

**FORMOSA PLASTICS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

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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.

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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, 2019 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 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 Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Formosa Plastics Corporation

Chairman: Jaing-Nan Lin

Date: March 17, 2020



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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, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended 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"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 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. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained is 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(o) and 6(r) 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(e) 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 and the relevant information on the reinvestment business in Note 13 of the consolidated financial report has not been checked by this accountant, but is checked by other accountants. The Group's investments in the aforementioned investee companies constituted 32.04% and 31.81% of the consolidated total assets as of December 31, 2019 and 2018, respectively; and the recognized shares of profit of associates accounted for using equity method of these investee companies constituted 35.26% and 39.98% of the consolidated income before tax for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and have expressed an unmodified 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 endorsed and issued into effect 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 17, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and 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' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 18,165,952	4	23,310,772	5
1110	Current financial assets at fair value through profit or loss (Note 6(b))	4,044,356	1	4,017,249	1
1120	Current financial assets at fair value through other comprehensive income (Note 6(b))	102,342,079	20	98,426,404	20
1150	Notes receivable (Notes 6(c)(r))	2,584,690	-	2,432,446	-
1170	Accounts receivable, net (Notes 6(c)(r))	7,392,229	1	9,422,032	2
1180	Accounts receivable—related parties (Notes 6(c)(r) and 7)	3,562,016	1	4,295,591	1
1200	Other receivables (Note 6(d))	997,608	-	1,381,590	-
1210	Other receivables—related parties (Notes 6(d) and 7)	14,791,036	3	16,692,844	3
130X	Inventories (Note 6(c))	18,269,476	4	20,756,740	4
1470	Other current assets	3,467,418	1	3,526,561	1
	Total current assets	175,616,860	35	184,262,229	37
1517	Financial assets at fair value through other comprehensive income-non-current (Note 6(b))	21,408,559	4	26,542,369	5
1550	Investments accounted for using equity method (Note 6(f) and 8)	202,446,613	41	203,967,598	42
1600	Property, plant and equipment (Note 6(g), 7 and 8)	85,635,983	17	76,618,563	15
1755	Right-of-use assets (Note 6(h))	1,055,171	-	-	-
1780	Intangible assets	423,488	-	430,613	-
1840	Deferred tax assets (Note 6(o))	2,871,940	1	2,455,815	-
1900	Other non-current assets (Note 8)	7,629,345	2	7,236,080	1
	Total non-current assets	321,471,099	65	317,251,038	63
Liabilities and Equity					
Current liabilities:					
	Short-term borrowings (Notes 6(i))	\$ 20,255,096	4	20,398,302	4
	Short-term notes and bills payable (Note 6(j))	14,991,544	3	11,995,636	3
	Accounts payable	4,215,436	1	4,278,011	1
	Accounts payable—related parties (Note 7)	6,847,390	1	7,866,286	2
	Other payables	1,956,466	-	4,739,699	1
	Other payables—related parties (Note 7)	23,634,300	5	11,390,216	2
	Current lease liabilities (Note 6(m))	32,878	-	-	-
	Current portion of bonds payable (Note 6(i))	-	-	4,598,557	1
	Current portion of long-term debts (Notes 6(k) and 8)	4,666,096	1	4,541,715	1
	Other current liabilities (Note 7)	12,684,172	3	13,242,719	3
	Total current liabilities	89,283,378	18	83,051,141	18
Non-Current liabilities:					
	Bonds payable (Note 6(i))	32,564,312	7	32,556,004	6
	Long-term debts (Note 6(k) and 8)	1,944,444	-	6,281,339	1
	Deferred tax liabilities (Note 6(o))	17,028,048	4	16,670,784	4
	Non-current lease liabilities (Note 6(m))	19,319	-	-	-
	Net defined benefit liabilities (Note 6(n))	6,910,706	1	7,123,118	1
	Other non-current liabilities	184,432	-	262,880	-
	Total non-current liabilities	58,651,261	12	62,894,125	12
	Total liabilities	147,934,639	30	145,945,266	30
Equity (Note 6(p)):					
	Common stock	63,657,408	13	63,657,408	13
	Capital surplus	11,724,498	2	11,713,842	2
Retained earnings:					
	Legal reserve	62,058,769	12	57,103,815	11
	Special reserve	63,968,902	13	58,778,533	12
