755

(s) Employee bonus

According to the Company's articles, 0.05%~0.5% of the Company's profit, excluding employee compensations, and after being appropriated to offset accumulated deficits, if any, should be distributed as employee compensations.

For the years ended December 31, 2018 and 2017, the appropriated employee compensations amounted to $74,167 thousand and $69,454 thousand, respectively, which were consistent with the actual distributions. Related information can be accessed from the Market Observation Post System website.

(t) Non-operating income and expenses

(i) Other income

	For the years ended December 31,	
	2018	**2017**
Interest income from bank deposits	$ 660,660	483,538
Rental income	171,677	151,180
Dividends income	7,511,680	5,606,734
	$ 8,344,017	**6,241,452**

(Continued)

(ii) Other gains and losses

	For the years ended December 31, 2018	2017
Gain on disposal of property, plant and equipment	$ 119,338	9,851
Gain (loss) on disposal of investments	-	1,762,716
Foreign currency exchange gain (loss)	917,954	(1,267,590)
Gain on financial assets and liabilities at fair value through profit or loss	215,889	-
Impairment loss on non-financial assets	(911,512)	(2,347,867)
Other gains	1,168,312	832,229
Other losses	(702,466)	(631,607)
	$ 807,515	**(1,642,268)**

(iii) Finance costs

	For the years ended December 31, 2018	2017
Interest expense of loans to related parties	$ 1,488,584	1,538,989
Less: capitalized interest	(8,544)	(11,187)
Interest expense from bank loans	**$ 1,480,040**	**1,527,802**
Capitalized interest rate	**1.47%~1.56%**	**1.49%~1.52%**

(u) Reclassification adjustments of components of other comprehensive income

	For the years ended December 31, 2017
Available-for-sale financial assets	
Net change in fair value	$ 16,601,421
Net change in fair value reclassified to loss	(1,762,716)
Net change in fair value recognized in other comprehensive income	**$ 14,838,705**

(v) Financial Instruments

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily accounts receivable and notes receivable.

(Continued)

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

As of December 31, 2018 and 2017, the Group's ten largest customers accounted for 36% and 33% of accounts receivable, respectively. The Group did transactions with a large number of unrelated customers so that management believes no concentration of credit risk.

(ii) Liquidity risk

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments but excluding the impact of netting agreements:

	Carrying amount	Contractual cash flow	Within 6 months	6~12months	1~2years	2~5years	Over 5 years
December 31, 2018							
Non-derivative financial liabilities							
Unsecured bank loans	$ 25,223,548	25,963,394	19,772,950	4,086,909	2,103,535	-	-
Bonds payable	37,154,561	39,672,495	1,007,100	3,650,185	-	22,958,690	12,056,520
Secured bank loans	5,713,038	5,880,979	1,153,783	1,163,121	2,363,598	1,200,477	-
Short-term notes and bills payable	11,995,636	12,000,000	12,000,000	-	-	-	-
Accounts payable (including related parties)	12,144,297	12,144,297	12,144,297	-	-	-	-
Other payables (including related parties)	16,129,915	16,253,867	16,253,867	-	-	-	-
Other current liabilities	8,420,944	8,420,944	8,420,944	-	-	-	-
Employees' savings	284,770	286,332	286,332	-	-	-	-
	$ 117,066,709	120,622,308	71,039,273	8,900,215	4,467,133	24,159,167	12,056,520
December 31, 2017							
Non-derivative financial liabilities							
Unsecured bank loans	$ 23,319,741	23,983,911	11,351,543	8,027,677	2,574,959	2,029,732	-
Bonds payable	33,558,238	36,080,430	1,007,100	4,765,805	4,728,770	10,378,555	15,200,200
Secured bank loans	7,997,365	8,300,609	1,153,783	1,163,121	2,363,598	3,620,107	-
Short-term notes and bills payable	9,495,509	9,500,000	9,500,000	-	-	-	-
Accounts payable (including related parties)	12,505,416	12,505,416	12,505,416	-	-	-	-
Other payables (including related parties)	8,905,017	8,952,680	8,952,680	-	-	-	-
Other current liabilities	7,777,432	7,777,432	7,777,432	-	-	-	-
Employees' savings	236,350	237,768	237,768	-	-	-	-
	$ 103,795,068	107,338,246	52,485,722	13,956,603	9,667,327	16,028,394	15,200,200

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(Continued)

(iii) Currency risk

1) Exposure to currency risk

The Group's exposure to significant foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	$ 560,830	30.7330	17,235,988	705,661	29.8480	21,062,570
EUR	1,299	35.1670	45,682	1,110	35.6081	39,525
JPY	50,378	0.2772	13,965	60,873	0.2641	16,077
CNY	1,876	4.4779	8,401	1,512	4.5680	6,907
Financial liabilities						
Monetary items						
USD	61,480	30.7330	1,889,465	318,925	29.8480	9,519,273
EUR	228	35.1670	8,018	712	35.6081	25,353
JPY	116,671	0.2772	32,341	397,011	0.2641	104,851
CHF	220	30.1469	6,632	536	30.4659	16,330

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables which are denominated in different foreign currencies. A 1% depreciation of the NTD against the USD, EUR, JPY and CHF as of December 31, 2018 and 2017 would have decreased and increased the net income after tax by $153,674 and $114,593 for the years ended December 31, 2018 and 2017, respectively. This analysis is performed on the same basis assuming that all other variables remain constant and ignoring any impact of forecasted sales and purchases.

(iv) Interest rate analysis

The Group' s exposure to interest rate risk arising from financial assets and liabilities is described in Note 6(s).

The following sensitivity analysis is based on the risk exposure to interest rates of the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase or decrease in interest rate is assessed by management to be a reasonably possible change in interest rate.

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income after tax by $352,199 and $274,662 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

(v)

	2018		2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ **984,264**	**-**	**1,070,071**	**-**
Decreasing 1%	$ **(984,264)**	**-**	**(1,070,071)**	**-**

(vi) Fair value

1) Types and fair value of financial instruments

The Group's financial assets and liabilities are listed as follows: (including (1) the information on the levels in fair value hierarchy, wherein, disclosures are not required for financial instruments not measured at fair value with a carrying value approximating its fair value; and (2) those equity investments in which the fair value cannot be reliably measured and without any quoted price in the open market)

	December 31, 2018				
		Fair value			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Mandatorily at FVTPL	$ 4,017,249	-	4,017,249	-	4,017,249
Subtotal	4,017,249	-	4,017,249	-	4,017,249
Financial assets at fair value through OCI					
Listed stocks	98,426,404	98,426,404	-	-	98,426,404
Unquoted equity instruments at fair value	26,542,369	-	-	26,542,369	26,542,369
Subtotal	124,968,773	98,426,404	-	26,542,369	124,968,773
Financial assets measured at amortized cost					
Cash and cash equivalents	23,310,772	-	-	-	-
Notes and accounts receivable (including related parties)	16,150,069	-	-	-	-
Other receivables (including related parties)	18,074,434	-	-	-	-
Subtotal	57,535,275	-	-	-	-
Total	$ **186,521,297**	**98,426,404**	**4,017,249**	**26,542,369**	**128,986,022**

(Continued)

	December 31, 2018				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bonds payable	$ 37,154,561	-	-	-	-
Short-term notes and bills payable	11,995,636	-	-	-	-
Short-term borrowings	20,398,302	-	-	-	-
Long-term loans (including current portion)	10,823,054	-	-	-	-
Loans from related parties	9,711,628	-	-	-	-
Accounts payable (including related parties)	12,144,297	-	-	-	-
Other payables (including related parties)	6,418,287	-	-	-	-
Other current liabilities	8,420,944	-	-	-	-
Total	$ 117,066,709	-	-	-	-

	December 31, 2017				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Listed stocks	$ 107,007,059	107,007,059	-	-	107,007,059
Private fund	4,574,268	-	4,574,268	-	4,574,268
Subtotal	111,581,327	107,007,059	4,574,268	-	111,581,327
Loans and receivables					
Cash and cash equivalents	18,165,145	-	-	-	-
Notes and accounts receivable (including related parties)	15,934,864	-	-	-	-
Other receivables (including related parties)	16,970,174	-	-	-	-
Subtotal	51,070,183	-	-	-	-
Total	$ 162,651,510	107,007,059	4,574,268	-	111,581,327
Financial liabilities measured at amortized cost					
Bonds payable	$ 33,558,238	-	-	-	-
Short-term notes and bills payable	9,495,509	-	-	-	-
Short-term loans	14,921,759	-	-	-	-
Long-term loans (including current portion)	16,631,697	-	-	-	-
Loans from related parties	3,910,088	-	-	-	-
Accounts payable (including related parties)	12,505,416	-	-	-	-
Other payables (including related parties)	4,994,929	-	-	-	-
Other current liabilities	7,777,432	-	-	-	-
Total	$ 103,795,068	-	-	-	-

(Continued)

2) Valuation techniques for financial instruments not measured at fair value

The Group' s valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

Financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

The fair value of the financial instruments traded in active markets is based on quoted market prices. The fair value of listed equity instruments is based on the market prices that were published at main stock exchanges.

If the financial instruments possessed by the Company have quoted market prices in active markets, the fair value was as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks).

4) There was no transfer between the fair value hierarchy levels for the nine-month periods ended December 31, 2018 and 2017.

5) Movement of financial instruments grouped into level 3

	Financial assets at fair value through other comprehensive income
	Unquoted equity instruments
January 1, 2018	$ 27,732,211
Total gains and losses recognized:	
In other comprehensive income	(3,423,210)
Purchase	1,676,070
Effect of exchange rate changes	557,298
December 31, 2018	**$ 26,542,369**

6) The valuation procedures for fair value measurements being categorized within Level 3 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. According to the group's accounting policy, at the reporting date, the analysis of value changes of remeasured or reevaluated assets and liabilities is performed to ensure the reasonability of the evaluation results.

(Continued)

7) The quantitative information of significant unobservable inputs (Level 3)

Most of the group's financial instruments that use Level 3 inputs have only one significant unobservable input. Only equity investment with no-active markets have multiple significant unobservable inputs.

Quantified information of significant unobservable inputs was as follows:

Item	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Financial assets at fair value through other comprehensive income – unquoted equity instruments	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
	Net Asset Value Method	Not applicable	Not applicable

8) Valuation model used in Level 3 fair value measurement - sensitivity analysis of the fair value to the reasonable replaceable assumption

The valuation models and assumptions used to measure the fair value of the financial instruments is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			Recognised in other comprehensive income	
	Input	**Change**	**Favorable change**	**Unfavorable change**
December 31, 2018				
Financial assets at fair value through other comprehensive income – unquoted 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%	223,444	(223,444)

(Continued)

(w) Financial risk management

The Group seeks to ensure sufficient cost-efficient funding readily available when needed. The Group manages its exposure to credit risk, liquidity risk and market risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

(i) Framework of risk management

Items	Risk Management Department	Risk Detection
1. Interest rate, exchange rate, and inflation	General manager department; accounting department; finance department; and general management department	Computer audit & regular self audit; monthly budget meeting; finance supervisors meeting; internal audit department; and board meeting
2.Investments of high risk and leverage, loans to others, guarantees and endorsements, and trade of derivatives	General manager department; finance department; and general management department	Computer audit & regular self audit; monthly budget meeting; finance supervisors meeting; internal audit department; and board meeting
3.R&D plans	General manager department; technology department of each business division; and general management department	Purchase & sales meeting; operation performance meeting; R&D meeting; board meeting; and internal audit department
4.Changes on significant domestic and international policies and regulations	General manager department; manager department and technology department of each business division; legal department; and general management department	Purchases & sales meeting; operation performance meeting; board meeting; and internal audit department
5.Changes on technologies	General manager department; manager department of each business division; R&D center; and general management department	Purchase & sales meeting; operation performance meeting; internal audit department; and board meeting
6.Changes on corporate images	General manager department; manager department of each business division; and general management department	Purchase & sales meeting; operation performance meeting; and board meeting
7.Merge and reinvestments	General manager department; manager department of each business division; and general management department	Purchase & sales meeting; operation performance meeting; internal audit department; and board meeting
8.Expansion of factories	General manager department; factory affair department of each business division; manager department; and general management department	Purchase & sales meeting; operation performance meeting; internal audit department; and board meeting

(Continued)

Items	Risk Management Department	Risk Detection
9.Centralization of purchases and sales	General manager department; manager department of each business division; purchase department; and general management department	Weekiny marker price meeting; purchase & sales meeting; operation performance meeting; internal audit department; and board meeting
10.Changes of directors, controllers and major shareholders	General manager department; and shares management division of finance department	Operation management meeting and board meeting
11.Changes of management rights	General manager department; and general management department	Operation management meeting and board meeting
12.Litigation and other affairs	General manager department; general management department; and legal department	Purchase & sales meeting; operation performance meeting; internal audit department; and board meeting

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily trade receivables, and from financing activities, primarily deposits, fixed-income investments and other financial instruments with banks.

1) Accounts receivable and other receivables

To maintain the credit quality of receivables, a credit risk management policy has been established. Under this policy, each customer is analyzed individually regarding customer’ s financial situation, external and internal credit rating, historical trading record, and current economic condition which may affect customer’s payment ability. In addition, some methods are adopted to reduce the credit risk for specific customers, such as prepayment and insurance of accounts receivable.

2) Investments

The Group mainly invests in Petrochemical Industry, which belongs to mature industry with lower risk. In addition, the Group’ s prudent management creates financial health without high-leveraged investment.

3) Guarantee

The Group’s endorsement policy is limited to endorsement of subsidiaries or associates with business relationship. The endorsed items are usually related to financing and import duty guarantee. Due to associates’ financial health created by prudent management, management of the Group believes that they are expecting no significant losses from endorsement.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalent, securities with high liquidity and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

(iii) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group utilizes derivative financial instruments, including currency forward contracts and cross currency swaps, to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

2) Interest rate risk

The Group is exposed to interest rate risk arising from long-term borrowings at floating interest rates. To reduce the risk caused by floating interest rates, the Group utilized interest rate swap contracts to partially hedge its exposure.

(x) Capital management

Although business operated by the Group has reached the stage of maturity, a sufficient amount of capital is still required to support the operation of investee companies, construction and expand its production facilities and equipment.

The Group's policy is to maintain adequate financial resources and operating plan to meet future operating capital, capital expenditure, research and development expenditure, loans reimbursement, and dividend distribution.

(Continued)

The Group uses debt to capital ratio to manage its capital. The debt to capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derived from deducting cash and cash equivalents from total liabilities. Total capital includes common shares of stocks, capital surplus, retained earnings and net liabilities. The Group's debt to capital ratio at the end of the reporting period was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 145,945,266	131,060,870
Less: cash and cash equivalents	(23,310,772)	(18,165,145)
Net liabilities	122,634,494	112,895,725
Total equity	355,568,001	345,010,166
Adjusted equity	**$ 478,202,495**	**457,905,891**
Debt to capital ratio	**25.64 %**	**24.65 %**

(y) Changes in liabilities come from financing activities

	Short-term borrowings	Short-term notes and bills payable	Long-term loans (including current portion)	Bonds payable(including current portion)	Total liabilities come from financing activities
January 1, 2018	$ 14,921,759	9,495,509	16,631,697	33,558,238	74,607,203
Changes in cash flows	5,472,648	2,500,000	(5,813,964)	3,600,000	5,758,684
Changes in non-cash	-	127	4,562	(3,677)	1,012
Effect of exchange rate changes	3,895	-	759	-	4,654
December 31, 2018	**$ 20,398,302**	**11,995,636**	**10,823,054**	**37,154,561**	**80,371,553**

(7) Related-party transactions:

(a) Name of related parties

Name of related party	Relationship with Consolidated Company
Formosa Petrochemical Corporation	Associates
Formosa Plastics Corp., U.S.A.	Associates
Formosa Heavy Industries Corp.	Associates
Mai Liao Power Corp.	Associates
Formosa Sumco Technology Corporation	Associates
Formosa Transportation Corp.	Associates
Ya Tai Development Corp.	Associates
Wha Ya Park Management Consulting Corporation Ltd.	Associates
Formosa Environmental Technology Corporation	Associates
Formosa Resources Corporation	Associates
Formosa Group (Cayman) Limited	Associates
Hua Ya Power Corp.	Associates
Formosa Heavy Industries (Ningbo) Corp.	Associates

(Continued)

Name of related party	Relationship with Consolidated Company
Huaya Steel (Ningbo) Co., Ltd	Associates
Japan Formosa Sumco Technology Corp.	Associates
Formosa Transportation (Ningbo) Corp.	Associates
Fujian Fuxin Special Steel Co., Ltd.	Associates
Formosa Automobile Corporation	Associates
Formosa Asahi Spandex Co., Ltd.	Joint venture
Formosa Daikin Advanced Chemical Co., Ltd.	Joint venture
Formosa Mitsui Advanced Chemical Co., Ltd.	Joint venture
Nan Ya Plastics Corporation	Other related parties
Formosa Chemicals and Fiber Corporation	Other related parties
Chang Gung Medical Foundation	Other related parties
Nan Ya PCB Corporation	Other related parties
Nan Chung Petrochemical Corporation	Other related parties
PFG Fiber Glass Corporation	Other related parties
Nan Ya Plastics (Hong Kong) Co., Ltd.	Other related parties
Nan Ya Plastics (Guangzhou) Co., Ltd.	Other related parties
Nan Ya Plastics (Nantong) Co., Ltd.	Other related parties
Nan Ya Plastics Film (Nantong) Co., Ltd.	Other related parties
Nan Ya Plastics Film (Huizhou) Co., Ltd.	Other related parties
Nan Ya Plastics (Huizhou) Co., Ltd.	Other related parties
Nan Ya Plastics (Xiamen) Co., Ltd.	Other related parties
Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd.	Other related parties
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Other related parties
Nan Ya Plastics (Ningbo) Co., Ltd.	Other related parties
Nan Ya Plastics (Indonesia) Co., Ltd.	Other related parties
Nan Ya Plastics Corporation America	Other related parties
Formosa Industries Corp., Vietnam	Other related parties
Formosa Taffeta Co., Ltd.	Other related parties
Formosa BP Chemicals Corp.	Other related parties
Formosa Biomedical Technology Corp.	Other related parties
Formosa Carpet Co., Ltd.	Other related parties
Formosa Idemitsu Petrochemical Corp.	Other related parties
Hong Jing Resources Corp.	Other related parties
Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties
Formosa Power (Ningbo) Co., Ltd.	Other related parties
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Other related parties
Formosa Phenol (Ningbo) Co., Ltd.	Other related parties
Formosa Plastics Marine Corp.	Other related parties
Formosa Group Ocean Marine Corp.	Other related parties

(Continued)

Name of related party	Relationship with Consolidated Company
Asia Pacific Development Corp.	Other related parties
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Other related parties
Nanya Technology Corporation	Other related parties
Inteplast Taiwan Corporation	Other related parties
Asian Pacific Investment Corp.	Other related parties
Formosa Ha Tinh (Cayman) Ltd.	Other related parties
Xiamen Chang Gung hospital	Other related parties
Formosa Port (Ningbo) Co., Ltd.	Other related parties
Formosa Ha Tinh (Cayman) Limited Taiwan Branch	Other related parties

(b) Significant related-party transactions

(i) Sales to related parties

The Group's significant sales to related parties were as follows:

	For the years ended December 31, 2018	2017
Associates	$ 12,748,160	11,867,217
Joint ventures	81,383	634,613
Other related parties	29,202,443	24,584,804
	$ 42,031,986	**37,086,634**

The receivables from related parties were as follows:

	December 31, 2018	December 31, 2017
Associates	$ 1,200,489	1,799,927
Joint ventures	10,302	18,298
Other related parties	3,084,800	3,093,245
	$ 4,295,591	**4,911,470**

The selling prices and collection terms for the sales to related parties are not significantly different from those third-party customers, and receivables are collected on the 27th of the month following the month of sales. The terms of receivables from other foreign related parties are O/A 60 days, O/A 90 days or L/C at sight.

(Continued)

(ii) Purchase from related parties

The Group's significant purchases from related parties were as follows:

	For the years ended December 31, 2018	2017
Associates		
Formosa Petrochemical Corporation	$ 95,868,581	84,227,514
Other	931,271	795,650
Joint ventures	-	26,697
Other related parties	3,862,749	3,783,846
	$ **100,662,601**	**88,833,707**

The payables from related parties were as follows:

	December 31, 2018	December 31, 2017
Associates		
Formosa Petrochemical Corporation	$ 7,604,281	8,101,464
Other	577	70,144
Joint ventures	-	3,524
Other related parties	261,428	277,303
	$ **7,866,286**	**8,452,435**

The purchase price and payment terms for the purchase from related parties are not significantly different from those with third-party vendors, and payables are paid on the 27th of the month following the month of purchase.

(iii) Property plant and equipment

1) Disposal proceeds of property plant and equipment

	For the years ended December 31, 2018 Disposal price	2018 Gain from disposal	2017 Disposal price	2017 Gain from disposal
Associates	$ -	-	150	150
Joint ventures	9	-	9	-
Other related parties				
Asia Pacific Development Corp.	-	-	1,070	664
Other	151,682	53,692	108	-
	$ **151,691**	**53,692**	**1,337**	**814**

There were no unreceived balance as of December 31, 2018, December 31 and 2017.