	Unappropriated retained earnings	72,320,189	15	82,499,843	16
	Total retained earnings	198,347,860	40	198,382,191	39
	Other components of equity	75,423,554	15	81,814,560	16
	Total equity	349,153,320	70	355,568,001	70
	Total liabilities and equity	\$ 497,087,959	100	\$ 501,513,267	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(r) and 7)	\$207,848,572	100	230,370,027	100
5000	Operating costs (Notes 6(e)(g)(h)(n)(s) and 7)	<u>175,734,622</u>	<u>85</u>	<u>193,061,959</u>	<u>84</u>
	Gross profit	<u>32,113,950</u>	<u>15</u>	<u>37,308,068</u>	<u>16</u>
	Operating expenses (Notes 6(c)(g)(h)(n)(s) and 7):				
6100	Selling expenses	6,071,615	3	6,114,350	3
6200	Administrative expenses	4,601,134	2	4,713,287	2
6300	Research and development expenses	1,246,402	-	1,138,174	-
6450	Expected credit loss (gain)	<u>(1,567)</u>	<u>-</u>	<u>945</u>	<u>-</u>
	Total operating expenses	<u>11,917,584</u>	<u>5</u>	<u>11,966,756</u>	<u>5</u>
	Operating income	<u>20,196,366</u>	<u>10</u>	<u>25,341,312</u>	<u>11</u>
	Non-operating income and expenses (Notes 6(f)(g)(m)(t) and 7):				
7010	Other income	8,967,238	4	8,344,017	4
7020	Other gains and losses	(319,456)	-	807,515	-
7050	Finance costs	(1,359,114)	(1)	(1,480,040)	(1)
7060	Recognized share of profit of associates and joint ventures accounted for using equity method, net	<u>14,734,118</u>	<u>7</u>	<u>24,079,572</u>	<u>10</u>
	Total non-operating income and expenses	<u>22,022,786</u>	<u>10</u>	<u>31,751,064</u>	<u>13</u>
	Profit from continuing operations before tax	42,219,152	20	57,092,376	24
9300	Less: Income tax expenses(Notes 6(o))	<u>4,894,990</u>	<u>2</u>	<u>7,542,836</u>	<u>3</u>
	Profit	<u>37,324,162</u>	<u>18</u>	<u>49,549,540</u>	<u>21</u>
8300	Other comprehensive income (loss): (Note 6(o)(p)(q))				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Losses on remeasurements of defined benefit plans	(329,854)	-	(285,593)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,074,161)	-	(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	(1,728,457)	(1)	(4,615,730)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(65,971)</u>	<u>-</u>	<u>(169,178)</u>	<u>-</u>
		<u>(3,066,501)</u>	<u>(1)</u>	<u>(16,736,010)</u>	<u>(7)</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(3,418,914)	(2)	1,770,369	1
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	(473,462)	-	392,426	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(190,273)</u>	<u>-</u>	<u>522,685</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(3,702,103)</u>	<u>(2)</u>	<u>1,640,110</u>	<u>1</u>
8300	Other comprehensive income (loss)	<u>(6,768,604)</u>	<u>(3)</u>	<u>(15,095,900)</u>	<u>(6)</u>
8500	Total comprehensive income (loss)	<u>\$ 30,555,558</u>	<u>15</u>	<u>34,453,640</u>	<u>15</u>
	Basic earnings per share (Note 6(q))	<u>Before</u> <u>\$ 6.63</u>	<u>After</u> <u>5.86</u>	<u>Before</u> <u>8.97</u>	<u>After</u> <u>7.78</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total other equity interest					
	Share capital		Retained earnings					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 hedging instruments		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains on financial assets	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on hedging instruments						
Balance at January 1, 2018	\$ 63,657,408	11,649,929	52,165,530	51,285,206	78,699,082	(3,225,029)	-	99,924,374	90,768,489	9,551	-	9,551	345,010,166			
Effects of retrospective application	-	-	-	-	3,181,817	-	-	-	(90,768,489)	(9,551)	-	-	12,337,702			
Equity at beginning of period 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)			
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(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			
Net income for the period	-	-	-	-	37,324,162	-	-	-	-	-	-	-	37,324,162			
Other comprehensive income (loss) for the period, net of income tax	-	-	-	-	(377,598)	(3,721,645)	(2,688,903)	-	-	-	19,542	-	(6,768,604)			
Total comprehensive income (loss) for the period	-	-	-	-	36,946,564	(3,721,645)	(2,688,903)	-	-	-	19,542	-	30,555,558			
Appropriation and distribution of retained earnings:																
Legal reserve appropriated	-	-	4,954,954	-	(4,954,954)	-	-	-	-	-	-	-	-			
Special reserve appropriated	-	-	-	5,190,369	(5,190,369)	-	-	-	-	-	-	-	-			
Cash dividends of ordinary share	-	-	-	-	(36,921,297)	-	-	-	-	-	-	-	(36,921,297)			
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(59,598)	-	-	-	-	-	-	-	(59,598)			
Other changes in capital surplus:																
Changes in equity of associates and joint ventures accounted for using equity method	-	4,003	-	-	-	-	-	-	-	-	-	-	4,003			
Other changes in capital surplus	-	6,653	-	-	-	-	-	-	-	-	-	-	6,653			
Balance at December 31, 2019	\$ 63,657,408	11,724,498	62,058,769	63,968,902	72,320,189	(5,278,250)	80,701,025	-	-	-	-	779	349,153,320			