(Continued)

2) Purchase property, plant and equipment

	For the three-month periods ended December 31	
	2018	**2017**
Associates	$ 95	663
Other related parties	261,481	72,008
	$ 261,576	**72,671**

Other payables–related parties:

	December 31, 2018	December 31, 2017
Other related parties	**$ 117,601**	**1,045**

(iv) Loans to related parties

The Group's significant financing transactions with related parties were as follows:

	Due from related parties (recognized as other receivables-related parties)	
	December 31, 2018	**December 31, 2017**
Associates		
Formosa Heavy Industries Corp.	$ 9,174,852	2,871,040
Formosa Group (Cayman) Limited	-	4,259,500
Other	400,000	-
Joint ventures	259,721	228,398
Other related parties		
Formosa Group Ocean Marine Corp.	5,451,192	4,238,500
Formosa Ha Tinh (Cayman) Ltd.	-	3,040,500
	$ 15,285,765	**14,637,938**

(Continued)

As of December 31, 2018 and 2017, the interest revenue receivables from the abovementioned transactions amounted to $19,563 thousand and $19,032 thousand, respectively, which was recognized as other receivables-related parties.

	Due to related parties (recognized as other payables–related parties)	
	December 31, 2018	**December 31, 2017**
Associates		
Formosa Plastics Corp., U.S.A.	$ 9,066,235	3,432,520
Others	645,393	477,568
	$ 9,711,628	**3,910,088**

As of December 31, 2018 and 2017, the accrued interest expense from the abovementioned transactions amounted to $27,657 thousand and $17,129 thousand respectively, which was recognized as other current liabilities.

(v) Endorsements and guarantees

1) The Group’s endorsements guarantees to secure related parties’ loans were as follows:

	December 31, 2018	**December 31, 2017**
Associates		
Formosa Group (Cayman) Limited	$ 19,208,125	21,639,800
Other	3,303,798	3,208,660
Other related Parties		
Formosa Ha Tinh (Cayman) Ltd.	15,915,686	15,457,372
	$ 38,427,609	**40,305,832**

(vi) Other transactions

1) The Group’s income received from related parties, such as sewage treatment income, wharf usage income and utility and steam income were as follows:

	Other receivables–related parties	
	December 31, 2018	**December 31, 2017**
Associates	$ 30	12
Joint ventures	5,076	2,987
Other related parties	-	1,581
	$ 5,106	**4,580**

(Continued)

2) The Group's expenses paid to related parties, such as sewage treatment expense, wharf usage expense, utility and steam expenses, transportation expense and restoration expense were as follows:

	Other payables–related parties	
	December 31, 2018	**December 31, 2017**
Associates		
Formosa Petrochemical Corporation	$ 1,049,502	1,106,806
Others	275,463	161,720
Other related parties	236,022	244,370
	$ 1,560,987	**1,512,896**

(vii) Receivables from payment on behalf of related parties

1) The Group paid for construction design service fees on behalf of related parties as follows:

	Other receivables–related parties	
	December 31, 2018	**December 31, 2017**
Other related parties	**$ 1,382,410**	**1,004,425**

(viii) Rental (recognized as other income)

The Group lease its office and building to related parties, and derived rental income thereon as follows:

	For the years ended December 31,	
	2018	**2017**
Associates		
Formosa Petrochemical Corporation	$ 16,568	16,568
Formosa Heavy Industries Corp.	61,457	61,457
Other	6,966	6,900
Joint ventures		
Formosa Daikin Advanced Chemical Co., Ltd.	32,779	7,571
Other	596	596
Other related parties		
Nan Ya Plastics Corporation	24,740	25,251
Other	17,674	17,723
	$ 160,780	**136,066**

(Continued)

The rentals charged to related parties are determined based on the local market prices, and rents are collected depending on the contract periods (e.g. monthly, semi-annually or annually).

(c) Compensation of key management

The compensation to key management was as follows:

	For the years ended December 31, 2018	2017
Short-term employee benefits	$ 72,245	76,053

(8) Pledged assets:

The Group's assets pledged to secure loans were as follows:

Classification of assets	Nature of Pledged Assets	December 31, 2018	December 31, 2017
Refundable deposits (classified under other assets)	Certificate of deposit	$ 10,607,892	10,712,252
Investments accounted for using equity method	Stocks of Formosa Petrochemical Corp.	2,181,675	2,183,879
Fixed assets	Property plant and equipment	81,805	34,658
		$ 12,871,372	12,930,789

(9) Significant commitments and contingencies:

(a) The amounts of endorsements and guarantees for related parties were as follows:

	December 31, 2018	December 31, 2017
Endorsements and guarantees	$ 38,427,609	40,305,832

(b) The amount of unused outstanding letters of credit for the importation of raw materials for related parties were as follows:

	December 31, 2018	December 31, 2017
Unused outstanding letters	$ 688,542	535,719

(Continued)

(c) The amounts of commitment letters for related parties were as follows:

As of December 31, 2018, the Company' s investee, Formosa Ha Tinh (Cayman) Ltd., signed several contracts of syndicated credit lines with different banks amounting to US$2,220,000 thousand for its operational needs. According to the requirement of the bank consortium, the Company together with the other related parties have to issue a letter of undertaking and to manage the necessary funds to fulfill the repayment of obligations when needed.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

(a) The nature of operating costs and expenses of the Group were as follows:

	December 31, 2018				December 31, 2017			
	Operating costs	Operating expenses	Non-operating expenses	Total	Operating costs	Operating expenses	Non-operating expenses	Total
Employee benefits								
Salaries	5,576,273	3,052,205	-	8,628,478	5,332,215	2,895,081	-	8,227,296
Labor and health insurance	399,755	239,602	-	639,357	384,627	236,686	-	621,313
Pension	299,492	180,460	-	479,952	292,208	174,969	-	467,177
Remuneration of directors	-	7,570	-	7,570	-	7,520	-	7,520
Others	177,494	124,343	-	301,837	175,414	107,779	-	283,193
Depreciation expenses	6,634,347	302,581	-	6,936,928	7,586,382	317,912	-	7,904,294
Amortization expenses	492,614	8,639	13,714	514,967	523,287	8,218	14,300	545,805

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicality factors.

(Continued)

(13) Other disclosures:

(a) Information on significant transactions:

The significant transactions required by the "Guidelines" for the Group were as follows:

(i) Fund financing to other parties (the amounts expressed in CNY are in thousands):

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
0	The Company	Formosa Petrochemical Corp.	Other receivables-related parties	Yes	20,500,000	6,000,000	-	1.411% ~1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Chemicals & Fibre Corp.	Other receivables-related parties	Yes	8,000,000	6,000,000	-	1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Nan Ya plastic Corp.	Other receivables-related parties	Yes	9,500,000	6,000,000	-	1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	19,874,852	17,674,852	9,174,852	1.408% ~1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Group (Cayman) Limited	Other receivables-related parties	Yes	4,259,500	-	-	1.408% ~1.411%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Automobile Corporation	Other receivables-related parties	Yes	400,000	400,000	400,000	1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Plastic Transportation Corp.	Other receivables-related parties	Yes	200,000	-	-	1.412%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Ha Tinh (Cayman) Limited	Other receivables-related parties	Yes	3,040,500	-	-	1.408% ~1.411%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Group Ocean Marine Corp.	Other receivables-related parties	Yes	10,136,357	8,981,192	5,451,192	1.408% ~1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Japan Formosa Sumco Technology Corp.	Other receivables-related parties	Yes	1,220,000	-	-	1.000%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
1	Formosa Electronic (Ningbo) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other receivables-related parties	Yes	304,504 (CNY 68,000)	170,164 (CNY 38,000)	170,162 (CNY 38,000)	3.480%	2	-	Short-term financing	-	-	-	11,528,666	28,821,666	Note 4
2	Formosa Industries (Ningbo) Co., Ltd.	Formosa Mitsui Advanced Chemical Co., Ltd.	Other receivables-related parties	Yes	89,560 (CNY20,000)	89,560 (CNY20,000)	89,559 (CNY20,000)	3.480%	2	-	Short-term financing	-	-	-	129,298	323,245	Note 4

Note 1: (1) Those with business contact please fill in 1

(2) Those necessary for short-term financing please fill in 2.

Note 2: (1) The maximum financing allowed should not exceed 50% of the Company's net equity, and the maximum short-term financing to companies with no transaction with the Company could not exceed 40% of the Company's net equity as of December 31, 2018.

(2) The Company grants financing to a related party even if the Company has no normal business transactions with the entity. However, such financing is limited to 25% of the related party's equity based on the current independent auditor's report.

(3) The Company grants financing to an entity even if the Company has no normal business transactions with the entity. However, such financing is limited to 20% of the Company's equity based on the current independent auditor's report.

(4) The ceiling on loans granted by a subsidiary to others shall not be more than 100% of the Company's net assets, and ceiling on loans granted a short-term financing borrower with no business transactions shall not be more than 40% of the Company's net assets.

Note 3: The ending balance was approved by the Board of Directors.

Note 4: The exchange rate of NTD to CNY for the highest balance of financing to other parties during the year and for the ending balance was NT$4.478 to CNY1; and the exchange rate for the actual usage during the year was NT$4.4779400 to CNY1.

(Continued)

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Formosa Group (Cayman) Limited	6	231,119,201	21,133,750	19,208,125	19,208,125	-	5.40 %	462,238,401	N	N	N
0	The Company	Formosa Ha Tinh (Cayman) Limited	6	231,119,201	21,185,781	21,185,781	15,915,686	-	5.96 %	462,238,401	N	N	N
0	The Company	Formosa Resources Corporation	6	231,119,201	3,329,060	3,303,798	3,303,798	-	0.93 %	462,238,401	N	N	N

Note 1: The guarantees and endorsements of the Company and its subsidiaries were listed in the form of numbers with the rules below:

(1) The Company is represented by 0.

(2) The subsidiaries are represented numerically starting from 1.

Note 2: There are seven conditions in which the Company may have guarantees or endorsements for other parties as follows:

(1) The Company has business relationship.

(2) The Company holds directly and indirectly more than 50% of the voting shares of the subsidiaries.

(3) In aggregate, the Company holds directly or its subsidiaries hold indirectly more than 50% of the investee.

(4) Subsidiaries in which the Company holds directly or indirectly more than 90% of the voting shares make endorsement and guarantees for each other.

(5) The Company is required to provide guarantees or endorsements for the construction project based on the construction contract.

(6) The stockholders of the Company provide guarantees or endorsements for the investee in proportion to their stockholding percentage.

(7) According to Consumer Protection Act, companies are required to provide guarantees and endorsements for joint and several liability if take part in business of preconstruction real estate.

Note 3: In accordance with Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 130% of the Company's net assets, the limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	
The Company	Asian Pacific Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	68,743	2,773,780	16.17 %	2,773,780	16.17 %	
The Company	Mai-Liao Harbor Administration Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	39,574	922,129	17.99 %	922,129	17.99 %	
The Company	Taiwan Aerospace Corp.	-	Financial assets at fair value through other comprehensive income-non-current	1,103	22,945	0.81 %	22,945	0.81 %	
The Company	Chinese Television System Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,769	31,032	1.05 %	31,032	1.05 %	
The Company	China Investment & Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,287	3,110	0.80 %	3,110	0.80 %	
The Company	Formosa Plastics Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	15,246	266,354	18.00 %	266,354	18.00 %	

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Highest Percentage of ownership (%)	Note
The Company	Xiangho Aircraft Leasing Corp.	-	Financial assets at fair value through other comprehensive income-non-current	2,071	-	9.55 %	-	9.55 %	
The Company	Formosa Petrochemical Transportation Corporation, Ltd.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	2,642	80,877	12.00 %	80,877	12.00 %	
The Company	Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	2,925	82,709	12.50 %	82,709	12.50 %	
The Company	Formosa Plastics Marine Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	2,429	596,127	15.00 %	596,127	15.00 %	
The Company	Formosa Group Ocean Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	3	4,982,219	19.00 %	4,982,219	19.00 %	
The Company	Formosa Plastics Maritime Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	354	193,531	18.11 %	193,531	18.11 %	
The Company	Am Trust Capital I Corp.	-	Financial assets at fair value through other comprehensive income-non-current	5,000	30,100	3.91 %	30,100	3.91 %	
The Company	Central Leasing International Corp.	-	Financial assets at fair value through other comprehensive income-non-current	2,373	-	1.43 %	-	1.43 %	
The Company	Inteplast Taiwan Corporation	Other related parties	Financial assets at fair value through other comprehensive income-non-current	2,160	34,775	18.00 %	34,775	18.00 %	
The Company	Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	2,500	19,225	1.97 %	19,225	1.97 %	
Formosa Plastics Corp. (Cayman Ltd)	Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	-	85,480	18.00 %	85,480	18.00 %	
Formosa Plastics International (Cayman) Limited	Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets at fair value through other comprehensive income-non-current	621,178	16,417,976	11.43 %	16,417,976	11.43 %	
					26,542,369		**26,542,369**	- %	
The Company	Nan Ya Plastics Corporation	Other related parties	Current financial assets at fair value through other comprehensive income	783,357	59,143,443	9.88 %	59,143,443	9.88 %	
The Company	Formosa Chemicals & Fibre Corporation	Other related parties	Current financial assets at fair value through other comprehensive income	198,744	20,868,113	3.39 %	20,868,113	3.39 %	
The Company	Nan Ya Technology Corp.	Other related parties	Current financial assets at fair value through other comprehensive income	334,815	18,414,848	10.97 %	18,414,848	13.37 %	
					98,426,404		**98,426,404**	- %	
The Company	Mega Prosperity Private Placement Fund	-	Current financial assets at fair value through profit or loss	12,479	**4,017,249**	25.00 %	**4,017,249**	25.00 %	

(Continued)

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Securities-Formosa Plastics International (Cayman) Limited	Investments accounted for using equity method	Formosa Plastics International (Cayman) Limited	Subsidiary	51	15,984,457	1	1,676,070	-	-	-	-	52	16,418,229 (Note 5)
The Company	Securities-Sky Dragon Investment Limited	Investments accounted for using equity method	Sky Dragon Investment Limited	Associates	280,000	2,973,156	145,800	4,461,424	-	-	-	-	425,800	6,547,397 (Note 2)
Formosa Plastics International (Cayman) Limited	Securities-Formosa Ha Tinh (Cayman) Limited	Financial assets at fair value through other comprehensive income-non-current	Formosa Ha Tinh (Cayman) Limited	Other related parties	564,707	15,984,213	56,471	1,676,070	-	-	-	-	621,178	16,417,976 (Note 3)
The Company	Mega Prosperity Private Placement Fund	Current financial assets at fair value through profit or loss			14,979	4,574,268	-	-	2,500	772,908	820,847	-	12,479	4,017,249 (Note 4)

Note 1: The ending balance includes the unrealized loss of financial assets at fair value through other comprehensive income-non-current of investment accounted for using equity method of ($1,796,896) thousand and accumulated translation adjustment of $554,598 thousand.

Note 2 : The ending balance includes the share of profit or loss of associates and joint ventures accounted for using equity method of ($768,574) thousand and accumulated translation adjustment of ($118,609) thousand.

Note 3: The ending balance includes the unrealized loss of financial assets at fair value through other comprehensive income-non-current of ($1,796,896) thousand and adjustments of $554,589 thousand caused by exchange rate changes at the end of the period.

Note 4: The ending balance includes the net gain of financial assets at fair value through profit or loss of $263,828 thousand recognized at the end of the period.

Note 5: The transaction has already been written off in the consolidated financial statements.

(v) Acquisition of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The company	Taipei · CBD	May 10, 2018	3,674,500	the first , second, and third installment were paid	TransGlobe Life Insurance Inc.	none	-	-	-	-	refer to market value and appraisal report	Office buildings	none
The company	Taipei · CBD	May 10, 2018	1,000,500	the first, second, and third installment were paid	Meifu development Corporation	none	-	-	-	-	refer to market value and appraisal report	Office buildings	none

Note: The office buildings are co-paid an installment by the Group, Nan Ya Plastics Corporation, Formosa Chemicals and Fiber Corporation and Formosa Petrochemical Corporation. The value of office buildings are $18,044,586 thousand and $18,010,228 thousand, respectively, estimated by Euro-Asia Real Estate Appraiser firm and Taiwan Dawa Real Estate Appraiser & Associates.

(vi) Disposal of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock: None.

(Continued)

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Nan Ya Plastics Corporation	Other related parties	(Sales)	(13,353,279)	(7.06)%	Before the 27th of the following month	-		1,012,364	7.92%	
The Company	Formosa Chemicals & Fibre Corporation	Other related parties	〃	(7,875,854)	(4.16)%	Before the 27th of the following month	-		638,997	5.00%	
The Company	Formosa Petrochemical Corporation	Associates	〃	(8,370,247)	(4.42)%	Before the 27th of the following month	-		525,999	4.11%	
The Company	Formosa Heavy Industries Corp.	Associates	〃	(179,511)	(0.09)%	Before the 27th of the following month	-		3,884	0.03%	
The Company	Mai Liao Power Corp.	Associates	〃	(246,080)	(0.13)%	Before the 27th of the following month	-		212	-%	
The Company	Formosa Taffeta Co. Ltd.	Other related parties	〃	(339,048)	(0.18)%	Before the 27th of the following month	-		19,816	0.15%	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	Other related parties	〃	(226,959)	(0.12)%	O/A 60 days	-		19,737	0.15%	
The Company	Formosa Industries Corp., Vietnam	〃	〃	(521,123)	(0.28)%	O/A 60 days	-		109,721	0.86%	
The Company	Nan Ya Rigid Film (Guangzhou) Co., Ltd.	〃	〃	(222,289)	(0.12)%	O/A 60 days	-		45,514	0.36%	
The Company	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Other related parties	〃	(115,398)	(0.06)%	O/A 60 days	-		69,793	0.55%	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent-subsidiary	〃	(3,970,937)	(2.10)%	O/A 90 days	-		953,320	7.46%	Note 1
The Company	Formosa Industries Corp., Vietnam	〃	〃	(353,008)	(0.19)%	O/A 90 days	-		33,988	0.27%	
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties	〃	(9,049,850)	(4.78)%	O/A 60 days	-		1,680,478	13.14%	
The Company	Formosa Plastics Corp., U.S.A.	Associates	〃	(3,820,080)	(2.02)%	O/A 90 days	-		662,095	5.18%	
Formosa Industries (Ningbo) Co., Ltd.	The Company	Parent-subsidiary	〃	(1,331,919)	(2.60)%	Before the 30th of the following month	-		85,596	1.67%	Note 1
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd.	Other related parties	〃	(1,108,440)	(2.16)%	Before the 30th of the following month	-		74,865	1.46%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Xiamen) Co., Ltd.	〃	〃	(250,815)	(0.49)%	Before the 30th of the following month	-		25,912	0.51%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Guangzhou) Co., Ltd.	Other related parties	〃	(478,243)	(0.93)%	Before the 30th of the following month	-		56,134	1.10%	
				(114,726)	(0.22)%		-		6,227	0.12%	

(Continued)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Nan Ya Plastics Corporation	Other related parties	Purchase	1,245,647	0.90 %	Before the 27th of the following month	-		(94,170)	(0.87)%	
The Company	Formosa Chemicals & Fibre Corporation	〃	〃	2,277,294	1.65 %	Before the 27th of the following month	-		(150,018)	(1.39)%	
The Company	Formosa Petrochemical Corporation	Associates	〃	95,868,581	69.39 %	Before the 27th of the following month	-		(7,604,281)	(70.29)%	
The Company	Formosa Heavy Industries Corp.	〃	〃	931,271	0.67 %	Before the 27th of the following month	-		(577)	(0.01)%	
The Company	Formosa BP Chemicals Corp.	Other related parties	〃	163,840	0.12 %	Before the 27th of the following month	-		(9,183)	(0.08)%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics Corporation	Other related parties	〃	28,383,532	64.60 %	O/A 90 days	-		(3,482,781)	(73.76)%	
Formosa Acrylic Esters (Ningbo) Co., Ltd.	The Company	Parent-subsidiary	〃	126,887	0.29 %	O/A 90 days	-		(4,263)	(0.09)%	Note、Note 1

Note: Including the purchases of raw materials on behalf of related parties.

Note 1: The transaction has already been written off in the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of $100 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Nan Ya Plastics Corporation	Other related parties	1,012,364	12.37	-		1,012,364	-	
The Company	Formosa Chemicals & Fibre Corporation	〃	638,997	11.48	-		638,997	-	
The Company	Formosa Petrochemical Corporation	Associates	525,999	14.89	-		525,999	-	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	Other related parties	109,721	4.82	-		81,059	-	
The Company	Formosa Acrylic Esters (Ningbo) Co., Ltd.	〃	953,320	4.95	-		842,031	-	Note
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent-subsidiary	1,680,478	5.55	-		1,167,879	-	Note
The Company	Formosa Plastics Corp., U.S.A.	Associates	662,095	4.21	-		259,440	-	
The Company	Formosa Heavy Industries Corp.	Associates	9,174,852	-	-		-	-	
			400,000	-	-		-	-	
The Company	Formosa Group Ocean Marine Corp.	Other related parties	5,451,192	-	-		-	-	
The Company	Fujian Fuxin Special Steel Co., Ltd	Associates	1,382,410	-	-		-	-	
Formosa Industries (Ningbo) Co., Ltd.	Formosa Mitsui Advanced Chemical Co., Ltd.	Joint Venture	170,162	-	-		-	-	

Note: The transaction has already been written off in the consolidated financial statements.

(ix) Trading in derivative instruments: None.