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

	2019	2018
Cash flows from operating activities:		
Income before income tax	\$ 42,219,152	57,092,376
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	6,909,994	6,936,928
Amortization expense	481,013	514,967
Expected credit loss / Provision for credit loss	(1,567)	945
Net gain on financial assets or liabilities at fair value through profit	(27,107)	(215,889)
Interest expense	1,359,114	1,480,040
Interest income	(623,668)	(660,660)
Dividend income	(8,186,145)	(7,511,680)
Share of profit of associates and joint ventures accounted for using equity method	(14,734,118)	(24,079,572)
Gain on disposal of property, plant and equipment	(31,109)	(119,338)
Gain on disposal of right-of-use assets	(12,834)	-
Impairment loss on non-financial assets	-	911,512
Unrealized foreign exchange loss	1,755,009	14,651
Total adjustments to reconcile profit	(13,111,418)	(22,728,096)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(152,244)	619,432
Accounts receivable	1,938,516	(1,461,514)
Accounts receivable due from related parties	733,575	615,879
Other receivable	371,720	(62,057)
Other receivable due from related parties	(391,997)	(378,511)
Inventories	2,444,492	(3,204,370)
Other current assets	127,399	416,317
Total changes in operating assets	5,071,461	(3,454,824)
Changes in operating liabilities:		
Accounts payable	(91,835)	225,031
Accounts payable to related parties	(1,165,761)	(586,149)
Other payable	(560,817)	155,487
Other payable to related parties	806,845	164,647
Other current liabilities	(608,817)	230,485
Net defined benefit liability	(542,266)	(139,425)
Total changes in operating liabilities	(2,162,651)	50,076
Total changes in operating assets and liabilities	2,908,810	(3,404,748)
Total adjustments	(10,202,608)	(26,132,844)
Cash inflow generated from operations	32,016,544	30,959,532
Interest received	635,930	644,092
Dividends received	22,475,201	25,574,093
Interest paid	(1,363,206)	(1,488,457)
Income taxes paid	(7,184,041)	(5,181,983)
Net cash flows from operating activities	46,580,428	50,507,277
Cash flows (used in) from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(229,555)	(1,676,070)
Proceeds from disposal of financial assets at fair value through profit or loss	-	772,908
Acquisition of investments accounted for using equity method	(1,951,323)	(4,461,444)
Proceeds from capital reduction of investments accounted for using equity method	-	1,127,075
Acquisition of property, plant and equipment	(17,293,279)	(15,672,540)
Proceeds from disposal of property, plant and equipment	44,773	222,276
Acquisition of intangible assets	(52,559)	(55,830)
Decrease(increase) in other receivables due from related parties	2,293,804	(647,826)
Acquisition of right-of-use assets	(684,825)	-
Proceeds from disposal of right-of-use assets	13,630	-
Increase in other non-current assets	(2,657,326)	(100,860)
Net cash flows used in investing activities	(20,516,660)	(20,492,311)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	341,549,459	396,653,692
Decrease in short-term borrowings	(341,928,883)	(391,181,044)
Increase in short-term notes and bills payable	3,000,000	2,500,000
Proceeds from issuing bonds	-	9,300,000
Repayments of bonds	(4,600,000)	(5,700,000)
Proceeds from long-term debt	2,300,000	-
Repayments of long-term debt	(6,491,026)	(5,813,964)
Increase in due to related parties (recognized as other payables—related parties)	11,663,632	5,801,540
Payment of lease liabilities	(32,421)	-
Decrease in other non-current liabilities	(78,446)	(20,421)
Cash dividends paid	(36,927,613)	(36,293,430)
Net cash flows used in financing activities	(31,545,298)	(24,753,627)
Effect of exchange rate changes on cash and cash equivalents	336,710	(115,712)
Net (decrease) increase in cash and cash equivalents	(5,144,820)	5,145,627
Cash and cash equivalents at beginning of period	23,310,772	18,165,145
Cash and cash equivalents at end of period	\$ 18,165,952	23,310,772