(Continued)

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions: Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Formosa Industries (Ningbo) Co., Ltd.	1	Sales	9,049,850	O/A 90 days	3.93%
0	The Company	Formosa Industries (Ningbo) Co., Ltd.	1	Accounts receivable	1,680,478	〃	0.34%
0	The Company	Formosa Industries (Ningbo) Co., Ltd.	1	Other revenue (Note 3)	19,333,682	O/A 60 days	8.39%
0	The Company	Formosa Industries (Ningbo) Co., Ltd.	1	Other receivables－related parties	1,802,303	〃	0.36%
1	Formosa Industries (Ningbo) Co., Ltd.	The Company	2	Sales	1,331,919	Before the 30th of the following month	0.58%
1	Formosa Industries (Ningbo) Co., Ltd.	The Company	2	Accounts receivable	85,596	〃	0.02%

Note 1: Assigned numbers represent the following:

1. 0 represents the parent company.
2. The subsidiaries are represented numerically starting from 1.

Note 2: The terms of transactions are defined as follows:

1. Represents the parent company having transaction with a subsidiary.
2. Represents a subsidiary having transaction with the parent company.
3. Represents a subsidiary having transaction with a subsidiary.

Note 3: Including the purchases of raw materials on behalf of related parties.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2018	Original investment amount: December 31, 2017	Balance as of December 31, 2018: Shares (thousands)	Balance as of December 31, 2018: Percentage of ownership	Balance as of December 31, 2018: Carrying value	Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Formosa Petrochemical Corporation	Taiwan	Petrochemicals	30,144,951	30,144,951	2,720,549	28.56 %	96,197,632	28.56 %	60,090,225	17,228,355	Note, Note 2
The Company	Formosa Plastics Corp., U.S.A.	U.S.A	Chemicals	5,614,024	5,614,024	70	22.61 %	63,350,563	22.61 %	24,392,035	5,598,261	Note, Note 2
The Company	Formosa Heavy Industries Corp.	Taiwan	Mechanical equipment	2,498,463	2,498,463	651,828	32.92 %	7,717,150	32.92 %	454,628	152,403	Note, Note 2
The Company	Sky Dragon Investment Limited	Samoa	Investment	13,221,416	8,759,992	425,800	50.00 %	6,547,397	50.00 %	(1,537,081)	(768,574)	Note, Note 2
The Company	Formosa Plastics Corp. (Cayman Ltd.)	Cayman	Investment	19,104,301	19,104,301	76	100.00 %	29,273,905	100.00 %	472,346	472,346	Note, Note 1, Note 2
The Company	Mai Liao Power Corp.	Taiwan	Electricity	5,985,531	5,985,531	547,030	24.94 %	11,163,467	24.94 %	532,067	133,645	Note, Note 2
The Company	Formosa Sumco Technology Corp.	Taiwan	Electronics manufacture	1,709,987	2,837,042	112,708	29.06 %	6,327,209	29.06 %	5,580,459	1,621,643	Note, Note 2
The Company	Formosa Transportation Corp.	Taiwan	Transportation	110,664	60,664	6,566	33.33 %	1,014,210	33.33 %	40,949	13,745	Note, Note 2
The Company	Formosa Fairway Corp.	Taiwan	Transportation	33,330	33,330	4,698	33.33 %	98,624	33.33 %	(2,038)	(679)	Note 2
The Company	Yi-Jih Development Corp.	Taiwan	Construction	57,000	57,000	5,700	28.72 %	63,305	28.72 %	1,003	278	Note 2
The Company	Ya Tai Development Corp.	Taiwan	Development of land	54,034	54,034	1,306	45.04 %	18,887	45.04 %	(10,035)	(4,520)	Note 2
The Company	Formosa Asahi Spandex Co., Ltd.	Taiwan	Artificial fiber	501,752	501,752	50	50.00 %	1,323,203	50.00 %	213,284	106,642	Note 2
The Company	Formosa Automobile Corporation	Taiwan	Automobile	270,442	270,442	27,044	45.00 %	105,760	45.00 %	302,327	136,045	Note 2
The Company	Wha Ya Park Management Consulting Corporation Ltd.	Taiwan	Consulting service	341	341	33	33.00 %	1,503	33.00 %	1,216	401	Note 2
The Company	Formosa Daikin Advanced Chemical Co., Ltd.	Taiwan	Chemical industry	100,000	100,000	24	50.00 %	1,009,244	50.00 %	327,062	163,531	Note 2
The Company	Su-Hua Transportation Corporation	Taiwan	Transportation	-	50,000	-	- %	-	25.00 %	19,523	4,881	Note 2
The Company	Formosa Resources Corporation	Taiwan	Mining industry	5,845,940	5,845,940	584,594	25.00 %	5,370,047	25.00 %	(926,170)	(231,542)	Note, Note 2
The Company	Formosa Environmental Technology Corporation	Taiwan	Environmental industry	417,145	417,145	41,714	24.34 %	225,838	24.34 %	1,363	308	Note, Note 2
The Company	Formosa Plastics Development Corporation Ltd.	Taiwan	Construction	100,000	100,000	10,000	33.33 %	82,299	33.33 %	(16,422)	(5,474)	Note 2
The Company	Formosa Group (Cayman) Limited	Cayman	Investment	377	377	13	25.00 %	631,060	25.00 %	1,071,094	267,773	Note, Note 2

(Continued)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value	Percentage of ownership			
The Company	Formosa Industries Corporation	U.S.A	Chemicals	6,864,287	6,864,287	2	100.00 %	5,345,785	100.00 %	(569,094)	(569,094)	Note, Note 1,Note 2
The Company	Formosa Plastics International (Cayman) Limited.	Cayman	Investment	18,784,620	17,108,550	52	100.00 %	16,418,229	100.00 %	-	-	Note, Note 1,Note 2
Formosa Plastics Corp. (Cayman) Ltd.	Formosa Industries (Hong Kong) Limited	Hong Kong	Reinvestment	7,687,504 (USD234,902)	7,687,504 (USD234,902)	-	100.00 %	28,812,332 (USD937,505)	100.00 %	499,270 (USD16,538)	499,270 (USD16,538)	Note, 1 Note 2, Note 3
Formosa Industries Corporation	Formosa Olefins, L.L.C.	U.S.A	Olefins	3,146,616 (USD95,700)	3,146,616 (USD95,700)	-	33.00 %	2,409,179 (USD78,391)	33.00 %	(831,552) (USD-27,545)	(274,411) (USD-9,090)	Note 2, Note 3
Formosa Industries Corporation	Lolita Packaging, L.L.C.	U.S.A	Transportation	306,478 (USD9,880)	306,478 (USD9,880)	-	38.00 %	261,377 (USD8,505)	38.00 %	(95,537) (USD-3,165)	(36,305) (USD-1,203)	Note 2, Note 3

Note ： Including cumulative translation adjustments.

Note 1：The transaction has already been written off in the consolidated financial statements.

Note 2：Long-term equity investments under equity method.

Note 3：The exchange rate of New Taiwan dollars to US dollars on December 31, 2018, was 30.7330 to 1. The average exchange rate of New Taiwan dollars to US dollars for the nine-month period ended December 31, 2018, was 30.1886 to 1.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Investment income (losses) (Note 3)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Formosa Industries (Ningbo) Co., Ltd. (note 2)	Plastics	23,074,124 (USD722,023)	(2)	18,814,370 (USD578,270)	-	-	18,814,370 (USD578,270)	466,761 (USD15,461)	100.00%	100.00	466,761 (USD15,461)	28,821,666 (USD937,808)	-
Formosa Electronic (Ningbo) Co., Ltd. (note 2)	Electronics	74,648 (USD2,260)	(2)	66,137 (USD2,000)	-	-	66,137 (USD2,000)	32,509 (USD1,077)	100.00%	100.00	32,509 (USD1,077)	323,245 (USD10,518)	-
Formosa Mitsui Advanced Chemical Co., Ltd.	Electrolyte	244,196 (USD8,200)	(2)	122,098 (USD4,100)	-	-	122,098 (USD4,100)	(53,667) (USD-1,778)	50.00%	50.00	(26,834) (USD-889)	49,644 (USD1,615)	-
Fujian Fuxin Special Steel Co., Ltd	Steel	34,347,344 (USD1,460,000)	(2)	8,759,992 (USD280,000)	4,461,424 (USD145,800)	-	13,221,416 (USD425,800)	(2,635,203) (USD-87,291)	29.16%	29.17	(768,574) (USD-25,459)	6,546,877 (USD213,024)	-
Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd.	Carbon fiber	555,517 (USD17,000)	(2)	99,993 (USD3,060)	-	-	99,993 (USD3,060)	- -	18.00%	18.00	-	85,481 (USD2,828)	-

Note 1: Investment methods are classified into the following three categories.
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others.

Note 2: The transaction has already been written off in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment (Note 2)
32,324,014 (US$1,013,230)	35,565,549 (US$1,157,243)	-

Note: The exchange rate of New Taiwan dollars to US dollars on December 31, 2018, was 30.7330 to 1.

Note 1: Including US$144,013 thousand approved capital increase out of retained earnings.

Note 2: The Industrial Development Bureau of the MOEA issued a letter to the Company stating that it qualifies under Section 12 of the Statute for Upgrading Industries.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(Continued)

(14) Information on investment in mainland China:

(a) General information:

The Group' s five reportable segments are: plastic division, polyolefin division, polypropylene division, tairylan division and chemical division. Plastic division is mainly engaged in the manufacture and sale of PVC; polyolefin division is mainly engaged in the manufacture and sale of polyethylene; polypropylene division is mainly engaged in the manufacture and sale of polypropylene; tairylan division is mainly engaged in the manufacture and sale of acrylic esters; chemical division is mainly engaged in the manufacture and sale of acrylonitrile.

The Group' s reportable segments are responsible for the Company's strategic business units, including the manufacturing and supplying of different products. Since each strategic business unit requires different technology and marketing strategies, it must be administered separately.

No tax expenses are allocated to the reporting segment. In addition, the reporting segment does not include depreciation and amortization of significant non-cash items. The reportable amount is similar to that of the report used by the chief operating decision maker.

The accounting policies of the operating segments are the same as those described in Note 4. The operating segment' s profit of the Group uses the operating income before tax as the measurement and basis of performance evaluation. The Group treats intersegment sales and transfers as third-party transactions. They are measured at market price.

Operating segments are combined and reconciled as follows:

	For the nine-month period ended December 31, 2018							
	Plastic division	**Polyolefin division**	**Polypropylene division**	**Tairylan division**	**Chemistry division**	**Others divisions**	**Adjustments and eliminated**	**Total**
Revenue:								
From external customers	$ 78,925,703	39,793,902	40,699,202	33,920,960	33,782,123	3,248,137	-	230,370,027
From sales among intersegments	1,638,103	1,959,115	73,709	102,499	2,136,565	5,649,319	(11,559,310)	-
Total revenue	**$ 80,563,806**	**41,753,017**	**40,772,911**	**34,023,459**	**35,918,688**	**8,897,456**	**(11,559,310)**	**230,370,027**
Interest expense	$ 101,368	231,965	25,660	286,669	-	834,378	-	1,480,040
Depreciation and amortization	2,060,510	658,891	786,511	2,499,579	281,887	1,164,517	-	7,451,895
Reportable segment profit or loss	**$ 11,194,040**	**(2,618)**	**2,990,663**	**297,776**	**10,681,421**	**20,445**	**31,910,649**	**57,092,376**
Capital expenditure of non-current assets	$ 2,156,923	6,812,986	488,505	347,192	330,752	5,544,726	-	15,681,084
Reportable segment assets	**$ 29,590,718**	**13,932,506**	**14,168,740**	**26,567,301**	**6,860,608**	**464,903,165**	**(54,509,771)**	**501,513,267**
Reportable segment liabilities	**$ 5,378,260**	**1,901,874**	**2,603,902**	**1,605,968**	**229,078**	**136,021,755**	**(1,795,571)**	**145,945,266**

	For the nine-month period ended December 31, 2017							
	Plastic division	**Polyolefin division**	**Polypropylene division**	**Tairylan division**	**Chemistry division**	**Others divisions**	**Adjustments and eliminated**	**Total**
Revenue:								
From external customers	$ 74,501,852	38,137,083	35,808,566	27,943,679	26,940,888	3,377,687	-	206,709,755
From sales among intersegments	1,225,858	1,880,945	65,450	71,295	1,679,471	5,156,992	(10,080,011)	-
Total revenue	**$ 75,727,710**	**40,018,028**	**35,874,016**	**28,014,974**	**28,620,359**	**8,534,679**	**(10,080,011)**	**206,709,755**
Interest expense	$ 99,910	261,127	27,451	293,296	-	846,018	-	1,527,802
Depreciation and amortization	2,692,845	1,580,680	541,813	2,488,099	392,682	753,980	-	8,450,099
Reportable segment profit or loss	**$ 10,671,606**	**2,605,742**	**3,718,028**	**199,055**	**6,728,185**	**500,990**	**30,480,737**	**54,904,343**
Capital expenditure of non-current assets	$ 1,050,967	4,412,535	351,741	337,905	421,059	148,006	-	6,722,213
Reportable segment assets	**$ 30,090,981**	**23,225,882**	**14,182,159**	**29,151,115**	**6,626,697**	**12,084,083**	**360,710,119**	**476,071,036**
Reportable segment liabilities	**$ 5,409,092**	**5,360,776**	**2,175,639**	**12,296,246**	**322,113**	**121,674,504**	**(16,177,500)**	**131,060,870**

(b) Geographic area information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are as follows:

Geographic		For the years ended December 31, 2018	2017
Revenue from external customers:			
Taiwan	$	79,087,410	72,283,857
Mainland China		87,017,326	76,668,298
Others		64,265,291	57,757,600
	$	**230,370,027**	**206,709,755**
Non-current assets:			
Taiwan	$	43,214,567	38,902,295
United States of America		11,725,486	5,416,130
Mainland China		29,345,203	32,815,920
Total	$	**84,285,256**	**77,134,345**

Non-current assets include property, plant and equipment, intangible assets and other assets, but do not include financial instruments and deferred tax assets.

(c) Major customers

There is no single customer's sale which exceeds 10% of the Group's revenue.

Stock Code:1301

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: No.100, Shuiguan Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.)
Telephone: (07)371-1411
Telephone: (02)2712-2211

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Table of Contents

Independent Auditors' Report

To the Board of Directors of Formosa Plastics Corporation:

Opinion

We have audited the financial statements of Formosa Plastics Corporation (the "Company") which comprise the statements of financial position as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuer.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in 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 during our audits and the report of the other auditors are sufficient and appropriate to provide a basis of 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company's financial statements are stated as follows:

1. Revenue recognition

   As the control of products transfers at different points in time, it exposes the risk wherein revenue may not be recognized within the proper period. For this reason, revenue recognition is considered to be one of our key audit matters. The accounting policies and the related information for revenue recognition were discussed in Notes 4(q) and 6(o) to the consolidated financial statements.

   The principal audit procedures we have performed to address the aforementioned key audit matter included assessing the rationality of accounting treatment for revenue recognition; vouching the original sales documents according to the transactions with the customers during a selected period of time before and after the balance sheet date to evaluate whether the revenue is recorded appropriately.

2. Valuation of Inventories

   The Group measured the cost and net realizable value of inventory and recognized a loss on the balance sheet date according to IAS 2 (including loss on obsolescence of inventories); however, to determine whether or not the loss of inventories should be recognized depends on the subjective judgment of the management. For this reason, the valuation of inventories is considered to be one of the key audit matters. The accounting policies and the related information for the valuation of inventories were discussed in Notes 4(g), 5 and 6(f) to the consolidated financial statements.

   The principal audit procedures we have performed to address the aforementioned key audit matter included assessing the appropriateness of the policy on inventory valuation and slack loss recognition; ensuring whether the process of inventory valuation is in conformity with the accounting policies, confirming the sales price adopted by the management and the changes in the market price of inventory in the period after the balance sheet date; and sampling procedures to assess the reasonableness of the net realizable value of inventory.

Other Matter

We did not audit the financial statements of certain investee companies under equity method. The Company's investments in the aforementioned investee companies constituted 33.42% and 33.77% of the total assets as of December 31, 2018 and 2017, respectively; and the recognized shares of profit of associates accounted for using equity method of these investee companies constituted 40.01% and 53.19% of the income before tax for the years ended December 31, 2018 and 2017, respectively. The financial statements of the aforementioned investee companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investee companies, is based solely on the reports of other auditors.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 the audit committee) are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on this 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 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.

The engagement partners on the audit resulting in this independent auditors' report are
Hui-chih Kou and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2019

Notes to Readers

The accompanying parent company only financial statementsfinancial statements are intended only to present the parent company only financial statementsfinancial position, results of operations and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuer and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statementsfinancial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statementsfinancial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and parent company only financial statementsfinancial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
1100	Cash and cash equivalents (Note 6(a))	$ 18,941,635	4	14,499,334	3
1110	Current financial assets at fair value through profit or loss (note 6(b))	4,017,249	1	-	-
1120	Current financial assets at fair value through other comprehensive income (Note 6(b))	98,426,404	21	-	-
1125	Available-for-sale financial assets－current (Note 6(c))	-	-	111,581,327	25
1150	Notes receivable (Note 6(d))	79,150	-	95,454	-
1170	Accounts receivable, net (Notes 6(d))	6,898,829	2	5,794,785	1
1180	Accounts receivable－related parties (Note 6(d) and 7)	5,809,131	1	6,295,229	1
1200	Other receivables (Notes 6(e))	1,376,297	-	1,301,658	-
1210	Other receivables－related parties (Note 6(e) and 7)	18,227,744	4	16,733,665	4
130X	Inventories (note 6(f))	14,196,795	3	11,970,674	3
1470	Other current assets	1,943,604	-	1,617,147	-
	Total current assets	169,916,838	36	169,889,273	37
1510	Non-current financial assets at fair value through other comprehensive income (not 6(b))	10,038,913	2	-	-
1543	Financial assets carried at cost－non-current	-	-	2,462,768	1
1550	Investments accounted for using equity method (Notes 6(g) and 8)	252,285,317	53	242,200,819	53
1600	Property, plant and equipment (Notes 6(h), 7 and 8)	38,227,497	8	33,679,540	7
1780	Intangible assets	124,762	-	124,762	-
1840	Deferred tax assets (Note 6(n))	1,928,942	-	2,016,425	1
1900	Other non-current assets (Notes 6(h) and 8)	4,862,307	1	5,097,993	1
	Total non-current assets	307,467,738	64	285,582,307	63
	Total assets	$ 477,384,576	100	455,471,580	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Notes 6(i))	$ 14,343,680	3	8,347,337	2
2110	Short-term notes and bills payable (Note 6(j))	11,995,636	3	9,495,509	2
2170	Accounts payable	2,871,571	1	2,873,396	1
2180	Accounts payable－related parties (Note 7)	7,947,619	2	8,522,863	2
2200	Other payables	4,570,797	1	3,387,704	1
2220	Other payables－related parties (Note 7)	1,167,103	-	1,107,851	-
2321	Current portion of bonds payable (Note 6(l))	4,598,557	1	5,696,600	1
2322	Current portion of long-term debts (Notes 6(k) and 8)	2,284,327	-	4,084,327	1
2399	Other current liabilities	10,899,670	2	11,266,843	2
	Total current liabilities	60,678,960	13	54,782,430	12
	Non-Current liabilities:				
2530	Bonds payable (Note 6(l) and 8)	32,556,004	7	27,861,638	6
2540	Long-term debts (Notes 6(k) and 8)	4,628,711	1	5,813,038	1
2570	Deferred tax liabilities (Note 6(n))	16,670,784	3	14,464,611	3
2640	Net defined benefit liabilities (Note 6(m))	7,123,118	2	7,262,543	2
2670	Other non-current liabilities (Note 6(g))	158,998	-	277,154	-
	Total non-current liabilities	61,137,615	13	55,678,984	12
	Total liabilities	121,816,575	26	110,461,414	24
	Equity (Notes 6(o)):				
3110	Common stock	63,657,408	13	63,657,408	14
3200	Capital surplus	11,713,842	3	11,649,929	3
	Retained earnings:				
3310	Legal reserve	57,103,815	12	52,165,530	12
3320	Special reserve	58,778,533	12	51,285,206	11
3350	Unappropriated retained earnings	82,499,843	17	78,699,082	17
	Total retained earnings	198,382,191	41	182,149,818	40
3400	Other components of equity	81,814,560	17	87,553,011	19
	Total equity	355,568,001	74	345,010,166	76
	Total liabilities and equity	$ 477,384,576	100	455,471,580	100

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Net sales revenue (Notes 6(q)(r) and 7)**	$ 189,246,407	100	170,273,933	100
5000	Operating costs (Notes 6(f)(h)(m)(s) and 7)	155,626,259	82	140,753,716	83
	Gross profit	33,620,148	18	29,520,217	17
5920	Add: Realized profit (loss) on from sales	(16,848)	-	13,195	-
	Gross profit from operations	33,603,300	18	29,533,412	17
	Operating expenses (Notes 6(d)(h)(m)(s) and 7):				
6100	Selling expenses	5,028,586	3	4,750,260	3
6200	Administrative expenses	4,437,166	2	4,524,232	3
6300	Research and development expenses	1,138,174	1	968,395	-
	Total operating expenses	10,603,926	6	10,242,887	6
	Operating income	22,999,374	12	19,290,525	11
	Non-operating income and expenses (Notes 6(d)(g)(h)(t) and 7):				
7010	Other income	8,282,421	4	6,182,632	4
7020	Other gains and losses	2,412,543	1	(2,270,887)	(1)
7050	Finance costs	(968,554)	-	(964,044)	(1)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	24,320,374	13	32,631,087	19
	Total non-operating income and expenses	34,046,784	18	35,578,788	21
	Income before income tax	57,046,158	30	54,869,313	32
7950	Less: income tax expense (Note 6(n))	7,496,618	4	5,486,460	3
	Profit (loss)	49,549,540	26	49,382,853	29
8300	**Other comprehensive income: (Note 6(m)(n)(o))**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(285,593)	-	(577,649)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(10,491,380)	(6)	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(6,128,215)	(3)	(121,817)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	169,178	-	98,200	-
		(16,736,010)	(9)	(601,266)	-
8360	**Other components of other comprehensive income that will not be reclassified to profit or loss**				
8361	Exchange differences on translation	1,770,369	1	(6,363,713)	(4)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	14,838,705	9
8368	Gains (losses) on hedging instrument	392,426	-	2,508,328	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(522,685)	-	1,236,221	1
	Components of other comprehensive income that will be reclassified to profit or loss	1,640,110	1	12,219,541	7
8300	**Other comprehensive income, net**	(15,095,900)	(8)	11,618,275	7
	Total comprehensive income	**$ 34,453,640**	**18**	**61,001,128**	**36**
9710	**Basic earnings per share -before income tax (Note 6(p))**	**$ 8.96**	**7.78**	**8.62**	**7.76**

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on hedging instruments	Total equity
Balance at January 1, 2017	$ 63,657,408	11,428,970	48,226,276	46,721,324	67,703,039	2,794,229	-	72,488,184	51,057	-	313,070,487
Net Income for the period	-	-	-	-	49,382,853	-	-	-	-	-	49,382,853
Other comprehensive income (loss) for the period, net of income tax	-	-	-	-	(601,266)	(6,019,258)	-	18,280,305	(41,506)	-	11,618,275
Total comprehensive income (loss) for the period	-	-	-	-	48,781,587	(6,019,258)	-	18,280,305	(41,506)	-	61,001,128
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	3,939,254	-	(3,939,254)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,563,882	(4,563,882)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(29,282,408)	-	-	-	-	-	(29,282,408)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	917	-	-	-	-	-	-	-	-	917
Other changes in capital surplus	-	220,042	-	-	-	-	-	-	-	-	220,042
Balance at December 31, 2017	63,657,408	11,649,929	52,165,530	51,285,206	78,699,082	(3,225,029)	-	90,768,489	9,551	-	345,010,166
Effects of retrospective application	-	-	-	-	3,181,817	-	99,924,374	(90,768,489)	(9,551)	9,551	12,337,702
Balance at January 1, 2018 after adjustments	63,657,408	11,649,929	52,165,530	51,285,206	81,880,899	(3,225,029)	99,924,374	-	-	9,551	357,347,868
Net Income for the period	-	-	-	-	49,549,540	-	-	-	-	-	49,549,540
Other comprehensive income (loss) for the period, net of income tax	-	-	-	-	(201,564)	1,668,424	(16,534,446)	-	-	(28,314)	(15,095,900)
Total comprehensive income (loss) for the period	-	-	-	-	49,347,976	1,668,424	(16,534,446)	-	-	(28,314)	34,453,640
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	4,938,285	-	(4,938,285)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	7,493,327	(7,493,327)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(36,284,722)	-	-	-	-	-	(36,284,722)
Cash dividends of preference share	-	-	-	-	(12,698)	-	-	-	-	-	(12,698)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	(27,612)	-	-	-	-	-	-	-	-	(27,612)
Other changes in capital surplus	-	91,525	-	-	-	-	-	-	-	-	91,525
Balance at December 31, 2018	**$ 63,657,408**	**11,713,842**	**57,103,815**	**58,778,533**	**82,499,843**	**(1,556,605)**	**83,389,928**	**-**	**-**	**(18,763)**	**355,568,001**

See accompanying notes to financial statements.

(English Translation of and Report Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 57,046,158	54,869,313
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,195,963	5,238,826
Amortization expense	157,087	197,548
Expected credit loss / Provision for bad debt expense	945	(1,678)
Interest expense	968,554	964,044
Net (loss) gain arising from financial assets at fair value through other comprehensive income	(215,889)	-
Interest income	(599,064)	(424,718)
Dividend income	(7,511,680)	(5,606,734)
Share of profit of associates and joint ventures accounted for using equity method	(24,320,374)	(32,631,087)
Gain on disposal of property, plant and equipment	(66,465)	(10,925)
Gain on disposal of investments	-	(1,762,716)
Impairment loss on non-financial assets	-	2,347,867
Realized loss (profit) on from sales	16,848	(13,195)
Unrealized foreign exchange loss	(80,495)	115,764
Total adjustments to reconcile profit	(27,454,570)	(31,587,004)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	16,304	230,880
(Increase) decrease in accounts receivable	(1,120,728)	304,747
Decrease (increase) in accounts receivable due from related parties	486,098	(1,013,030)
(Increase) in other receivable	(59,193)	(260,310)
(Increase) decrease in other receivable due from related parties	(877,575)	364,463
(Increase) in inventories	(2,291,351)	(638,783)
(Increase) in other current assets	(326,457)	(1,054)
Total changes in operating assets	(4,172,902)	(1,013,087)
Changes in operating liabilities:		
Decrease in accounts payable	(1,825)	(767,294)
Increase (decrease) in accounts payable to related parties	(551,543)	729,231
Increase (decrease) in other payable	(1,228,996)	(842,978)
Increase in other payable to related parties	59,252	82,955
Increase in other current liabilities	(390,875)	128,379
Decrease in net defined benefit liability	(139,425)	(382,226)
Total changes in operating liabilities	(2,253,412)	(1,051,933)
Total changes in operating assets and liabilities	(6,426,314)	(2,065,020)
Total adjustments	(33,880,884)	(33,652,024)
Cash inflow generated from operations	23,165,274	21,217,289
Interest received	583,027	411,427
Dividends received	25,574,092	22,771,652
Interest paid	(976,971)	(1,000,893)
Income taxes paid	(5,007,157)	(1,512,821)
Net cash flows from operating activities	43,338,265	41,886,654
Cash flows (used in) from investing activities:		
Proceeds from disposal of financial assets designated at fair value through profit or loss	772,908	-
Proceeds from disposal of available-for-sale financial assets	-	2,560,664
Acquisition of investments accounted for using equity method	(6,137,514)	(3,421,878)
Proceeds from capital reduction of investments accounted for using equity method	1,127,075	-
Acquisition of property, plant and equipment	(8,674,120)	(2,239,369)
Proceeds from disposal of property, plant and equipment	70,439	18,773
Increase (decrease) in other receivables due from related parties	(616,504)	4,466,799
(Increase) decrease in other non-current assets	93,963	(264,716)
Net cash flows (used in) from investing activities	(13,363,753)	1,120,273
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	375,117,873	317,537,132
Decrease in short-term borrowings	(367,434,810)	(325,322,516)
Increase (decrease) in short-term notes and bills payable	2,500,000	(504,057)
Proceeds from issuing bonds	9,300,000	7,000,000
Repayments of bonds	(5,700,000)	(10,750,000)
Proceeds from long-term debt	-	700,000
Repayments of long-term debt	(2,988,889)	(3,403,175)
Increase (decrease) in other non-current liabilities	(97,609)	62,667
Cash dividends paid	(36,293,430)	(29,224,705)
Net cash flows from (used in) financing activities	(25,596,865)	(43,904,654)
Effect of exchange rate changes on cash and cash equivalents	64,654	(68,455)
Net increase (decrease) in cash and cash equivalents	4,442,301	(966,182)
Cash and cash equivalents at beginning of period	14,499,334	15,465,516
Cash and cash equivalents at end of period	$ 18,941,635	14,499,334

See accompanying notes to financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Formosa Plastics Corporation (the "Company") was incorporated on November 5, 1954, and established its factories in Kaohsiung City. The Company engages in the manufacture and sale of plastic raw materials, chemical fibers, and petrochemical products. The Company has gone through several capital increases and established many divisions, and become a well-diversified enterprise.

(2) Approval date and procedures of the financial statements:

The accompanying financial statements of the Company for the years ended December 31, 2018 and 2017 were approved and authorized for issue by the Board of Directors on March 25, 2019.

(3) Application of new standards, amendments and interpretations:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework with five steps for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Company continues using IAS 18, IAS 11 and their relating explanations without restating its financial statements when applying IAS 15, and adjusts its retained earnings on January 1, 2017 to show the cumulative impact when it first adopted IAS 15.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of all products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The company assumes the transfer of material risks and rewards and the transfer of controls occur at approximately the same time, so there will be no significant impact on the Company's financial statements.

2) Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. Under IFRS 15, claims and variations will be included in the contract accounting when they are approved. Based on the Company's assessment, there will be no significant impact on its financial statements.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(Continued)

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

·Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

·The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

(Continued)

－The determination of the business model within which a financial asset is held.

－ The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

－The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

	IAS39		IFRS9	
Financial Assets	**Measurement categories**	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Cash and equivalents	Loans and receivables	14,499,334	Amortized cost	14,499,334
Debt securities	Available-for-sale (note 1)	4,574,268	Designated as at FVTPL	4,574,268
Equity instruments	Available-for-sale (note 2)	109,469,827	FVOCI	118,956,697
Net receivables	Loans and receivables (note 3)	30,220,791	Amortized cost	30,220,791
Other financial assets (Guarantee deposits paid)	Loans and receivables	142,369	Amortized cost	142,369

Note1: Under IAS 39, these fund instruments were measured as at FVOCI because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9; therefore, there was no change in the book value of those assets recognized, resulting in the increase of $343,982 thousand in other equity interests and decrease of $343,982 thousand in retained earnings, respectively, on January 1, 2018.

Note2: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI, resulting in the increase of $9,486,870 thousand in those assets recognized, as well as $7,436,143 thousand and $2,050,727 thousand in other equity interests and retained earnings, respectively, on January 1, 2018.

Note3: Notes receivables, accounts receivables and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. The adoption of IFRS 9 did not have any significant impact on its accounting policies of the above assets.

(Continued)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Additions – equity instruments:						
From available for sale	$ -	4,574,268	-		(343,982)	343,982
Total	$ -	4,574,268	-	4,574,268	(343,982)	343,982
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 114,044,095	-	-		-	-
Available for sale to FVOCI	-	-	9,486,870		2,050,727	7,436,143
Subtraction – equity instruments:						
To FVTPL – required reclassification based on classification criteria	-	(4,574,268)	-		-	-
Total	$ 114,044,095	(4,574,268)	9,486,870	118,956,697	2,050,727	7,436,143

The changes due to the adoption of the above IFRSs would not have any material impact on the Company's basic earnings per share.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	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
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for its operating leases of offices, warehouse and factory facilities. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

1) Determining whether an arrangement contains a lease

The Company has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Company can choose whether to:

·apply the IFRS 16 definition of a lease to all its contracts; or

·apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can either apply the standard using the following:

·retrospective approach; or

·modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

(Continued)

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using the following practical expedients:

— apply a single discount rate to a portfolio of leases with similar characteristics.

— adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

— exempt the adoption of right-of-use assets and lease liabilities if the term of a lease ends in 12 months after the first adoption.

— exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

— use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Company estimated that its right-of-use assets and lease liabilities to increase by $81,596 thousand and $81,596 thousand respectively, on January 1, 2019. No significant impact is expected on the Company' s finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

(Continued)

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
October 22, 2018	Amendments to IFRS 3 "Definition of a Business"	The IASB has issued narrow-scope amendments to IFRS 3 to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the IASB has provided supplementary guidance.
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

(4) Summary of significant accounting policies:

The following significant accounting policies are adopted in the accompanying financial statements. The significant accounting policies have been applied consistently to all the reporting periods presented in these financial statements.

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Guidelines).

(b) Basis of preparation

Basis of measurement

The financial statements have been prepared on historical cost basis, except for the following material items in the statement of financial position.

(i) Available-for-sale financial assets measured at fair value.

(ii) The net defined benefit liabilities are measured as the fair value of the plan assets, less the present value of the defined benefit obligation.

Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’ s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary assets and liabilities is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and such assets and liabilities reported in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency denominated non-monetary assets and liabilities measured at fair value are retranslated to the functional currency at the exchange rate on the date when fair value was determined. Foreign currency denominated non-monetary items measured at historical cost is translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

(Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company' s functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

(i) The asset is expected to be realized, or sold or consumed, during the Company' s normal operating cycle;

(ii) The asset is held primarily for the purpose of trading;

(iii) The asset is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

(i) The liability is expected to be settled during the Company's normal operating cycle;

(ii) The liability is held primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

(e) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are 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 are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(f) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On de-recognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, others receivable, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

(Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) De-recognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (applicable before January 1, 2018)

Financial assets are categorized into available-for-sale financial assets, loans, and receivables.

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and dividend income, are recognized in other comprehensive income and presented in other equity interest in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other income and expenses in statement of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment loss, and are included in financial assets measured at cost.

Dividend income from equity investments is recognized when the Company obtains the right to receive the dividend (usually the ex-dividend date) and is recognized in other income.

(Continued)

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, which comprise accounts receivable and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses, except for short-term receivables in which the effect of discounting is immaterial. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income from receivables is recognized in other income.

3) Impairment of financial asset

Except for financial assets at fair value through profit or loss, a financial asset is assessed for impairment at reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a ‘loss event’) that occurred subsequent to the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes delinquency or default (such as unpaid or delayed payment of interest or principal) by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an available-for-sale investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Objective evidence that receivables are impaired includes historical trends of collection and increasing level of overdue receivables which are collected beyond the credit term.

An impairment loss in respect of a financial asset measured at amortized cost is determined based on the excess of its carrying amount over the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is determined based on the excess of its carrying amount over the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

(Continued)

An impairment loss in respect of a financial asset is written off directly against its carrying amount, except for accounts receivable, in which an impairment loss is credited to an allowance account against the receivables. When a receivable is determined to be uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is charged to the allowance account. Changes in the amount of the allowance accounts are recognized into profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the other equity interest in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial assets measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity interest in equity.

Impairment losses and recoveries on receivables are recognized in profit or loss.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income are recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(Continued)

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized based on the proceeds received, net of direct issue costs.

Interest related to the financial liability is recognized in profit or loss under non-operating income and expenses.

2) Other financial liabilities

Except for those held-for-trading or is designated at fair value through profit or loss, financial liabilities which comprise of short-term and long-term loans, and accounts and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in finance costs.

3) Derecognition of financial liabilities

A financial liability is derecognized when the contractual obligation thereon has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the or Company' s share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date when significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(i) Subsidiaries

The Company accounts the investee companies that it possesses control using the equity. Net income, other comprehensive income, and shareholder' s equity in the financial reports of the Company and the net income, other comprehensive income, and shareholder's equity that belongs to the Consolidated Company in the consolidated financial reports should be the same.

The Company accounts the changes in equity, under the condition that control is still present, as equity transactions between the proprietors.

(j) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures. Joint ventures should account the rights from the joint arrangement as an investment, and account it for using equity method according to IAS 28, unless, the entity is exempted from applying the equity method as specified in the standard.

(Continued)

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost eligible for capitalization. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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 is depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

Gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is charged to profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure can be assessed reasonably, and will flow to the Company. The carrying amount of those parts that are replaced is derecognized. On-going repairs and maintenance is expensed as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is provided over their estimated useful lives by using the straight-line method. Each significant item of property, plant and equipment is evaluated individually and depreciated separately if it possesses different useful life. The depreciation charge for each period is recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings and constructions: 3 to 55 years.

2) Machinery and equipment: 3 to 25 years.

3) Other facilities: 3 to 15 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(Continued)

(l) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income.

(ii) Lessee

Operating leases are not recognized in the Company's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(m) Intangible assets

(i) Goodwill

1) Initial Recognition

When Yung Chia Chemical Industries Corp. was acquired, the excess of original investment cost over the fair value of net assets acquired was recognized as goodwill.

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(n) Impairment of non-derivative financial assets

At each balance sheet date, an assessment is made whether there is any indication that an asset (including inventories, deferred tax assets, and other non-financial assets) may have been impaired. If any such indication exists, the recoverable amount of the asset is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

For goodwill, an assessment is made whether there is any such indication exists. The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value, less costs to sell, and its value in use. When assessing the value in use, estimated future cash flows are discounted using the pre-tax discount rate. The discount rate shall reflect the estimated specific risks of the time value of money for such asset or cash generating unit under the current market. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is deemed as an impairment loss. An impairment loss is recognized immediately in profit or loss.

(Continued)

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increase in the carrying amount shall not exceed the carrying amount (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. If the carrying value of the CGUs exceeds the recoverable amount thereof impairment loss is recognized and allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(o) Revenue recognition

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods–plastic raw materials, chemical fibers, and petrochemical products.

The Company manufactures and sells plastic raw materials, chemical fibers, and petrochemical products to downstream manufacturers. The Group recognizes revenue 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 customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Construction contracts

Since the Company entered into separate agreements with different customers on the development of electronic components and software products, wherein the customers have control over the development process of the said items, the Company recognizes its revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The Company recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Company has recognized a revenue without issuing any bill, then the entitlement to consideration is recognized as a contract asset.

(Continued)

The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Company cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Company shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Company expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue recognition (applicable before January 1, 2018)

1) Sales of goods

Revenue from the sale of goods in the course of ordinary business activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

2) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent the amount can be measured reliably and its receipt is considered probable.

(Continued)

When the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract cannot be estimated reliably, contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

3) Rental

Revenue from sub-lease of property, plant and equipment is recognized as rental income on accrual basis.

(p) Contract costs (applicable from January 1, 2018)

(i) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(ii) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

(Continued)

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss for the period in which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of a defined benefit pension plan is calculated separately for the plan by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods. Any unrecognized past service costs and the fair value of any plan assets are deducted from aforementioned net obligation. The discount rate is the yield on the reporting date of government bonds that have maturity dates approximating the terms of the Company's obligations and are denominated in the same currency in which the benefits are expected to be paid.

An actuarial calculation of pension costs and related liabilities are performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, an asset is recognized but the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurement of the net defined benefit liabilities (assets), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

(Continued)

Gains or losses on the curtailment or settlement of a defined benefit plan are also recognized as pension expenses when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that was not previously recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Income taxes

Tax expense comprises current tax expense and deferred tax expense. Current and deferred tax shall be included in profit or loss for the period, except to the extent that the tax arises from a business combination or a transaction or event which is recognized directly in equity or other comprehensive income.

Current tax comprises the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax lows) that have been enacted or substantively enacted by the balance sheet date, and any adjustments for current tax of prior periods.

Deferred tax is recognized for the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is recognized for all temporary differences, except to the extent that the deferred tax arises from:

(i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); or

(ii) the investments in subsidiaries, branches and associates, and interests in joint ventures, and it is probable that the temporary difference will not reverse in the foreseeable future; or

(iii) the initial recognition of goodwill.

Deferred tax is measured, at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and tax laws that have been enacted or substantively enacted by the balance sheet date.

(Continued)

The Company offset deferred tax assets and deferred tax liabilities only if:

(i) the Company has a legal enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intent either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously; in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset is recognized for the carryforward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the benefit of part or all of that deferred tax asset will be utilized.

(s) Earnings per share

The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding.

(t) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in the parent company only financial statements.

(5) Critical accounting judgments and key sources of estimation uncertainly:

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

(Continued)

The information about assumptions and estimation uncertainties of valuation of inventories that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(f) for further description of the valuation of inventories.

(6) Significant account disclosures:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 358	382
Bank deposit	4,221,765	852,994
Cash equivalents		
Time deposits	12,697,721	11,705,838
Repurchase bonds	2,021,791	1,940,120
	$ 18,941,635	**14,499,334**

Please refer to Note 6(v) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(b) Financial assets at fair value through profit or loss and other comprehensive income

	December 31, 2018
(i) Mandatorily at FVTPL	
Private fund	**$ 4,017,249**

Please refer to Notes 6(t) for amount of remeasurement at FVTPL.

	December 31, 2018
(ii) Equity investments at fair value through other comprehensive income	
Listed stocks	$ 98,426,404
Non-listed stocks	5,056,694
Non-domestic stocks	4,982,219
Total	**$ 108,465,317**

(Continued)

Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity instruments as at fair value through other comprehensive income because these equity instruments represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets as of December 31, 2017 .

No strategic investments were disposed as of December 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(c) Available-for-sale financial assets

	December 31, 2017
Listed securities:	
Listed stocks	$ 107,007,059
Unpublicly traded investment:	
Private fund	4,574,268
Total	**$ 111,581,327**

(d) Notes receivable and accounts receivable:

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	$ 79,150	95,454
Accounts receivable (including related parties)－at amortized cost	12,712,715	12,093,824
Less : allowance for doubtful receivables	(4,755)	(3,810)
	$ 12,787,110	**12,185,468**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The loss allowance provision on receivables as of December 31, 2018 amounted to $4,755 thousand, and the expected credit risk was no more than 0.1%.

As of 2017 the Company applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, as well as the aging analysis of notes and trade receivable as of December 31, 2018 and 2017, which were past due but not impaired, as follows:

	December 31, 2018	December 31, 2017
Within 30 days	$ 27,753	24,919
30~60 days	5	586
Total	**$ 27,758**	**25,505**

(Continued)

The movement of the allowance for doubtful receivable were as follows:

		For the year ended December 31, 2017
	2018	**Impairment loss of group evaluation**
Beginning balance (IAS39)	$ 3,810	5,488
Adjustment of the first adoption of IFRS 9	-	
Beginning balance (IFRS 9)	3,810	
Impairment loss recognized	945	-
Reversal of impairment	-	(1,678)
Ending balance	**$ 4,755**	**3,810**

The terms of sales made by the Group were net 30~90 days. Based on historical default rates, the Group recognizes 0.1% allowance for impairment of uncollectible accounts receivables.