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, 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 three months ended December 31, 2019 and 2018 were authorized for issuance by the board of directors on March 17, 2020.

(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, 2019.

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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(l).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of buildings that have a lease term of 12 months or less.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$450,694 thousand of right-of-use assets and \$81,596 thousand of lease liabilities, recognizing the difference in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.55%.

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ <u>83,244</u>
Discounted using the incremental borrowing rate at January 1, 2019	<u>81,596</u>
Lease liabilities recognized at January 1, 2019	\$ <u><u>81,596</u></u>

(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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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 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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated 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

Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for the following material items in the statement of financial position.

- (i) Financial assets at fair value through other comprehensive income are 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 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.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated interim financial statements:

Investor	Name of subsidiaries	Business activity	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
The Company	Formosa Plastics Corporation (Cayman) Limited	Investment	100 %	100 %	
The Company	Formosa Industries Corporation U.S.A	High Density Polyethylene	100 %	100 %	
The Company	Formosa Plastics International (Cayman) Limited	Investment	100 %	100 %	
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 %	

(iii) Subsidiary not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 or 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 planned 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) It is expected to be settled during the Group's normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It 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)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI. However, they are included in the ‘trade receivables’ line item.

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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

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. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘trade receivables’ line item. 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) 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;

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- other debt securities and 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.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

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.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written 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.

7) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability 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 Consolidated Company has significant influence, but not control or joint control, over the 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 which is arising from the acquisition less any accumulated impairment losses.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The consolidated financial statements include the Consolidated Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Consolidated Company, from the date on which significant influence commences until the date on which significant influence ceases. The Consolidated Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Consolidated Company and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Consolidated Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the consolidated Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(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.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The estimated useful lives of property, plant and equipment for current and comparative periods 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 appropriate.

(l) Lease

Leases (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Consolidated Company has the right to operate the asset is used throughout the period of use; or
 - the Consolidated Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) As a lease

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases (applicable before January 1, 2019)

(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.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Revenue recognition

(i) Revenue from contracts with customers

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.

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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

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.

(r) Income Tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Consolidated Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (iii) Deferred tax asset are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.
- (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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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(e) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	\$ 2,211	358
Bank deposit	2,904,856	4,766,248
Cash equivalents		
Cash equivalents— Time deposits	14,343,543	16,522,375
Repurchase bonds	915,342	2,021,791
	<u>\$ 18,165,952</u>	<u>23,310,772</u>

Please refer to Note 6(u) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets at fair value through profit or loss and other comprehensive income

	December 31, 2019	December 31, 2018
(i) Mandatorily at FVTPL		
Private fund	\$ <u>4,044,356</u>	<u>4,017,249</u>
Please refer to Notes 6(t) for amount of remeasurement at FVTPL.		
	December 31, 2019	December 31, 2018
(ii) Equity investments at fair value through other comprehensive income		
Listed stocks	\$ 102,342,079	98,426,404
Non-listed stocks	5,081,889	5,056,694
Non-domestic stocks	<u>16,326,670</u>	<u>21,485,675</u>
Total	\$ <u>123,750,638</u>	<u>124,968,773</u>

Equity investments at fair value through other comprehensive income.

The Group designated the investments shown above as equity instruments 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.

On June 11, 2019, the board of directors of the merged company approved to obtain the shares of domestic non-listed (cabinet) companies - Minima Technology Co., Ltd. 7,405 thousand shares, \$31 per share, total amount of \$229,555 thousand, the shareholding ratio is 19.15%, change registration completed on September 17, 2019.