(e) Other receivable

	December 31, 2018	**December 31, 2017**
Other receivable—loans to related parties	$ 15,026,044	14,409,540
Other receivable—related parties	3,201,700	2,324,125
Other receivable	1,376,297	1,301,658
	$ 19,604,041	**18,035,323**

As of December 31, 2018 and 2017, the aging analysis of other receivables were not recognized which estimated by the Company.

(f) Inventories

	December 31, 2018	**December 31, 2017**
Finished goods	$ 9,309,434	7,969,399
Work in process	1,318,819	1,386,672
Raw materials	1,297,227	907,270
Supplies	491,515	409,842
Machinery and accessories in process	1,502,299	1,277,956
Others	277,501	19,535
	$ 14,196,795	**11,970,674**

Cost of goods sold and expense recognized for the year 2018 and 2017 are $155,906,492 thousand and $140,365,078 thousand, respectively.

(Continued)

Change of net realizable value of inventories

	For the years ended December 31, 2018	For the years ended December 31, 2017
Loss from devaluation (gain from recovery) of inventories	$ (280,233)	388,638

The changes in net realizable value of the above inventories have been recognized as cost of goods sold.

(g) Investments accounted for using equity method

The components of the investments accounted for using equity method were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries		
Formosa Plastics Corp. (Cayman Ltd.)	$ 29,273,905	29,410,382
Formosa Industries Corporation	5,345,785	5,754,520
Formosa Plastics International (Cayman) Limited	16,418,229	15,984,457
Associates		
Formosa Petrochemical Corporation	96,197,632	97,144,019
Formosa Plastics Corp., U.S.A.	63,350,563	56,660,362
Formosa Heavy Industries Corp.	7,717,150	7,616,375
Sky Dragon Investment Limited	6,547,397	2,973,156
Mai Liao Power Corp.	11,163,467	10,845,857
Formosa Sumco Technology Corporation	6,327,209	6,297,821
Formosa Transportation Corp.	1,014,210	694,761
Formosa Fairway Corp.	98,624	100,952
Yi-Jih Development Corp.	63,305	63,027
Ya Tai Development Corp.	18,887	23,408
Formosa Automobile Corporation	105,760	-
Wha Ya Park Management Consulting Corporation Ltd.	1,503	1,382
Su-Hua Transportation Corporation	-	275,864
Formosa Environmental Technology Corporation	225,838	226,435
Formosa Resources Corporation	5,370,047	5,361,771
Formosa Plastics Development Corporation Ltd.	82,299	87,773
Formosa Group (Cayman) Limited	631,060	348,135
Joint ventures		
Formosa Asahi Spandex Co., Ltd.	1,323,203	1,337,432
Formosa Daikin Advanced Chemical Co., Ltd.	1,009,244	992,930
	$ 252,285,317	242,200,819

(Continued)

FORMOSA PLASTICS CORPORATION
Notes to the Financial Statements

For the years ended December 31, 2018 and 2017, the share of net income (loss) of subsidiaries, associates and joint ventures were as follows:

	For the years ended December 31,	
	2018	**2017**
Subsidiaries		
Formosa Plastics Corp. (Cayman Ltd.)	$ 472,346	2,934,815
Formosa Industries Corporation	(569,094)	(361,873)
Formosa Plastics International (Cayman) Limited	-	147
Associates		
Formosa Petrochemical Corporation	17,228,355	22,866,965
Formosa Plastics Corp., U.S.A.	5,598,261	6,316,205
Formosa Heavy Industries Corp.	152,403	118,039
Sky Dragon Investment Limited	(768,574)	(128,536)
Mai Liao Power Corp.	133,645	213,360
Formosa Sumco Technology Corporation	1,621,643	651,743
Formosa Transportation Corp.	13,745	4,992
Formosa Fairway Corp.	(679)	(5,130)
Yi-Jih Development Corp.	278	266
Ya Tai Development Corp.	(4,520)	(3,153)
Formosa Automobile Corporation	136,045	38,434
Wha Ya Park Management Consulting Corporation Ltd.	401	108
Su-Hua Transportation Corporation	4,881	26,150
Formosa Environmental Technology Corporation	308	(29,134)
Formosa Resources Corporation	(231,542)	(135,857)
Formosa Plastics Development Corporation Ltd.	(5,474)	(4,151)
Formosa Group (Cayman) Limited	267,773	(163,146)
Joint ventures		
Formosa Asahi Spandex Co., Ltd.	106,642	131,428
Formosa Daikin Advanced Chemical Co., Ltd.	163,531	159,415
	$ 24,320,374	**32,631,087**

(Continued)

(i) Subsidiaries

On April 16, 2018, the Company participated in the capital increase by cash of Formosa Plastics International (Cayman) Limited by acquiring additional shares of stock amounting to US$57,161 thousand (equivalent to $1,676,070 thousand).

On July 3 and 19, 2017, the Company participated in the capital increase by cash of Formosa Plastics Corp. (Cayman Ltd.) by acquiring additional shares of stock amounting to US$57,161 thousand (equivalent to $1,738,438 thousand).

(ii) Associates

1) The information of the major associate of the investments accounted for using the equity method was as follows:

			Percentage of ownership	
Associates	**Relationship**	**Registration Country**	**December 31, 2018**	**December 31, 2017**
Formosa Petrochemical Corporation	Formosa Petrochemical Corporation, the main supplier of raw materials for the Company, has principal activities that consists of petroleum refining and integrated manufacture of hydrocarbon	Taiwan	28.56 %	28.56 %
Formosa Plastic Corp. U.S.A.	Formosa Plastic Corp., U.S.A., engages in the manufacturing and sales of oil, plastic raw materials, and petrochemical raw materials, with the Company as its main sale target.	U.S.A	22.61 %	22.61 %

The fair value of investments in publicly traded stocks of the major associate was as follows:

	December 31, 2018	**December 31, 2017**
Formosa Petrochemical Corporation	$ 296,539,842	314,223,411

The following is the aggregated financial information of the major associate, and necessary changes have already been made to the information therein concerning the associates' consolidated financial statements based on the IFRS as endorsed by FSC to reflect the fair value adjustments made at the time of acquisition and adjustment for accounting policy variations.

(Continued)

The financial information of Formosa Petrochemical Corporation was as follows:

	December 31, 2018	December 31, 2017
Current assets	$ 232,198,754	266,200,257
Non-current assets	173,570,701	165,340,469
Current liabilities	(50,431,424)	(65,117,512)
Non-current liabilities	(14,681,851)	(22,276,730)
Net asset	$ **340,656,180**	**344,146,484**
Net asset contributed to non-controlling interest of Formosa Petrochemical Corporation	$ **2,917,972**	**2,859,884**
Net asset contributed to Formosa Petrochemical Corporation	$ **337,738,208**	**341,286,600**

	For the years ended December 31, 2018	2017
Revenue	$ **767,550,218**	**624,107,892**
Net income	$ 60,070,831	80,175,421
Other comprehensive income	(9,983,466)	9,186,884
Total comprehensive income	$ **50,087,365**	**89,362,305**
Income allocated to non-controlling interest of Formosa Petrochemical Corporation	$ **63,198**	**(12,068)**
Income allocated to Formosa Petrochemical Corporation	$ **50,024,167**	**89,374,373**

	For the years ended December 31, 2018	2017
Beginning balance of share of net assets of associates at January 1	$ 97,144,019	87,970,770
Retrospective adjustment	1,850,448	-
Share of net assets of associates as of January 1 after adjustment	98,994,467	87,970,770
Total comprehensive income allocated to the Company	14,352,949	25,495,629
Dividend Received	(17,139,459)	(16,323,294)
Share of net assets of affiliates as of December 31	96,207,957	97,143,105
Add : share premium acquired not according to holding percentage	(10,325)	914
Total carrying amount of equity of the major associate as of December 31	$ **96,197,632**	**97,144,019**

(Continued)

The financial information of Formosa Plastics Corp., U.S.A. was as follows:

	December 31, 2018	December 31, 2017
Current assets	$ 113,319,996	123,602,500
Non-current assets	212,593,457	172,307,285
Current liabilities	(15,063,386)	(14,514,493)
Non-current liabilities	(23,830,982)	(24,570,230)
Net asset	**$ 287,019,085**	**256,825,062**
Net asset contributed to non-controlling interest of Formosa Plastics Corp., U.S.A.	**$ 7,189,678**	**6,743,441**
Net asset contributed to Formosa Plastics Corp., U.S.A.	**$ 279,829,427**	**250,081,621**

	For the years ended December 31, 2018	2017
Revenue	**$ 151,631,407**	**134,789,930**
Net income	$ 24,392,035	27,772,678
Other comprehensive income	(2,824,218)	123,638
Total comprehensive income	**$ 21,567,817**	**27,896,316**
Income allocated to non-controlling interest of Formosa Plastics Corp., U.S.A.	**$ (369,389)**	**(164,252)**
Income allocated to Formosa Plastics Corp., U.S.A.	**$ 21,937,206**	**28,060,568**

	For the years ended December 31, 2018	2017
Beginning balance of share of net assets of associates at January 1	$ 56,660,362	54,436,736
Total comprehensive income allocated to the Company	6,690,201	2,223,626
Ending balance of share of net assets of associates at December 31	**$ 63,350,563**	**56,660,362**

2) The information of the minor associate of the investments accounted for using the equity method was as follows:

	December 31, 2018	December 31, 2017
Total carrying amount of equity of the minor associates	**$ 39,366,755**	**34,916,717**

(Continued)

	For the years ended December 31,	
	2018	2017
Attributable to the Company:		
Net income	$ 1,320,334	583,985
Other comprehensive income	(485,406)	(361,516)
Total comprehensive income	**$ 834,928**	**222,469**

3) The Company, which invested in "Formosa Automobile Corporation" (an investee accounted for using the equity method) recognized the gains of $136,045 thousand and $38,434 thousand from this investment for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2017 the Company's cumulative losses from this investment had already exceeded the book value of the investment by $29,472 thousand, respectively. The investee company were reclassified to other liabilities for the Company intended to support it. The situation abovementioned no longer exists as of December 31, 2018.

4) On July 1, 2018, Su-Hua Transportation Corporation, an associate previously owned by the Company, merged with Formosa Transportation Corp, another associate owned by the Company, at the stock exchange rate ratio of 5.843543：1. The Company's shareholding ratio in Formosa Transportation Corp remains unchanged

5) On July 5 and 26, 2018, The Company participated in the capital increase by cash of Sky Dragon Investment Limited. at 50% ownership interest, with the total investment amounting to US$145,800 thousand (equivalent to $4,461,424 thousand).

6) On July 13, 2018, Formosa Sumco Technology Corporation, an associate owned by the Group, reduced its capital by 50%. The Company received the amount of $1,127,075 thousand on September 25, 2018 due to the said capital reduction, wherein its shareholding ratio remains unchanged.

7) On April 7, 2017, The Group participated in the capital increase by cash of Formosa Resources Corporation at 25% ownership interest, with the total investment amounting to US$55,000 thousand (equivalent to $1,683,440 thousand).

8)

(iii) Joint ventures

The Company's investments in joint ventures are not significant. The financial information of the minor joint ventures of the investments accounted for using equity method was as follows:

	December 31, 2018	December 31, 2017
Total carrying amount of investments in the minor joint ventures	**$ 2,332,448**	**2,330,362**

(Continued)

	For the years ended December 31, 2018	2017
Attributable to the Company:		
Net income	$ 270,173	290,843
Other comprehensive loss	(11,256)	(6,767)
Total comprehensive income	**$ 258,917**	**284,076**

(iv) Collaterals

Please refer to Note 8 for investments accounted for using equity method which were pledged to banks as collateral to secure the Company's bank loans as of December 31, 2018 and 2017.

(h) Property, plant and equipment

The movements of cost and accumulated depreciation and impairments of property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 were as follows:

	Land	Buildings and constructions	Machinery and equipment	Other facilities	Construction in progress	Total
Cast:						
Balance as of January 1, 2018	$ 6,775,418	21,285,267	131,376,656	4,716,803	2,609,073	166,763,217
Additions	3,623,411	1,035,418	793,806	312,877	2,917,152	8,682,664
Disposals	-	(24,570)	(1,757,844)	(377,406)	-	(2,159,820)
Reclassification	(297)	51,652	1,794,346	325,027	(2,031,458)	139,270
Balance as of December 31, 2018	**$ 10,398,532**	**22,347,767**	**132,206,964**	**4,977,301**	**3,494,767**	**173,425,331**
Balance as of January 1, 2017	$ 6,775,780	21,342,665	129,823,866	4,546,938	2,891,452	165,380,701
Additions	-	720	178,722	180,678	1,890,777	2,250,897
Disposals	(362)	(78,061)	(761,192)	(130,170)	-	(969,785)
Reclassification	-	19,943	2,135,260	119,357	(2,173,156)	101,404
Balance as of December 31, 2017	**$ 6,775,418**	**21,285,267**	**131,376,656**	**4,716,803**	**2,609,073**	**166,763,217**
Accumulated depreciation/impairment:						
Balance as of January 1, 2018	$ -	14,006,048	115,308,522	3,769,107	-	133,083,677
Depreciation for the year	-	647,739	3,344,987	203,237	-	4,195,963
Disposals	-	(24,570)	(1,754,733)	(376,543)	-	(2,155,846)
Reclassification	-	-	(2,246)	76,286	-	74,040
Balance as of December 31, 2018	**$ -**	**14,629,217**	**116,896,530**	**3,672,087**	**-**	**135,197,834**

(Continued)

	Land	Buildings and constructions	Machinery and equipment	Other facilities	Construction in progress	Total
Balance as of January 1, 2017	$ -	12,413,470	110,334,357	3,702,865	-	126,450,692
Depreciation for the year	-	718,981	4,303,963	215,882	-	5,238,826
Impairment loss	-	951,658	1,385,989	10,220	-	2,347,867
Disposals	-	(78,061)	(755,006)	(128,870)	-	(961,937)
Reclassification	-	-	39,219	(30,990)	-	8,229
Balance as of December 31 , 2017	$ -	14,006,048	115,308,522	3,769,107	-	133,083,677
Carrying amounts:：						
Balance as of December 31 , 2018	$ 10,398,532	7,718,550	15,310,434	1,305,214	3,494,767	38,227,497
Balance as of December 31 , 2017	$ 6,775,418	7,279,219	16,068,134	947,696	2,609,073	33,679,540

(i) Impairment loss

The impairment loss amounting to $2,347,867 thousand was recognized for the year ended December 31, 2017 due to the equipment that had been identified to be no longer useful for future operation.

(ii) Collaterals

The property, plant and equipment pledged to secure bank loans as of December 31, 2018 and 2017, are described in Note 8.

(iii) As of December 31, 2018 and 2017, the Company’s parcels of land with title temporarily registered under the names of third parties for trust purpose had carrying value of $33,529 thousand for both years. which were recorded under property, plant and equipment. The Company has implemented a deed of trust with the authorities to secure the Company’s rights related to the abovementioned properties.

(iv) Please refer to Note 6(t) for further information about the capitalized interest on borrowings for the purchase of the property, plant and equipment and gain on disposal of property, plant and equipment.

(i) Short-term borrowings

(i) Short-term borrowings consisted of the following:

	December 31, 2018	December 31, 2017
Unsecured short-term borrowings	$ 14,058,910	8,110,987
Employees’ savings	284,770	236,350
Total	$ 14,343,680	8,347,337
Interest rate	0.75%~1.115%	0.75%~2.266%

(Continued)

(j) Short-term notes and bills payable

	December 31, 2018		
	Institutions	**Interest rate**	**Amount**
Short-term notes and bills payable	Taishin International Bank	0.47%	$ 1,400,000
Short-term notes and bills payable	International Bills Finance Corporation	0.867%	500,000
Short-term notes and bills payable	Ta Ching Securities Co., Ltd.	0.75%	600,000
Short-term notes and bills payable	Cathay United Bank Company Limited	0.665%~0.745%	3,000,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.66%~0.857%	2,300,000
Short-term notes and bills payable	Grand Bills Finance Corporation	0.61%~0.73%	2,200,000
Short-term notes and bills payable	Taipei Fubon Commercial Bank Co., Ltd.	0.745%	1,000,000
Short-term notes and bills payable	E Sun Commercial Bank, LTD.	0.73%	500,000
Short-term notes and bills payable	Yuanta Commercial Bank. LTD.	0.66%	500,000
			12,000,000
Less: Discount on short-term notes and bills payable			(4,364)
Total			**$ 11,995,636**

	December 31, 2017		
	Institutions	**Interest rate**	**Amount**
Short-term notes and bills payable	China Bills Finance Corporation	0.60%	$ 1,000,000
Short-term notes and bills payable	Grand Bills Finance Corporation	0.40%	2,300,000
Short-term notes and bills payable	International Bills Finance Corporation	0.590%~0.867%	1,000,000
Short-term notes and bills payable	Cathay United Bank Company Limited	0.419%	2,200,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.410%~0.857%	1,500,000
Short-term notes and bills payable	CTBC Bank Co., Ltd	0.40%	1,500,000
			9,500,000
Less: Discount on short-term notes and bills payable			(4,491)
Total			**$ 9,495,509**

(Continued)

(k) Long-term debts

(i) Long-term debts consisted of the following:

	December 31, 2018	December 31, 2017
Unsecured long-term debts	$ 1,200,000	1,900,000
Secured long-term debts	5,713,038	7,997,365
Less: Current portion	(2,284,327)	(4,084,327)
Total	$ **4,628,711**	**5,813,038**
Repayment period	**2020~2021**	**2018~2021**
Interest rate	**0.800%~1.632%**	**0.800%~1.632%**

(ii) Secured bank loans

In order to raise funds to build the plant and accessory equipment, the Company signed a syndicated loan agreement with Bank of Taiwan, the lead bank of the syndicated loan, and 19 other banks on November 14, 2013. As of December 31, 2018, the details of the loan agreement are as follows:

1) Credit line: $10,300,000 thousand.

2) Interest rate: as settled with each participating bank.

3) Period: 7 years (including a 3 years extension).

4) Collateral: the land at Sixth Naphtha Cracker pledged for 120 percent of the credit line financed by the loan.

5) The financial covenants under the loan agreement include the requirement to maintain certain financial ratios based on the audited consolidated financial reports. If the Company breaches these financial covenants, the syndicated banks may determine to declare the unpaid principal, interest, fees and other sums payable by the Company under the loan agreement to be immediately due and payable. These financial ratios are as follows:

a) Current Ratio (total current assets divided by total current liabilities): not lower than 100%.

b) Leverage Ratio (total liabilities plus contingent liabilities to tangible net worth): not higher than 150%.

(Continued)

6) The Company did not breach the above mentioned financial covenants in respect of its financial statements as of December 31, 2018 and 2017.

7) As of December 31, 2018, the credit line of $10,300,000 thousand had been used, and the loan of $4,577,778 thousand had been repaid.

(iii) The assets pledged to secure long-term loans are described in Note 8.

(iv) The loan the Company has with sumitomo Mitsui Banking Corporation has been extended to August 9, 2020.

(l) Bonds payable

(i)Bonds payable consisted of the following:

	December 31, 2018	December 31, 2017
Domestic unsecured nonconvertible corporate bonds	$ 37,154,561	33,558,238
Less: current portion	(4,598,557)	(5,696,600)
Total	$ 32,556,004	27,861,638
Expiry	2019~2028	2018~2026

(ii) Issuance and repayment of bonds payable for the twelve-month periods ended December 31, 2018 and 2017:

1) Issuance

	For the years ended December 31, 2018	For the years ended December 31, 2017
Face value	$ 9,300,000	7,000,000
Coupon rate	0.82%、0.93%、1.09%	1.09%、1.32%
Expiry	2023、2025、2028	2022、2024

2) Repayment

	For the years ended December 31, 2018	For the years ended December 31, 2017
Repayment	$ 5,700,000	10,750,000

(Continued)

3) The term of domestic corporate bonds as December 31, 2018 and 2017 were as follows:

	The first domestic unsecured nonconvertible corporate bond in 2011	The second domestic unsecured nonconvertible corporate bond in 2011	The third domestic unsecured nonconvertible corporate bond in 2012
Issue amount	7,000,000	5,000,000	9,000,000
2018.12.31 Ending balance	999,614	1,449,442	4,646,952
2018.12.31 Current portion	999,614	1,449,442	2,149,501
2017.12.31 Ending balance	1,998,686	2,898,698	6,795,553
2017.12.31 Current portion	999,073	1,449,256	2,149,349
Issuance date	May 22, 2012	September 12, 2012	November 5, 2012
Coupon rate	1.26%、1.42%	1.28%、1.40%	1.25%、1.39%、1.53%
Interest payment date	May 22	September 12	November 5
Repayment method	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2018~2019, respectively.	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2018~2019, respectively.	Payable in 3 equal installments for each different coupon rate in 2016~2017, 2018~2019 and 2021~2022, respectively.

	The first domestic unsecured nonconvertible corporate bond in 2013	The second domestic unsecured nonconvertible corporate bond in 2013	The first domestic unsecured nonconvertible corporate bond in 2014	The first domestic unsecured nonconvertible corporate bond in 2017	The first domestic unsecured nonconvertible corporate bond in 2018
Issue amount	$ 11,500,000	8,500,000	6,000,000	7,000,000	9,300,000
2018.12.31 Ending balance	1,493,183	6,294,220	5,992,977	6,991,679	9,286,494
2018.12.31 Current portion	-	-	-	-	-
2017.12.31 Ending balance	1,491,668	7,391,967	5,991,883	6,989,783	-
2017.12.31 Current portion	-	1,098,922	-	-	-
Issuance date	June 10, 2013	November 8, 2013	May 21, 2014	May 19, 2017	June 26, 2018
Coupon rate	1.23%、1.52%	1.42%、1.94%	1.83%、1.92%	1.09%、1.32%	0.82%、0.93%、1.09%
Interest payment date	June 10	November 8	May 21	May 19	June 26
Repayment method	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2022~2023, respectively.	Payable in 2 equal installments for each different coupon rate in 2017~2018 and 2022~2023, respectively.	Payable in 2 equal installments for each different coupon rate in 2023~2024 and 2025~2026, respectively.	Payable in 2 equal installments for each different coupon rate in 2021~2022 and 2023~2024, respectively.	Payable in 2 equal installments for each different coupon rate in 2022~2023, 2024~2025 and 2027~2028, respectively.

(Continued)

(m) Employee benefits

(i) Defined benefit plan

The movements in the present value of the defined benefit obligations and fair value of plan assets were as follows:

		December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$	9,710,141	9,788,989
Fair value of plan assets		(2,587,023)	(2,526,446)
Net defined benefit liabilities	$	**7,123,118**	**7,262,543**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of the plan asset

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $2,552,506 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

		For the years ended December 31, 2018	2017
Defined benefit obligations on January 1	$	9,788,989	9,607,708
Benefits paid		(475,699)	(519,349)
Current service and interest costs		218,402	219,593
Remeasurement of net defined benefit liabilities			
－actuarial losses arising from change in financial assumptions		364,835	580,977
Decrease due to transfer of related party employees		(186,386)	(99,940)
Defined benefit obligations on December 31	$	**9,710,141**	**9,788,989**

(Continued)

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31, 2018	2017
Fair value of plan assets on January 1	$ 2,526,446	2,540,589
Interest income	29,881	30,317
Remeasurement of net defined obligation assets		
－return on plan assets (excluding interest income)	79,242	3,328
Benefits already paid by the plan	(165,646)	(166,189)
Contributions from employer	117,100	118,401
Fair value of plan assets on December 31	**$ 2,587,023**	**2,526,446**

4) Expense recognized in profit or loss

The pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31, 2018	2017
Current service costs	$ 98,540	101,712
Interest costs	89,981	87,564
	$ 188,521	**189,276**
Operating costs	$ 110,835	112,486
Selling expenses	6,748	6,797
Administrative expenses	70,938	69,993
	$ 188,521	**189,276**

5) Remeasurement of net defined benefit assets recognized in other comprehensive income

	For the years ended December 31, 2018	2017
Balance of January 1,	$ 1,738,211	1,258,762
Recognized in current period	228,474	479,449
Balance of December 31,	**$ 1,966,685**	**1,738,211**

(Continued)

6) Actuarial assumptions

The following are the principal actuarial assumptions as of December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
Discount rate	1.25 %	1.25 %
Rate of future salary increases	2.85 %	2.85 %

Based on the actuarial report, the Company is expected to make contributions of $124,379 thousand to the defined benefit plans for the one year period after the reporting date.

The weighted average duration of the defined benefit plan is 10.5 years.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company should use judgments and estimates in determining the related actuarial assumptions at balance sheet date, including discount rate, expected return on plan assets and future salary increases. Any changes in actuarial assumptions may significantly impact the present value of the defined benefit obligation.

As of December 31, 2018 and 2017, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase Amount	Decrease Amount
December 31, 2018		
Discount rate (change 0.25%)	$ (202,850)	211,483
Future salary increases (change 1.00%)	898,019	(777,285)
December 31, 2017		
Discount rate (change0.25%)	(217,664)	227,501
Future salary increases (change1.00%)	968,975	(830,255)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis adopts the same methods for determining the defined benefit assets at balance sheet date.

The same methods and assumptions are adopted in the two-year sensitivity analysis.

(Continued)

(ii) Defined contribution plan

The Company contributes an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Company is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

The Company's pension costs under the defined contribution pension plan amounted to $233,156 thousand and $224,454 thousand for the years ended December 31, 2018 and 2017, respectively.

(n) Income tax

(i) Corporate tax rate rises from 17% to 20% due to the income tax amendment promulgated by Office of the President on February 7, 2018.
The details of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Current income tax expense	$ 5,556,469	3,511,829
Deferred tax expense		
The origination of temporary differences	2,001,608	1,974,631
Exchange differences on tax rates	(61,459)	-
Income tax expense	**$ 7,496,618**	**5,486,460**

The income tax expense related to components of other comprehensive income for the years ended December 31, 2018 and 2017 was as follows:

	For the years ended December 31,	
	2018	**2017**
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	**$ 169,178**	**98,200**
Items that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	**$ (522,685)**	**1,236,221**

(Continued)

The income tax calculated at a statutory income tax rate on accounting income before income tax was reconciled with income tax expense recognized in profit or loss as follows:

	For the years ended December 31, 2018	2017
Income tax calculated based on pretax financial income	$ 11,409,232	9,327,783
Effect of difference in income tax rate between foreign investee and the Company	550,379	798,950
Tax- exempt income	(1,502,336)	(1,315,759)
Tax effect on investment income recognized under equity method and Non-deductible expenses	(3,712,672)	(3,954,319)
Under (over) provision in prior periods	57,616	49,842
10% income surtax on undistributed earnings	755,858	579,963
10% income surtax on undistributed earnings	(61,459)	-
Income tax expense	**$ 7,496,618**	**5,486,460**

(ii) Recognized deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

For the year ended December 31, 2018	**Beginning balance**	**Recognized in income or loss**	**Recognized in other comprehensive income**	**Ending balance**
Deferred tax assets				
Unrealized gross loss	$ -	1,867	-	1,867
Unamortized fixed manufacturing expense	24,221	624	-	24,845
Accrued pension liability	1,301,357	32,589	169,178	1,503,124
Cumulative translation adjustment	272,099	-	(272,099)	-
Unrealized impairment loss on non-financial assets	399,068	(16,061)	-	383,007
Unrealized foreign currency exchange loss	19,680	(3,581)	-	16,099
Total	**$ 2,016,425**	**15,438**	**(102,921)**	**1,928,942**
Deferred tax liabilities				
Foreign investment income under equity method	$ 14,397,905	1,887,031	-	16,284,936
Unrealized foreign currency exchange gain	-	52,766	-	52,766
Cumulative translation adjustment	-	-	250,586	250,586
Depreciation	65,429	17,067	-	82,496
Unrealized gross profit	1,277	(1,277)	-	-
Total	**$ 14,464,611**	**1,955,587**	**250,586**	**16,670,784**

(Continued)

For the year ended December 31, 2017	Beginning balance	Recognized in income or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Unrealized gross profit	$ 966	(966)	-	-
Unamortized fixed manufacturing expense	32,024	(7,803)	-	24,221
Accrued pension liability	1,268,135	(64,978)	98,200	1,301,357
Unrealized foreign currency exchange gain	-	-	272,099	272,099
Unrealized impairment loss	-	399,068	-	399,068
Unrealized foreign currency exchange loss	-	19,680	-	19,680
Total	$ 1,301,125	345,001	370,299	2,016,425
Deferred tax liabilities				
Foreign investment income under equity method	$ 12,054,017	2,343,888	-	14,397,905
Unrealized foreign currency exchange gain	50,018	(50,018)	-	-
Cumulative translation adjustment	964,122	-	(964,122)	-
Depreciation	40,944	24,485	-	65,429
Unrealized gross profit	-	1,277	-	1,277
Total	$ 13,109,101	2,319,632	(964,017)	14,464,611

(iii) The Company's income tax returns have been examined and approved through 2015 by the ROC tax authorities.

(o) Capital and other equity

As of December 31, 2018 and 2017, the Company's government registered total authorized capital and issued capital stock both amounted to $63,657,408 thousand, divided into 6,365,741 thousand shares of stock with $10 par value per share. All issued shares were paid up upon issuance.

(i) Capital surplus

The components of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Paid-in capital in excess of par value	$ 8,130,081	8,130,081
Treasury stock transactions	16,263	16,263
Equity in capital surplus of investee companies	192,701	203,000
Overdue unpaid directors' remuneration and dividends	377,294	303,082
Paid in capital in excess of the par value derived from Overseas corporate bond conversion	2,997,503	2,997,503
	$ 11,713,842	11,649,929

(Continued)

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

According to the rules of the Company's articles and Company Act, the Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder plus the undistributed earnings of the previous years are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the Annual Stockholders' Meeting.

The Company also adopts a dividend distribution policy, under which, net earnings after deducting the legal reserve and special reserve may first be distributed by way of cash dividends which shall be equal to at least fifty percent (50%) of the Company's total dividend distribution every year. The capitalization of earnings and capital surplus shall not exceed fifty percent of the total dividends.

1) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) of $2,790,507, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to $2,790,507 thousand both as of December 31, 2018 and 2017.

Pursuant to the Regulatory Permit mentioned above, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of above-mentioned special reserve and net debit balance of the other components of stockholders' equity.

(Continued)

2) Earnings distribution

The appropriations of earnings in 2017 and 2016 had been approved in the stockholders' meetings on June 20, 2018, and June 13, 2017, respectively. The amounts of appropriation of dividend per share were as follows:

	2017		2016	
	Dividends per share	**Amount**	**Dividends per share**	**Amount**
Dividends attributable to ordinary shareholders:				
Cash dividends	$ 5.70	**36,284,722**	4.60	**29,282,408**

3) Other equity (net of tax)

	Exchange differences on translation of foreign operations	Unrealized gain (loss) on financial assets at fair value through profit or loss	Available-for-sale investments	Cash flow hedge	Gain (loss) on hedging instruments	Total
Balance at January 1, 2018	$ (3,225,029)	-	90,768,489	9,551	-	87,553,011
Adjustments due to new standard	-	99,924,374	(90,768,489)	(9,551)	9,551	9,155,885
Balance adjusted as of January 1, 2018	(3,225,029)	99,924,374	-	-	9,551	96,708,896
Exchange differences arising on translation of foreign operations	1,247,684	-	-	-	-	1,247,684
Share of exchange differences on associates and joint ventures accounted for using equity method	420,740	(6,043,066)	-	-	-	(5,622,326)
Unrealized gains on financial assets at fair value through other comprehensive income	-	(10,491,380)	-	-	-	(10,491,380)
Share of cash flow hedge of associates and joint ventures	-	-	-	-	(28,314)	(28,314)
Balance at September 30, 2018	**$ (1,556,605)**	**83,389,928**	**-**	**-**	**(18,763)**	**81,814,560**

	Exchange differences on translation of foreign operations	Unrealized gains on available-for-sale financial assets	Cash flow hedge	Total
Balance at January 1, 2017	$ 2,794,229	72,488,184	51,057	75,333,470
Exchange differences on translation of foreign operations, net of tax				
-the Company	(5,127,492)	-	-	(5,127,492)
-associates	(891,766)	-	-	(891,766)
Unrealized gains on available-for-sale financial assets：				
-the Company	-	14,838,705	-	14,838,705
-associates	-	3,441,600	(41,506)	3,400,094
Balance at December 31, 2017	**$ (3,225,029)**	**90,768,489**	**9,551**	**87,553,011**

(Continued)

(p) Earnings per share

The basic earnings per share were calculated as follows:

	For the years ended December 31, 2018	2017
Profit attributable to ordinary shareholders	$ 49,549,540	49,382,853
Weighted average number of outstanding ordinary shares	6,365,741	6,365,741
	$ 7.78	7.76

(q) Revenue from Contracts with Customers

(i) Revenue Segmentation

	For the years ended December 31, 2018						
	Plastic division	Polyolefin division	Polypropylene division	Tairylan division	Chemistry division	Others divisions	Total
Major market：							
Taiwan	$ 25,631,278	12,739,441	8,048,632	7,758,250	22,270,403	2,639,349	79,087,353
Mainland China	13,937,962	13,775,705	6,688,243	5,711,759	8,202,518	30,033	48,346,220
Others	33,605,210	10,133,381	7,060,888	7,387,247	3,309,202	316,906	61,812,834
	$ 73,174,450	36,648,527	21,797,763	20,857,256	33,782,123	2,986,288	189,246,407
Major goods：							
PVC	$ 34,449,210	-	-	-	-	-	34,449,210
Liquid caustic soda	22,292,211	-	-	-	-	-	22,292,211
HDPE	-	20,361,107	-	-	-	-	20,361,107
LLDPE	-	6,171,882	-	-	-	-	6,171,882
EVA	-	9,721,259	-	-	-	-	9,721,259
PP	-	-	19,393,763	-	-	-	19,393,763
POM	-	-	2,404,000	-	-	-	2,404,000
AE	-	-	-	8,662,849	-	-	8,662,849
SAP	-	-	-	3,915,642	-	-	3,915,642
Carbon fiber	-	-	-	2,339,796	-	-	2,339,796
n-Butanol	-	-	-	5,078,384	-	-	5,078,384
AN	-	-	-	-	15,477,149	-	15,477,149
MMA	-	-	-	-	5,395,577	-	5,395,577
ECH	-	-	-	-	5,019,558	-	5,019,558
Others	16,433,029	394,279	-	860,585	7,889,839	2,986,288	28,564,020
	$ 73,174,450	36,648,527	21,797,763	20,857,256	33,782,123	2,986,288	189,246,407

For details on revenue for the year ended December 31, 2017, please refer to note 6(r).

(Continued)

(ii) Balance of contracts

	December 31, 2018	January 1, 2018
Notes receivable	$ 79,150	95,454
Accounts receivable (including related parties)	12,712,715	12,093,824
Less: allowance for doubtful receivables	(4,755)	(3,810)
Total	**$ 12,787,110**	**12,185,468**

Please refer to Note 6(d) for the disclosure of accounts receivable and impairment.

(r) Revenue

For the years ended December 31, 2018 and 2017, the components of revenue were as follows:

	For the year ended December 31, 2017
Sale of goods	$ 168,289,026
Constructive revenue	611,954
Others	1,372,953
	$ 170,273,933

(s) Employee bonus

According to the Company's articles, 0.05%~0.5% of the Company's profit, excluding employee compensations, and after being appropriated to offset accumulated deficits, if any, should be distributed as employee compensations.

For the years ended December 31, 2018 and 2017, the appropriated employee compensations amounted to $74,167 thousand and $69,454 thousand, respectively. These amounts were calculated based on the Company's articles of incorporation and the net profit before tax after deducting employee compensations, and was recognized under operating costs and operating expenses. The employee compensations were consistent with the actual distributions. Related information can be accessed from the Market Observation Post System website.

(t) Non-operating income and expenses

(i) Other income

For the years ended December 31, 2018 and 2017, the components of other income were as follows:

	For the years ended December 31, 2018	2017
Interest income	$ 599,064	424,718
Rental income	171,677	151,180
Dividends income	7,511,680	5,606,734
	$ 8,282,421	**6,182,632**

(Continued)

(ii) Other gains and losses

For the years ended December 31, 2018 and 2017, the components of other gains and losses were as follows:

	For the years ended December 31, 2018	2017
Gain on disposal of property, plant and equipment	$ 66,465	10,925
Gain on disposal of investments	-	1,762,716
Foreign exchange gains/(losses), net	1,329,007	(1,889,724)
Valuation gains on financial assets, net	215,889	-
Impairment loss on non-financial assets	-	(2,347,867)
Other gains	1,013,575	462,612
Other losses	(212,393)	(269,549)
	$ 2,412,543	**(2,270,887)**

(iii) Finance costs

For the years ended December 31, 2018 and 2017, the components of finance costs were as follows:

	For the years ended December 31, 2018	2017
Interest expense	$ 977,098	975,231
Less: capitalized interest	(8,544)	(11,187)
	$ 968,554	**964,044**
Capitalized interest rate	**1.47%~1.56%**	**1.49%~1.52%**

(u) Reclassification adjustments of components of other comprehensive income

	For the year ended December 31, 2017
Available-for-sale financial assets	
Net change in fair value	$ 16,601,421
Net change in fair value reclassified to loss	(1,762,716)
Net change in fair value recognized in other comprehensive income	**$ 14,838,705**

(Continued)

(v) Financial instruments

(i) Credit risk

1) Maximum credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk exposure.

2) Concentration of credit risk

The company's revenue was not attributable to sales transactions with a single customer or to sales in a specific region. Therefore, accounts receivable have no obvious concentrated credit risk. To reduce credit risk, the Company regularly monitors and reviews the recoverable amount of the trade receivables to its clients, but the company usually doesn't ask its clients to provide collateral.

3) Credit risk of receivables

For credit risk exposure of receivables, please refer to note 6(d).

(ii) Liquidity risk

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments but excluding the impact of netting agreements:

	Carrying amount	Contractual cash flow	Within 6 months	6~12months	1~2years	2~5years	Over 5 years
December 31, 2018							
Non-derivative financial liabilities							
Unsecured bank loans	$ 15,258,910	15,347,309	12,572,056	2,775,253	-	-	-
Bonds payable	37,154,561	39,672,495	1,007,100	3,650,185	-	22,958,690	12,056,520
Secured bank loans	5,713,038	5,880,979	1,153,783	1,163,121	2,363,598	1,200,477	-
Short-term notes and bills payable	11,995,636	12,000,000	12,000,000	-	-	-	-
Accounts payable (including related parties)	10,819,190	10,819,190	10,819,190	-	-	-	-
Other payables (including related parties)	5,737,900	5,737,900	5,737,900	-	-	-	-
Other current liabilities	7,501,395	7,501,395	7,501,395	-	-	-	-
Employees' savings	284,770	286,332	286,332	-	-	-	-
	$ 94,465,400	97,245,600	51,077,756	7,588,559	2,363,598	24,159,167	12,056,520

(Continued)

	Carrying amount	Contractual cash flow	Within 6 months	6~12months	1~2years	2~5years	Over 5 years
December 31, 2017							
Non-derivative financial liabilities							
Unsecured bank loans	$ 10,010,987	10,098,138	3,685,593	6,308,900	-	103,645	-
Bonds payable	33,558,238	36,080,430	1,007,100	4,765,805	4,728,770	10,378,555	15,200,200
Secured bank loans	7,997,365	8,300,609	1,153,783	1,163,121	2,363,598	3,620,107	-
Short-term notes and bills payable	9,495,509	9,500,000	9,500,000	-	-	-	-
Accounts payable (including related parties)	11,396,259	11,396,259	11,396,259	-	-	-	-
Other payables (including related parties)	4,495,555	4,495,555	4,495,555	-	-	-	-
Other current liabilities	7,254,909	7,254,909	7,254,909	-	-	-	-
Employees' savings	236,350	237,768	237,768	-	-	-	-
	$ 84,445,172	87,363,668	38,730,967	12,237,826	7,092,368	14,102,307	15,200,200

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Company's exposure to significant foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	$ 638,205	30.7330	19,613,954	792,757	29.8480	23,668,181
EUR	1,296	35.1670	45,576	1,093	35.6081	38,920
JPY	50,378	0.2772	13,965	60,873	0.2641	16,077
CNY	1,876	4.4779	8,401	1,512	4.5680	6,907
Financial liabilities						
Monetary items						
USD	26,369	30.7330	810,398	42,995	29.8480	1,283,315
EUR	138	35.1670	4,853	471	35.6081	16,771
JPY	109,142	0.2772	30,254	381,979	0.2641	100,881

(Continued)

2) Sensitivity analysis

The Company exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD against the USD, EUR, JPY and CNY as of December 31, 2018 and 2017 would have increased (decreased) net profit before tax by $188,364 thousand and $ 223,291 thousand. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2018 and 2017.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $1,329,007 thousand and ($1,889,724) thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and nonderivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1%, the company's net income would have increased / decreased by $155,437 thousand and by $102,473 thousand for the year ended December 31, 2018 and 2017, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Other market price risk

	2018		2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ 984,264	-	1,070,071	-
Decreasing1%	$ (984,264)	-	(1,070,071)	-

(Continued)

(vi) Fair value

1) Types and fair value of financial instruments
The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available for sale financial assets) is measured on a recurring basis.