On April 16, 2018, the Group participated in the capital increase by cash of Formosa Ha Tinh (Cayman) Limited, a non-domestic corporation, at 11.43%, the Group's original ownership interest, with the total investment amounting to US\$57,161 thousand (equivalent to \$1,676,070 thousand).

No strategic investments were disposed as of June 30 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(c) Notes receivable, accounts receivable and other receivables:

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	\$ 2,584,690	2,432,446
Accounts receivable (including related parties)	10,957,433	13,722,378
Less : allowance for doubtful receivables	<u>(3,188)</u>	<u>(4,755)</u>
	\$ <u>13,538,935</u>	<u>16,150,069</u>

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2019 and 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, 2019 and 2018 amounted to \$3,188 thousand and \$4,755 thousand, and the expected credit risk was no more than 0.1%.

The loss allowance provision of notes and trade receivable, as well as the aging analysis of notes and trade receivable as of December 31, 2019 and 2018, which were past due but not impaired, are as follows:

	December 31, 2019	December 31, 2018
Within 30 days	\$ 38,054	27,753
30~60 days	4,287	5
over 61 days	177	-
Total	<u><u>\$ 42,518</u></u>	<u><u>27,758</u></u>

The movement of the allowance for doubtful receivable were as follows:

	For the years ended December 31, 2019	2018
Beginning balance	\$ 4,755	3,810
Impairment losses recognized	-	945
Impairment losses reversed	(1,567)	-
Ending balance	<u><u>\$ 3,188</u></u>	<u><u>4,755</u></u>

(d) Other receivable

	December 31, 2019	December 31, 2018
Other receivable—loans to related parties	\$ 12,991,960	15,285,765
Other receivable—related parties	1,799,076	1,407,079
Other receivable	997,608	1,381,590
	<u><u>\$ 15,788,644</u></u>	<u><u>18,074,434</u></u>

As of December 31, 2019 and 2018, the aging analysis of other receivables were not recognized which estimated by the Group.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(e) Inventories

	December 31, 2019	December 31, 2018
Finished goods	\$ 9,822,871	11,834,742
Work in process	1,736,396	1,475,170
Raw materials	4,017,444	3,679,589
Supplies	491,110	644,653
Machinery and accessories in process	2,188,092	1,884,782
Others	<u>13,563</u>	<u>1,237,804</u>
	<u>\$ 18,269,476</u>	<u>20,756,740</u>

The cost of goods sold for 2019 and 2018 were \$175,234,393 thousand and \$193,223,225 thousand, respectively. Change of net realizable value of inventories :

	For the years ended December 31,	
	2019	2018
Loss from devaluation (gain from recovery of inventories)	<u>\$ 500,229</u>	<u>(161,266)</u>

The changes in net realizable value of the above inventories have been recognized as cost of goods sold.

(f) Investments accounted for using equity method

The components of the investments accounted for using equity method were as follows:

	December 31, 2019	December 31, 2018
Associates		
Formosa Petrochemical Corporation	\$ 94,112,087	96,197,632
Formosa Plastics Corp., U.S.A.	65,167,060	63,350,563
Formosa Heavy Industries Corp.	7,090,652	7,717,150
Sky Dragon Investments Limited	5,509,231	6,547,397
Mai Liao Power Corp.	11,050,697	11,163,467
Formosa Sumco Technology Corporation	5,926,658	6,327,209
Formosa Transportation Corp.	1,021,908	1,014,210
Formosa Fairway Corp.	82,160	98,624
Yi-Jih Development Corp.	63,557	63,305
Ya Tai Development Corp.	18,051	18,887
Formosa Automobile Corporation	181,321	105,760
Wha Ya Park Management Consulting Corporation Ltd.	2,530	1,503
Formosa Environmental Technology Corporation	225,669	225,838

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

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	December 31, 2019	December 31, 2018
Formosa Resources Corporation	\$ 6,615,934	5,370,047
Formosa Plastics Development Corporation Ltd.	75,521	82,299
Formosa Group (Cayman) Limited	653,576	631,060
Formosa Olefins, L.L.C.	2,155,509	2,409,179
Lolita Packaging, L.L.C.	174,641	261,377
Joint ventures		
Formosa Asahi Spandex Co., Ltd.	1,284,962	1,323,203
Formosa Daikin Advanced Chemical Co., Ltd.	1,018,634	1,009,244
Formosa Mitsui Advanced Chemical Co., Ltd.	16,255	49,644
	<u>\$ 202,446,613</u>	<u>203,967,598</u>