The Company's financial assets and liabilities are listed as follows: (including (1) the information on the levels in fair value hierarchy, wherein, disclosures are not required for financial instruments not measured at fair value with a carrying value approximating its fair value; and (2) those equity investments in which the fair value cannot be reliably measured and without any quoted price in the open market)

	December 31, 2018				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Mandatorily at FVTPL	$ 4,017,249	-	4,017,249	-	4,017,249
Subtotal	4,017,249	-	4,017,249	-	4,017,249
Financial assets at fair value through OCI					
Listed stocks	$ 98,426,404	98,426,404	-	-	98,426,404
Unquoted equity instruments at fair value	10,038,913	-	-	10,038,913	10,038,913
Subtotal	108,465,317	98,426,404	-	10,038,913	108,465,317
Financial assets measured at amortized cost					
Cash and cash equivalents	18,941,635	-	-	-	-
Notes and accounts receivable (including related parties)	12,787,110	-	-	-	-
Other receivables (including related parties)	19,604,041	-	-	-	-
Subtotal	51,332,786	-	-	-	-
Total	**$ 163,815,352**	**98,426,404**	**4,017,249**	**10,038,913**	**112,482,566**
Financial liabilities measured at amortized cost					
Bonds payable (including current portion)	$ 37,154,561	-	-	-	-
Short-term notes and bills payable	11,995,636	-	-	-	-
Short-term borrowings	14,343,680	-	-	-	-
Long-term loans (including current portion)	6,913,038	-	-	-	-
Accounts payable (including related parties)	10,819,190	-	-	-	-
Other payables (including related parties)	5,737,900	-	-	-	-
Other current liabilities	7,501,395	-	-	-	-
Total	**$ 94,465,400**	**-**	**-**	**-**	**-**

(Continued)

	December 31, 2017				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Listed stocks	$ 107,007,059	107,007,059	-	-	107,007,059
Private fund	4,574,268	-	4,574,268	-	4,574,268
Subtotal	111,581,327	107,007,059	4,574,268	-	111,581,327
Loans and receivables					
Cash and cash equivalents	14,499,334	-	-	-	-
Notes and accounts receivable (including related parties)	12,185,468	-	-	-	-
Other receivables (including related parties)	18,035,323	-	-	-	-
Subtotal	44,720,125	-	-	-	-
Total	**$ 156,301,452**	**107,007,059**	**4,574,268**	**-**	**111,581,327**
Financial liabilities measured at amortized cost					
Bonds payable	$ 33,558,238	-	-	-	-
Short-term notes and bills payable	9,495,509	-	-	-	-
Short-term loans	8,347,337	-	-	-	-
Long-term loans (including current portion)	9,897,365	-	-	-	-
Accounts payable (including related parties)	11,396,259	-	-	-	-
Other payables (including related parties)	4,495,555	-	-	-	-
Other current liabilities	7,254,909	-	-	-	-
Total	**$ 84,445,172**	**-**	**-**	**-**	**-**

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

Financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

The fair value of the financial instruments traded in active markets is based on quoted market prices. The fair value of listed equity instruments is based on the market prices that were published at main stock exchanges.

(Continued)

If the financial instruments possessed by the Company have quoted market prices in active markets, the fair value was as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks).

Except for financial instruments traded in active market, Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor.

4) There were no transfer between the fair value hierarchy levels for the years ended December 31, 2018 and 2017.

5) Movement of financial instruments grouped into level 3

	Financial assets at fair value through other comprehensive income
	Unquoted equity instruments
January 1, 2018	$ 11,949,637
Total gains and losses recognized:	
In other comprehensive income	(1,910,724)
December 30, 2018	**$ 10,038,913**

6) The valuation procedures for fair value measurements being categorized within Level 3 is to ensure the valuation results are reasonable by applying independent information to make the results close to the current market conditions, to confirm whether the resource of information is independent, reliable and in line with other resources, and to represent the independent information as the exercisable price. According to the Company' s accounting policy, the analysis on the value changes of remeasured or reevaluated assets and liabilities is performed to ensure the reasonability of the evaluation results at the reporting date.

7) The quantitative information of significant unobservable inputs (Level 3)

Most of the Company' s financial instruments that use Level 3 inputs have only one significant unobservable input, except for equity investment without an active market which have multiple significant unobservable inputs.

(Continued)

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – unquoted equity instruments	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
	Net Asset Value Method	Not applicable	Not applicable

8) Valuation model used in Level 3 fair value measurement - sensitivity analysis of the fair value to the reasonable replaceable assumption

The valuation models and assumptions used to measure the fair value of the financial instruments is reasonable. However, the use of different valuation models or assumptions may result in different measurements. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 when the inputs used to valuation models have changed:

	Input	Change	Recognized in other comprehensive income Favorable change	Unfavorable change
December 31, 2018				
Financial assets at fair value through other comprehensive income – unquoted 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%	$ 58,409	(58,409)

(Continued)

(w) Financial risk management new

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to credit risk, liquidity risk and market risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

(i) Framework of risk management

Items	Risk Management Department	Risk Detection
1. Interest rate, exchange rate, and inflation	General manager department; accounting department; finance department; and general management department	Computer audit & regular self audit; monthly budget meeting; finance supervisors meeting; internal audit department; and board meeting
2.Investments of high risk and leverage, loans to others, guarantees and endorsements, and trade of derivatives	General manager department; finance department; and general management department	Computer audit & regular self audit; monthly budget meeting; finance supervisors meeting; internal audit department; and board meeting
3.R&D plans	General manager department; technology department of each business division; and general management department	Purchase & sales meeting; operation performance meeting; R&D meeting; board meeting; and internal audit department
4.Changes on significant domestic and international policies and regulations	General manager department; manager department and technology department of each business division; legal department; and general management department	Purchases & sales meeting; operation performance meeting; board meeting; and internal audit department
5.Changes on technologies	General manager department; and manager department of each business division; R&D center; and general management department	Purchase & sales meeting; operation performance meeting; internal audit department; and board meeting
6.Changes on corporate images	General manager department; and manager department of each business division; and general management department	Purchase & sales meeting; operation performance meeting; and board meeting
7.Merge and reinvestments	General manager department; manager department of each business division; and general management department	Purchase & sales meeting; operation performance meeting; internal audit department; and board meeting
8.Expansion of factories	General manager department; factory affair department of each business division; manager department; and general management department	Purchase & sales meeting; operation performance meeting; internal audit department; and board meeting
9.Centralization of purchases and sales	General manager department; manager department of each business division; purchase department; and general management department	Weekly marker price meeting; purchase & sales meeting; operation performance meeting; internal audit department; and board meeting

(Continued)

Items	Risk Management Department	Risk Detection
10.Changes of directors, controllers and major shareholders	General manager department; and shares management division of finance department	Operation management meeting and board meeting
11.Changes of management rights	General manager department; and general management department	Operation management meeting and board meeting
12.Litigation and other affairs	General manager department; general management department; and legal department	Purchase & sales meeting, operation performance meeting, internal audit department, and board meeting.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables, and from financing activities, primarily deposits, fixed-income investments and other financial instruments with banks.

1) Accounts receivable and other receivables

To maintain the credit quality of receivables, a credit risk management policy has been established. Under this policy, each customer is analyzed individually regarding customer' s financial situation, external and internal credit rating, historical trading record, and current economic condition which may affect customer's payment ability. In addition, some methods are adopted to reduce the credit risk for specific customers, such as prepayment and insurance of accounts receivable.

2) Investments

The Company mainly invests in Petrochemical Industry, which belongs to mature industry with lower risk. In addition, the Company' s prudent management creates financial health without high-leveraged investment.

3) Guarantee

The Company' s endorsement policy is limited to endorsement of subsidiaries or associates with business relationship. The endorsed items are usually related to financing and import duty guarantee. Due to associates' financial health created by prudent management, management of the Company believes that they are expecting no significant losses from endorsement.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalent, securities with high liquidity and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

(Continued)

(iii) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, including currency forward contracts and cross currency swaps, to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

2) Interest rate risk

The Company is exposed to interest rate risk arising from long-term borrowings at floating interest rates. To reduce the risk caused by floating interest rates, the Company utilized interest rate swap contracts to partially hedge its exposure.

(x) Capital management

Although business operated by the Company has reached the stage of maturity, a sufficient amount of capital is still required to support the operation of investee companies, construction and expand its production facilities and equipment.

The Company's policy is to maintain adequate financial resources and operating plan to meet future operating capital, capital expenditure, research and development expenditure, loans reimbursement, and dividend distribution.

The Company uses debt to capital ratio to manage its capital. The debt to capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derived from deducting cash and cash equivalents from total liabilities. Total capital includes common shares of stocks, capital surplus, retained earnings and net liabilities. The Company's debt to capital ratio at the end of the reporting period was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 121,816,575	110,461,414
Less: cash and cash equivalents	(18,941,635)	(14,499,334)
Net liabilities	102,874,940	95,962,080
Total equity	355,568,001	345,010,166
Adjusted equity	**$ 458,442,941**	**440,972,246**
Debt to capital ratio	**22.44 %**	**21.76 %**

(Continued)

(y) Changes of liabilities arising from financing activities

Changes of liabilities arising from financing activities were as follows:：

	Short-term borrowings	Short-term notes payable	Long-term borrowings (include current portion)	Bonds payable (include current portion)	Total liabilities arising from financing activities
January 1,2018	$ 8,347,337	9,495,509	9,897,365	33,558,238	61,298,449
Cash flows	7,683,063	2,500,000	(2,988,889)	3,600,000	10,794,174
Non-cash changes	-	127	4,562	(3,677)	1,012
Exchanges rate changes	(1,686,720)	-	-	-	(1,686,720)
December 31,2018	**$ 14,343,680**	**11,995,636**	**6,913,038**	**37,154,561**	**70,406,915**

(7) Related-party transactions:

(a) Name of related parties

Name of related party	Relationship with Consolidated Company
Formosa Plastics Corp. (Cayman Ltd.)	Subsidiary
Formosa Industries Corporation	Subsidiary
Formosa Plastics International (Cayman) Limited	Subsidiary
Formosa Industries (Hong Kong) Limited	Subsidiary
Formosa Industries (Ningbo) Co., Ltd.	Subsidiary
Formosa Electronic (Ningbo) Co., Ltd.	Subsidiary
Formosa Petrochemical Corporation	Associates
Formosa Plastics Corp., U.S.A.	Associates
Formosa Heavy Industries Corp.	Associates
Mai Liao Power Corp.	Associates
Formosa Sumco Technology Corporation	Associates
Formosa Transportation Corp.	Associates
Ya Tai Development Corp.	Associates
Wha Ya Park Management Consulting Corporation Ltd.	Associates
Formosa Environmental Technology Corporation	Associates
Formosa Resources Corporation	Associates
Formosa Group (Cayman) Limited	Associates
Hua Ya Power Corp.	Associates
Japan Formosa Sumco Technology Corp.	Associates
Formosa Automobile Corp.	Associates
Fujian Fuxin Special Steel Co., Ltd.	Associates

(Continued)

Name of related party	Relationship with Consolidated Company
Formosa Asahi Spandex Co., Ltd.	Joint venture
Formosa Daikin Advanced Chemical Co., Ltd.	Joint venture
Formosa Mitsui Advanced Chemical Co., Ltd.	Joint venture
Nan Ya Plastics Corporation	Other related parties
Formosa Chemicals and Fiber Corporation	Other related parties
Chang Gung Medical Foundation	Other related parties
Nan Ya PCB Corporation	Other related parties
Nan Chung Petrochemical Corporation	Other related parties
PFG Fiber Glass Corporation	Other related parties
Nan Ya Plastics (Hong Kong) Co., Ltd.	Other related parties
Nan Ya Plastics (Guangzhou) Co., Ltd.	Other related parties
Nan Ya Plastics (Nantong) Co., Ltd.	Other related parties
Nan Ya Plastics Film (Nantong) Co., Ltd.	Other related parties
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Other related parties
Nan Ya Plastics Corporation America	Other related parties
Formosa Industries Corp., Vietnam	Other related parties
Formosa Taffeta Co., Ltd.	Other related parties
Formosa BP Chemicals Corp.	Other related parties
Formosa Biomedical Technology Corp.	Other related parties
Formosa Carpet Co., Ltd.	Other related parties
Formosa Idemitsu Petrochemical Corp.	Other related parties
Hong Jing Resources Corp.	Other related parties
Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Other related parties
Formosa Plastics Marine Corp.	Other related parties
Formosa Group Ocean Marine Corp.	Other related parties
Asia Pacific Development Corp.	Other related parties
Nanya Technology Corporation	Other related parties
Inteplast Taiwan Corporation	Other related parties
Asian Pacific Investment Corp.	Other related parties
Formosa Ha Tinh (Cayman) Ltd.	Other related parties
Formosa Ha Tinh (Cayman) Limited Taiwan Branch	Other related parties

(Continued)

(b) Significant related-party transactions

(i) Sales to related parties

Significant sales to related parties and the balance of accounts receivable were as follows:

	Sales for the years ended December 31,		Accounts receivable –related parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Subsidiaries	$ 9,049,850	8,396,035	1,680,478	1,580,907
Associates	12,691,992	11,753,701	1,197,854	1,798,174
Joint ventures	73,124	628,110	9,425	18,298
Other related parties	27,214,140	22,921,707	2,921,374	2,897,850
	$ 49,029,106	**43,699,553**	**5,809,131**	**6,295,229**

The selling prices and collection terms for the sales to related parties are not significantly different from those third-party customers, and receivables are collected on the 27th of the month following the month of sales. The terms of receivables from subsidiaries are O/A 90 days and from other foreign related parties are O/A 60 days or L/C at sight.

(ii) Purchase from related parties

Purchases from related parties and the balance of accounts payables were as follows:

	Purchases for the years ended December 31,		Accounts payable –related parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Subsidiaries	$ 1,331,919	856,560	85,596	77,257
Associates				
Formosa Petrochemical Corporation	95,868,581	84,227,514	7,604,281	8,101,464
Others	931,271	795,650	577	70,144
Joint ventures	-	26,697	-	3,524
Other related parties	3,735,862	3,591,678	257,165	270,474
	$ 101,867,633	**89,498,099**	**7,947,619**	**8,522,863**

The purchase price and payment terms for the purchase from related parties are not significantly different from those with third-party vendors, and payables are paid on the 27th of the month following the month of purchase. The terms of receivables are O/A 90 days for subsidiaries.

(Continued)

(iii) Property plant and equipment

Disposals of lands and equipment (recognized as property, plant and equipment) to related parties were as follow:

	For the year ended December 31, 2017	
	Disposal price	**Gain from disposal**
Associates	$ 150	150
Other related parties	1,070	664
	$ 1,220	**814**

3) Property plant and equipment

Purchase of lands and equipment (recognized as property, plant and equipment) from related parties and the balance of accounts payable were as follow:

	For the years ended December 31,		Other receivables –related parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Associates	95	663	-	-
Other related parties	261,481	72,008	117,601	1,045
	$ 261,576	**72,671**	**117,601**	**1,045**

(iv) Financing transactions

Financing transactions with related parties were as follows:

	Due from related parties (recognized as other receivables–related parties)	
	December 31, 2018	**December 31, 2017**
Associates		
Formosa Heavy Industries Corp.	$ 9,174,852	2,871,040
Formosa Group (Cayman) Ltd.	-	4,259,500
Others	400,000	-
Other related parties		
Formosa Group Ocean Corp.	5,451,192	4,238,500
Formosa Ha Tinh (Cayman) Ltd.	-	3,040,500
	$ 15,026,044	**14,409,540**

(Continued)

As of December 31, 2018 and 2017, the interest receivable from the abovementioned transactions amounted to $16,987 thousand and $17,107 thousand, respectively, which was recognized as other receivables–related parties.

(v) Endorsements and guarantees

1) The Company’ s endorsements guarantees to secure related parties’ loans were as follows:

		December 31, 2018	December 31, 2017
Associates			
Formosa Group (Cayman) Limited	$	19,208,125	21,639,800
Others		3,303,798	3,208,660
Other Related Parties			
Formosa Ha Tinh (Cayman) Ltd.		15,915,686	15,457,372
	$	**38,427,609**	**40,305,832**

(vi) Purchases of raw materials on behalf of related parties

The detailed information of buying raw materials on behalf of related parties were as follows:

	Amount of purchases of raw materials on behalf for the years ended December 31,		Other receivables –related parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Subsidiaries	$ **19,333,682**	**15,897,049**	**1,802,303**	**1,302,593**

(vii) Other transactions

The Company's utility and steam expenses paid to related parties were as follow:

	Other payables–related parties	
	December 31, 2018	**December 31, 2017**
Associates		
Formosa Petrochemical Corporation	$ **1,049,502**	**1,106,806**

(viii) Receivables from payment on behalf of related parties1382410

1) The Company paid for construction design service fees on behalf of related parties as follows:

	Other receivables －related parties	
	December 31, 2018	**December 31, 2017**
Associates	$ **1,382,410**	**1,004,425**

(Continued)

(ii) Rental (recognized as other income)

The Company lease its office and building to related parties, and derived rental income thereon as follows:

	For the years ended December 31,	
	2018	**2017**
Associates		
Formosa Petrochemical Corporation	$ 16,568	16,568
Formosa Heavy Industries Corp.	61,457	61,457
Others	6,966	6,900
Joint ventures		
Formosa Daikin Advanced Chemical Co., Ltd.	32,779	7,571
Others	596	596
Other related parties		
Nan Ya Plastics Corporation	24,740	25,251
Others	17,674	17,723
	$ 160,780	**136,066**

The rentals charged to related parties are determined based on the local market prices, and rents are collected depending on the contract periods (e.g. monthly, semi-annually or annually).

(c) Compensation of key management

The compensation to key management was as follows:

	For the years ended December 31,	
	2018	**2017**
Short-term employee benefits	**$ 72,245**	**76,053**

(8) Pledged properties:

The Company's assets pledged to secure loans were as follows:

Classification of assets	**Nature of Pledged Assets**	**December 31, 2018**	**December 31, 2017**
Fixed assets	Property plant and equipment	$ 2,181,675	2,183,879
Refundable deposits (recognized as non-current assets)	Certificate of deposit	81,805	34,658
Investments accounted for using equity method	Stocks of Formosa Petrochemical Corp.	10,607,892	10,712,252
		$ 12,871,372	**12,930,789**

(Continued)

(9) Significant commitments and contingencies:

(a) The amounts of endorsements and guarantees for related parties were as follows:

	December 31, 2018	December 31, 2017
Endorsements and guarantees	$ 38,427,609	40,305,832

(b) The amounts of unused outstanding letters of credit for the importation of raw materials for related parties were as follows:

	December 31, 2018	December 31, 2017
Unused outstanding letters	$ 688,542	535,719

(c) The amounts of commitment letters for related parties were as follows:

Formosa Industries (Ningbo) Co., Ltd., a subsidiary of the Company, signed a syndicated loan contract amounting to US$218,000 thousand with a group of financial institutions, with Bank of Taiwan as the lead bank, for its construction which commenced in 2013. According to the requirement of the consortium, the Company has to offer a letter of undertaking and commit to monitor the operations of Formosa Industries (Ningbo) Co., Ltd., as well as to provide sufficient funds to the borrower in order to ensure its subsidiary completes its construction on schedule.

As of December 31, 2017, the Company' s investee, Formosa Ha Tinh (Cayman) Ltd., signed several contracts of syndicated credit lines with different banks amounting to US$2,220,000 thousand for its operational needs. According to the requirement of the bank consortium, the Company together with the other related parties have to issue a letter of undertaking and to manage the necessary funds to fulfill the repayment of obligations when needed.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

The nature of operating costs and expenses of the Company were as follows:

	For the year ended December 31, 2018				For the year ended December 31, 2017			
	Operating costs	Operating expenses	Non-operating expenses	Total	Operating costs	Operating expenses	Non-operating expenses	Total
Employee benefits								
Salaries	5,076,412	2,948,136	-	8,024,548	4,914,738	2,805,024	-	7,719,762
Labor and health insurance	324,679	228,479	-	553,158	315,271	226,248	-	541,519
Pension	248,738	172,939	-	421,677	245,746	167,984	-	413,730
Remuneration of directors	-	7,570	-	7,570	-	7,520	-	7,520
Others	170,018	122,370	-	292,388	169,008	106,182	-	275,190
Depreciation expenses	3,950,004	245,959	-	4,195,963	4,974,582	264,244	-	5,238,826
Amortization expenses	141,722	1,766	13,599	157,087	181,596	1,766	14,186	197,548

As of December 31, 2018 and 2017, the Company had 6,337 and 6,143 employees, respectively, including 8 directors for both year who were adjunct employees.

(Continued)

(13) Other disclosures:

(a) Information on significant transactions:

The significant transactions required by the "Guidelines" for the Company were as follows:

(i) Fund financing to other parties (the amounts expressed in CNY are in thousands):

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
0	The Company	Formosa Petrochemical Corp.	Other receivables-related parties	Yes	20,500,000	6,000,000	-	1.411%~1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Chemicals & Fiber Corp.	Other receivables-related parties	Yes	8,000,000	6,000,000	-	1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Nan Ya plastic Corp.	Other receivables-related parties	Yes	9,500,000	6,000,000	-	1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	19,874,852	17,674,852	9,174,852	1.408% ~1.414%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Group (Cayman) Limited	Other receivables-related parties	Yes	4,259,500	-	-	1.408% ~1.411%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Automobile Corp.			400,000	400,000	400,000	1.414%		-		-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Transportation Corp.	Other receivables-related parties	Yes	200,000	-	-	1.412%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Ha Tinh (Cayman) Limited	Other receivables-related parties	Yes	3,040,500	-	-	1.408% ~1.411%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
0	The Company	Formosa Group Ocean Marine Corp.	Other receivables-related parties	Yes	10,136,357	8,981,192	5,451,192	1.408% ~1.414%	2	-	Short-term financing	-	-	-	71,113,381	142,227,200	
0	The Company	Japan Formosa Sumco Technology Corp.	Other receivables-related parties	Yes	1,220,000	-	-	1%	2	-	Short-term financing	-	-	-	71,113,600	142,227,200	
1	Formosa Electronic (Ningbo) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other receivables-related parties	Yes	304,504 (CNY68,000)	170,164	170,162	3.480%	2	-	Short-term financing	-	-	-	11,528,666	28,821,666	Note 4
2	Formosa Electronic (Ningbo) Co., Ltd.	Formosa Mitsui Advanced Chemical Co., Ltd.	Other receivables-related parties	Yes	89,560 (CNY20,000)	89,560 (CNY20,000)	89,559 (CNY20,000)	3.480%	2	-	Short-term financing	-	-	-	129,298	323,245	Note 4

Note 1: (1) Those with business contact please fill in 1

(2) Those necessary for short-term financing please fill in 2.