The Group's share of net income (loss) of associates and joint ventures were as follows:

	For the years ended December 31,	
	2019	2018
Associates		
Formosa Petrochemical Corporation	\$ 10,570,039	17,228,355
Formosa Plastics Corp., U.S.A.	4,315,020	5,598,261
Formosa Heavy Industries Corp.	42,009	152,403
Sky Dragon Investment Limited	(831,633)	(768,574)
Mai Liao Power Corp.	548,601	133,645
Formosa Sumco Technology Corporation	617,750	1,621,643
Formosa Transportation Corp.	45,848	13,745
Formosa Fairway Corp.	(5,561)	(679)
Yi-Jih Development Corp.	252	278
Ya Tai Development Corp.	(836)	(4,520)
Formosa Automobile Corporation	76,543	136,045
Wha Ya Park Management Consulting Corporation Ltd.	960	401
Su-Hua Transportation Corporation	-	4,881
Formosa Environmental Technology Corporation	89	308
Formosa Resources Corporation	(151,452)	(231,542)
Formosa Plastics Development Corporation Ltd.	(6,778)	(5,474)
Formosa Group (Cayman) Limited	36,352	267,773
Formosa Olefins, L.L.C.	(592,758)	(274,411)
Lolita Packaging, L.L.C.	(83,615)	(36,305)

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the years ended December 31,	
	2019	2018
Joint ventures		
Formosa Asahi Spandex Co., Ltd.	\$ 59,696	106,642
Formosa Daikin Advanced Chemical Co., Ltd.	126,402	163,531
Formosa Mitsui Advanced Chemical Co., Ltd.	(32,810)	(26,834)
	<u>\$ 14,734,118</u>	<u>24,079,572</u>

(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, 2019	December 31, 2018
Formosa Petrochemical Corporation	Formosa Petrochemical Corporation, the supplier of raw materials for the Group, engages in the manufacturing and sales of petroleum products and petrochemical raw materials.	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, and is also the sales target of the Group.	U.S.A	22.66 %	22.61 %

The fair value of investments in publicly traded stocks of the major associate was as follows:

	December 31, 2019	December 31, 2018
Formosa Petrochemical Corporation	<u>\$ 265,253,528</u>	<u>296,539,842</u>

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)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The financial information of Formosa Petrochemical Corporation was as follows:

	December 31, 2019	December 31, 2018
Current assets	\$ 226,492,637	232,198,754
Non-current assets	171,539,156	173,570,701
Current liabilities	(36,762,243)	(50,431,424)
Non-current liabilities	(27,267,545)	(14,681,851)
Net asset	<u>\$ 334,002,005</u>	<u>340,656,180</u>
Net asset contributed to non-controlling interest of Formosa Petrochemical Corporation	<u>\$ 3,778,944</u>	<u>2,917,972</u>
Net asset contributed to Formosa Petrochemical Corporation	<u>\$ 330,223,061</u>	<u>337,738,208</u>
	For the years ended December 31,	2019
	<u>2019</u>	<u>2018</u>
Revenue	<u>\$ 646,022,809</u>	<u>767,550,218</u>
Net income	\$ 36,748,173	60,070,831
Other comprehensive (loss) income	1,314,700	(9,983,466)
Total comprehensive income	<u>\$ 38,062,873</u>	<u>50,087,365</u>
Comprehensive income allocated to non-controlling interest of Formosa Petrochemical Corporation	<u>\$ (132,636)</u>	<u>63,198</u>
Comprehensive income allocated to Formosa Petrochemical Corporation	<u>\$ 38,195,509</u>	<u>50,024,167</u>
	For the years ended December 31,	2019
	<u>2019</u>	<u>2018</u>
Beginning balance of investments in major associate at January 1	\$ 96,197,632	97,144,019
Retrospective adjustment	-	1,850,448
Share of net assets of associates as of January 1 after adjustment	96,197,632	98,994,467
Total comprehensive income allocated to the Company	<u>10,969,106</u>	<u>14,352,949</u>
Dividend Received	<u>(13,058,635)</u>	<u>(17,139,459)</u>
Share of net assets of affiliates as of December 31	94,108,103	96,207,957
Add : share premium acquired not according to holding percentage	<u>3,984</u>	<u>(10,325)</u>
Total carrying amount of equity of the major associate as of December 31	<u>\$ 94,112,087</u>	<u>96,197,632</u>