Note 2: (1) The maximum financing allowed should not exceed 50% of the Company's net equity, and the maximum short-term financing to companies with no transaction with the Company could not exceed 40% of the Company's net equity as of December 31, 2017.

(2) The Company grants financing to a related party even if the Company has no normal business transactions with the entity. However, such financing is limited to 25% of the related party's equity based on the current independent auditor's report.

(3) The Company grants financing to an entity even if the Company has no normal business transactions with the entity. However, such financing is limited to 20% of the Company's equity based on the current independent auditor's report.

(4) The ceiling on loans granted by a subsidiary to others shall not be more than 100% of the Company's net assets, and ceiling on loans granted a short-term financing borrower with no business transactions shall not be more than 40% of the Company's net assets.

Note 3: The ending balance was approved by the Board of Directors.

Note 4: The exchange rate of New Taiwan dollars to CNY dollars was 4.478 to 1 for the highest balance of financing to other parties during the period and for the ending balance; and the exchange rate of New Taiwan dollars to CNY dollars was 4.477940 to 1 for the actual usage during the period.

(Continued)

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company (Note 2)	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	Formosa Group (Cayman) Limited	6	231,119,201	21,133,750	19,208,125	19,208,125	-	5.40 %	462,238,401	N	N	N
0	The Company	Formosa Ha Tinh (Cayman) Limited	6	231,119,201	21,185,781	21,185,781	15,915,686	-	5.96 %	462,238,401	N	N	N
0	The Company	Formosa Resources Corporation	6	231,119,201	3,329,060	3,303,798	3,303,798	-	0.93 %	462,238,401	N	N	N

Note 1: The guarantees and endorsements of the Company and its subsidiaries were listed in the form of numbers with the rules below:

(1) The Company is represented by 0.

(2) The subsidiaries are represented numerically starting from 1.

Note 2: There are seven conditions in which the Company may have guarantees or endorsements for other parties as follows:

(1) The Company has business relationship.

(2) The Company holds directly and indirectly more than 50% of the voting shares of the subsidiaries.

(3) In aggregate, the Company holds directly or its subsidiaries hold indirectly more than 50% of the investee.

(4) Subsidiaries in which the Company holds directly or indirectly more than 90% of the voting shares make endorsement and guarantees for each other.

(5) The Company is required to provide guarantees or endorsements for the construction project based on the construction contract.

(6) The stockholders of the Company provide guarantees or endorsements for the investee in proportion to their stockholding percentage.

(7) According to Consumer Protection Act, companies are required to provide guarantees and endorsements for joint and several liability if take part in business of preconstruction real estate.

Note 3: In accordance with Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 130% of the Company's net assets, the limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
The Company	Asian Pacific Investment Corp.	Other related parties	Financial assets carried at cost	68,743	2,773,780	16.17 %	2,773,780	Note 1
The Company	Mai-Liao Harbor Administration Corp.	Other related parties	Financial assets carried at cost	39,574	922,129	17.99 %	922,129	Note
The Company	Taiwan Aerospace Corp.	-	Financial assets carried at cost	1,103	22,945	0.81 %	22,945	Note
The Company	Chinese Television System Inc.	-	Financial assets carried at cost	1,769	31,032	1.05 %	31,032	Note 1
The Company	China Investment & Development Co., Ltd.	-	Financial assets carried at cost	1,287	3,110	0.80 %	3,110	Note 1
The Company	Formosa Plastics Development Corp.	Other related parties	Financial assets carried at cost	15,246	266,354	18.00 %	266,354	Note
The Company	Xiangho Aircraft Leasing Corp.	-	Financial assets carried at cost	2,071	-	9.55 %	-	
The Company	Formosa Petrochemical Transportation Corporation, Ltd.	Other related parties	Financial assets carried at cost	2,642	80,877	12.00 %	80,877	Note
The Company	Formosa Network Technology Corp.	Other related parties	Financial assets carried at cost	2,925	82,709	12.50 %	82,709	Note 1
The Company	Formosa Plastics Marine Corp.	Other related parties	Financial assets carried at cost	2,429	596,127	15.00 %	596,127	Note
The Company	Formosa Group Ocean Investment Corp.	Other related parties	Financial assets carried at cost	3	4,982,219	19.00 %	4,982,219	Note 1
The Company	Formosa Plastics Maritime Corp.	Other related parties	Financial assets carried at cost	354	193,531	18.11 %	193,531	Note

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
The Company	Am Trust Capital I Corp.	-	Financial assets carried at cost	5,000	30,100	3.91 %	30,100	Note 1
The Company	Central Leasing International Corp.	-	Financial assets carried at cost	2,373	-	1.43 %	-	
The Company	Inteplast Taiwan Corporation	Other related parties	Financial assets carried at cost	2,160	34,775	18.00 %	34,775	Note 1
The Company	Mega Growth Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,500	19,225	1.97 %	19,225	Note 1
				-	10,038,913		10,038,913	
Formosa Plastics Corp. (Cayman Ltd.)	Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd.	-	Financial assets carried at cost	-	85,480	18.00 %	85,480	Note
Formosa Plastics International (Cayman) Limited	Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets carried at cost	621,178	16,417,976	11.43 %	16,417,976	Note
					26,542,369		**26,542,369**	
The Company	Nan Ya Plastics Corporation	Other related parties	Available-for-sale financial asset－current	783,357	59,143,443	9.88 %	59,143,443	
The Company	Formosa Chemicals & Fibre Corporation	Other related parties	Available-for-sale financial asset－current	198,744	20,868,113	3.39 %	20,868,113	
The Company	Nan Ya Technology Corp.	Other related parties	Available-for-sale financial asset－current	334,815	18,414,848	10.97 %	18,414,848	
The Company	Mega Prosperity Private Placement Fund	-	Available-for-sale financial asset－current	-	**98,426,404**	- %	**98,426,404**	
				12,479	4,017,249	25.00 %	4,017,249	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Securities-Formosa Plastics International (Cayman) Limited	Investments accounted for using equity method	Formosa Plastics International (Cayman) Limited	Subsidiary	51	15,984,457	1	1,676,070	-	-	-	-	52	16,418,229 (Note 1)
The Company	Securities-Sky Dragon Investment Limited	Investments accounted for using equity method	Sky Dragon Investment Limited	Associates	280,000	2,973,156	145,800	4,461,424	-	-	-	-	425,800	6,547,397 (Note 2)
Formosa Plastics International (Cayman) Limited	Securities-Formosa Ha Tinh (Cayman) Limited	Financial assets at fair value through other comprehensive income-non-current	Formosa Ha Tinh (Cayman) Limited	Other related parties	564,707	15,984,213	56,471	1,676,070	-	-	-	-	621,178	16,417,976 (Note 3)
The Company	Mega Prosperity Private Placement Fund	Current financial assets at fair value through profit or loss			14,979	4,574,268	-	-	2,500	772,908	820,847	-	12,479	4,017,249 (Note 4)

Note 1: The ending balance includes the unrealized loss of financial assets at fair value through other comprehensive income-non-current of investment accounted for using equity method of ($1,796,896) thousand and accumulated translation adjustment of $554,598 thousand.

Note 2 : The ending balance includes the share of profit or loss of associates and joint ventures accounted for using equity method of ($768,574) thousand and accumulated translation adjustment of ($118,609) thousand.

Note 3: The ending balance includes the unrealized loss of financial assets at fair value through other comprehensive income-non-current of ($1,796896) thousand and adjustments of $554,589 thousand caused by exchange rate changes at the end of the period.

Note 4: The ending balance includes the net gain of financial assets at fair value through profit or loss of $263,828 thousand recognized at the end of the period.

(Continued)

(v) Acquisition of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information: Owner	Relationship with the Company	Date of transfer	Amount	References for determining price	Purpose of acquisition and current condition	Others
The company	Taipei．CBD	May 10, 2018	3,674,500	the first , second, and third installment were paid	TransGlobe Life Insurance Inc.	none	-	-	-	-	refer to market value and appraisal report	Office buildings	none
The company	Taipei．CBD	May 10, 2018	1,000,500	the first, second, and third installment were paid	Meifu development Corporation	none	-	-	-	-	refer to market value and appraisal report	Office buildings	none

Note: The office buildings are co-paid an installment by the Company, Nan Ya Plastics Corporation, Formosa Chemicals and Fiber Corporation and Formosa Petrochemical Corporation. The value of office buildings are $18,044,586 thousand and $18,010,228 thousand, respectively, estimated by Euro-Asia Real Estate Appraiser firm and Taiwan Dawa Real Estate Appraiser & Associates.

(vi) Disposal of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $100 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details: Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Transactions with terms different from others: Unit price	Payment terms	Notes/Accounts receivable (payable): Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Nan Ya Plastics Corporation	Other related parties	(Sales)	(13,353,279)	(7.06)%	Before the 27th of the following month	-		1,012,364	7.92%	
The Company	Formosa Chemicals & Fiber Corporation	〃	〃	(7,875,854)	(4.16)%	Before the 27th of the following month	-		638,997	5.00%	
The Company	Formosa Petrochemical Corporation	Associates	〃	(8,370,247)	(4.42)%	Before the 27th of the following month	-		525,999	4.11%	
The Company	Formosa Heavy Industries Corp.	〃	〃	(179,511)	(0.09)%	Before the 27th of the following month	-		3,884	0.03%	
The Company	Mai Liao Power Corp.	Associates	〃	(246,080)	(0.13)%	Before the 27th of the following month	-		212	-%	
The Company	Formosa Taffeta Co. Ltd.	Other related parties	〃	(339,048)	(0.18)%	Before the 27th of the following month	-		19,816	0.15%	
The Company	Inteplast Taiwan Corporation	〃	〃	(226,959)	(0.12)%	Before the 27th of the following month	-		19,737	0.15%	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	〃	〃	(521,123)	(0.28)%	O/A 60 days	-		109,721	0.86%	
The Company	Nan Ya Plastics (Nantong) Co., Ltd.	〃	〃	(222,289)	(0.12)%	O/A 60 days	-		45,514	0.36%	
The Company	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	〃	〃	(115,398)	(0.06)%	O/A 60 days	-		69,793	0.55%	

(Continued)

FORMOSA PLASTICS CORPORATION
Notes to the Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties	(Sales)	(3,970,937)	(2.10)%	O/A 60 days	-		953,320	7.46%	
The Company	Formosa Industries Corp., Vietnam	Other related parties	〃	(353,008)	(0.19)%	O/A 60 days	-		33,988	0.27%	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent-subsidiary	〃	(9,049,850)	(4.78)%	O/A 90 days	-		1,680,478	13.14%	
The Company	Formosa Plastics Corp., U.S.A.	Associates	〃	(3,820,080)	(2.02)%	O/A 90 days	-		662,095	5.18%	
Formosa Industries (Ningbo) Co., Ltd.	The Company	Parent-subsidiary	〃	(1,331,919)	(2.60)%	Before the 30th of the following month	-		85,596	1.67%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Nantong) Co., Ltd.	〃	〃	(1,108,440)	(2.16)%	Before the 30th of the following month	-		74,865	1.46%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Xiamen) Co., Ltd.	〃	〃	(250,815)	(0.49)%	Before the 30th of the following month	-		25,912	0.51%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Guangzhou) Co., Ltd.	〃	〃	(478,243)	(0.93)%	Before the 30th of the following month	-		56,134	1.10%	
				(114,726)	(0.22)%		-		6,227	0.12%	
The Company	Nan Ya Plastics Corporation	Other related parties	Purchase	1,245,647	0.90 %	Before the 27th of the following month	-		(94,170)	(0.87)%	
The Company	Formosa Chemicals & Fiber Corporation	〃	〃	2,277,294	1.65 %	Before the 27th of the following month	-		(150,018)	(1.39)%	
The Company	Formosa Petrochemical Corporation	Associates	〃	95,868,581	69.39 %	Before the 27th of the following month	-		(7,604,281)	(70.29)%	
The Company	Formosa Heavy Industries Corp.	〃	〃	931,271	0.67 %	Before the 27th of the following month	-		(577)	(0.01)%	
The Company	Formosa BP Chemicals Corp.	Other related parties	〃	163,840	0.12 %	Before the 27th of the following month	-		(9,183)	(0.08)%	
Formosa Industries (Ningbo) Co., Ltd.	The Company	Parent-subsidiary	〃	28,383,532	64.60 %	O/A 90 days	-		(3,482,781)	(73.76)%	Note
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics Corporation	Other related parties	〃	126,887	0.29 %	O/A 90 days	-		(4,263)	(0.09)%	

Note ：Including the purchases of raw materials on behalf of related parties.

(Continued)

(viii) Receivables from related parties with amounts exceeding the lower of $100 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Nan Ya Plastics Corporation	Other related parties	1,012,364	12.37 %	-		1,012,364	-	
The Company	Formosa Chemicals & Fiber Corporation	〃	638,997	11.48 %	-		638,997	-	
The Company	Formosa Petrochemical Corporation	Associates	525,999	14.89 %	-		525,999	-	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	Other related parties	109,721	4.82 %	-		81,059	-	
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties	953,320	4.95 %	-		842,031	-	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent subsidiary	1,680,478	5.55 %	-		1,167,879	-	
The Company	Formosa Plastics Corp., U.S.A.	Associates	662,095	4.21 %	-		259,440	-	
The Company	Formosa Heavy Industries Corp.	Associates	9,174,852	-	-		-	-	
The Company	Formosa Automobile Corp.	Associates	400,000	-	-		-	-	
The Company	Formosa Group Ocean Marine Corp.	Other related parties	5,451,192	-	-		-	-	
The Company	Fujian Fuxin Special Steel Co., Ltd	Associates	1,382,410	-	-		-	-	
Formosa Industries (Ningbo) Co., Ltd.	Formosa Mitsui Advanced Chemical Co., Ltd.	Other related parties	170,162	-	-		-	-	

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Ownership	Carrying value			
The Company	Formosa Petrochemical Corporation	Taiwan	Petrochemicals	30,144,951	30,144,951	2,720,549	28.56 %	96,197,632	60,090,225	17,228,355	Note, Note 1
The Company	Formosa Plastics Corp., U.S.A.	U.S.A	Chemicals	5,614,024	5,614,024	70	22.61 %	63,350,563	24,392,035	5,598,261	Note, Note 1
The Company	Formosa Heavy Industries Corp.	Taiwan	Mechanical equipment	2,498,463	2,498,463	651,828	32.92 %	7,717,150	454,628	152,403	Note, Note 1
The Company	Sky Dragon Investment Limited	Samoa	Investment	13,221,416	8,759,992	425,800	50.00 %	6,547,397	(1,537,081)	(768,574)	Note, Note 1
The Company	Formosa Plastics Corp. (Cayman Ltd.)	Cayman	Investment	19,104,301	19,104,301	76	100.00 %	29,273,905	472,346	472,346	Note, Note 1, Note 2
The Company	Mai Liao Power Corp.	Taiwan	Electricity	5,985,531	5,985,531	547,030	24.94 %	11,163,467	532,067	133,645	Note, Note 1
The Company	Formosa Sumco Technology Corp.	Taiwan	Electronics manufacture	1,709,987	2,837,042	112,708	29.06 %	6,327,209	5,580,459	1,621,643	Note, Note 1
The Company	Formosa Transportation Corp.	Taiwan	Transportation	110,664	60,664	6,566	33.33 %	1,014,210	40,949	13,745	Note, Note 1
The Company	Formosa Fairway Corp.	Taiwan	Transportation	33,330	33,330	4,698	33.33 %	98,624	(2,038)	(679)	Note 1
The Company	Yi-Jih Development Corp.	Taiwan	Construction	57,000	57,000	5,700	28.72 %	63,305	1,003	278	Note 1
The Company	Ya Tai Development Corp.	Taiwan	Development of land	54,034	54,034	1,306	45.04 %	18,887	(10,035)	(4,520)	Note 1
The Company	Formosa Asahi Spandex Co., Ltd.	Taiwan	Artificial fiber	501,752	501,752	50	50.00 %	1,323,203	213,284	106,642	Note 1
The Company	Formosa Automobile Corporation	Taiwan	Automobile	270,442	270,442	27,044	45.00 %	105,760	302,327	136,045	Note 1
The Company	Wha Ya Park Management Consulting Corporation Ltd.	Taiwan	Consulting service	341	341	33	33.00 %	1,503	1,216	401	Note 1
The Company	Formosa Daikin Advanced Chemical Co., Ltd.	Taiwan	Chemical industry	100,000	100,000	24	50.00 %	1,009,244	327,062	163,531	Note 1
The Company	Su-Hua Transportation Corporation	Taiwan	Transportation	-	50,000	-	- %	-	19,523	4,881	Note 1
The Company	Formosa Resources Corporation	Taiwan	Mining industry	5,845,940	5,845,940	584,594	25.00 %	5,370,047	(926,170)	(231,542)	Note, Note 1
The Company	Formosa Environmental Technology Corporation	Taiwan	Environmental industry	417,145	417,145	41,714	24.34 %	225,838	1,363	308	Note, Note 1
The Company	Formosa Plastics Development Corporation Ltd.	Taiwan	Construction	100,000	100,000	10,000	33.33 %	82,299	(16,422)	(5,474)	Note 1
The Company	Formosa Group (Cayman) Limited	Cayman	Investment	377	377	13	25.00 %	631,060	1,071,094	267,773	Note, Note 1, Note 2
The Company	Formosa Industries Corporation	U.S.A	Chemicals	6,864,287	6,864,287	2	100.00 %	5,345,785	(569,094)	(569,094)	Note, Note 1, Note 2

(Continued)

FORMOSA PLASTICS CORPORATION

Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2018	Original investment amount December 31, 2017	Balance as of December 31, 2018 Shares (thousands)	Balance as of December 31, 2018 Ownership	Balance as of December 31, 2018 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Formosa Plastics International (Cayman) Limited.	Cayman	Investment	18,784,620	17,108,550	52	100.00 %	16,418,229	-	-	Note, Note 1, Note 2
Formosa Plastics Corp. (Cayman Ltd.)	Formosa Industries (Hong Kong) Limited	Hong Kong	Reinvestment	7,687,504 (USD234,902)	7,687,504 (USD234,902)	-	100.00 %	28,812,332 (USD937,505)	499,270 (USD16,538)	499,270 (USD16,538)	Note 1, Note 2
Formosa Industries Corporation	Formosa Olefins, L.L.C.	U.S.A	Olefins	3,164,416 (USD95,700)	3,164,416 (USD95,700)	-	33.00 %	2,409,179 (USD78,391)	(831,552) (USD-27,545)	(274,411) (USD-9,090)	Note 1, Note 2
Formosa Industries Corporation	Lolita Packaging, L.L.C.	U.S.A	Transportation	306,478 (USD9,880)	306,478 (USD9,880)	-	38.00 %	261,377 (USD8,505)	(95,537) (USD-3,165)	(36,305) (USD-1,203)	Note 1, Note 2

Note ： Including cumulative translation adjustments.

Note 1： Long-term equity investments under equity method.

Note 2： The exchange rate of New Taiwan dollars to US dollars on December 31, 2018, was 30.7330 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2017, was 30.1886 to 1.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Book value	Highest Percentage of ownership	Accumulated remittance of earnings in current period
Formosa Industries (Ningbo) Co., Ltd.	Plastics	23,074,124 (USD22,023)	(2)	18,814,370 (USD578,270)	-	-	18,814,370 (USD578,270)	466,761 (USD15,461)	100.00%	466,761 (USD15,461)	28,821,666 (USD937,808)	-
Formosa Electronic (Ningbo) Co., Ltd.	Electronics	74,648 (USD2,260)	(2)	66,137 (USD2,000)	-	-	66,137 (USD2,000)	32,509 (USD1,077)	100.00%	32,509 (USD1,077)	323,245 (USD10,518)	-
Formosa Mitsui Advanced Chemical Co., Ltd.	Electrolyte	244,196 (USD8,200)	(2)	122,098 (USD4,100)	-	-	122,098 (USD4,100)	(53,667) (USD-1,778)	50.00%	(26,834) (USD-889)	49,644 (USD1,615)	-
Fujian Fuxin Special Steel Co., Ltd	Steel	34,347,344 (USD1,460,000)	(2)	8,759,992 (USD280,000)	4,461,424 (USD145,800)	-	13,221,416 (USD425,800)	(2,635,203) (USD-87,291)	29.16%	(768,574) (USD-25,459)	6,546,877 (USD213,024)	-
Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd.	Carbon fiber	555,517 (USD17,000)	(2)	99,993 (USD3,060)	-	-	99,993 (USD3,060)	(48,290) (USD-1,600)	18.00%	-	85,481 (USD2,781)	-

Note1: Investment methods are classified into the following three categories.
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
32,324,014 (USD1,013,230)	35,565,549 (USD1,157,243)	-

Note: The exchange rate of New Taiwan dollars to US dollars on December 31, 2018, was 30.733 to 1.

Note 1: Including USD$144,013 thousand approved capital increase out of retained earnings.

Note 2: The Industrial Development Bureau of the MOEA issued a letter to the Company stating that it qualifies under Section 12 of the Statute for Upgrading Industries.

(iii) Significant transactions: None

(14) Segment information:

Please refer to the consolidated financial statements in 2018.

Formosa Plastics Corporation

Chairman ： Jason Lin