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The financial information of Formosa Plastics Corp., U.S.A. was as follows:

	December 31, 2019	December 31, 2018
Current assets	\$ 91,230,820	113,319,996
Non-current assets	246,666,550	212,593,457
Current liabilities	(19,974,120)	(15,063,386)
Non-current liabilities	<u>(24,652,204)</u>	<u>(23,830,982)</u>
Net asset	<u>\$ 293,271,046</u>	<u>287,019,085</u>
Net asset contributed to non-controlling interest of Formosa Plastics Corp., U.S.A.	<u>\$ 6,122,277</u>	<u>7,189,678</u>
Net asset contributed to Formosa Plastics Corp., U.S.A.	<u>\$ 287,148,769</u>	<u>279,829,407</u>
	For the years ended December 31,	2018
	2019	2018
Revenue	<u>\$ 125,273,202</u>	<u>151,631,407</u>
Net income	\$ 18,147,970	24,392,035
Other comprehensive (loss) income	<u>(4,794,535)</u>	<u>(2,824,218)</u>
Total comprehensive income	<u>\$ 13,353,435</u>	<u>21,567,817</u>
Comprehensive loss allocated to non-controlling interest of Formosa Plastics Corp., U.S.A.	<u>\$ (913,474)</u>	<u>(369,389)</u>
Comprehensive income allocated to Formosa Plastics Corp., U.S.A.	<u>\$ 14,266,909</u>	<u>21,937,206</u>
	For the years ended December 31,	2018
	2019	2018
Beginning balance of investments in major associate at January 1	\$ 63,350,563	56,660,362
Total comprehensive income allocated to the Group	1,875,854	6,690,201
Dividend Received	<u>(59,357)</u>	<u>-</u>
Total carrying amount of equity of the major associate as of December 31	<u>\$ 65,167,060</u>	<u>63,350,563</u>

- 2) The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associates' equity	<u>\$ 40,847,615</u>	<u>42,037,311</u>

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the years ended December 31,	
	2019	2018
Attributable to the Group:		
Net (loss) income	\$ (304,230)	1,009,618
Other comprehensive (loss) income	<u>(1,398,993)</u>	<u>577,216</u>
Total comprehensive (loss) income	<u>\$ (1,703,223)</u>	<u>1,586,834</u>
3) On January 3, 2019, the Group participated in the capital increase by cash of Formosa Olefins, L.L.C, an associate owned by the Group, with the total investment amounting to US\$12,375 thousand (equivalent to \$381,323 thousand) based on its original shareholding ratio of 33%.		
4) Formosa Plastics Corp., U.S.A., an associate owned by The Group, bought back 664 of its treasury stocks on April 26, 2019, resulting in its outstanding shares to decrease to 307,419 shares and the holding percentage of Formosa Plastic Corp. to increase from 22.61 to 22.66.		
5) On August 19, 2019, 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\$50,000 thousand (equivalent to \$1,570,000 thousand).		
6) On July 1, 2018, Su-Hua Transportation Corporation, an associate previously owned by the Group, merged with Formosa Transportation Corp, another associate owned by the Group, at the stock exchange rate ratio of 5.843543 : 1 . The Group' s shareholding ratio in Formosa Transportation Corp remains unchanged		
7) On July 5 and July 26, 2018, The Group 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).		
8) On July 13,2018, Formosa Sumco Technology Corporation, an associate owned by the Group, reduced its capital by 50%. The Group received the amount of \$1,127,075 thousand on September 25, 2018 due to the said capital reduction, whererin its shareholding ratio remains unchanged.		

(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, 2019	December 31, 2018
Individually insignificant joint venture	<u>\$ 2,319,851</u>	<u>2,382,092</u>

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31,	
	2019	2018
Attributable to the Group:		
Net income	\$ 153,288	243,339
Other comprehensive loss	(5,334)	(11,256)
Total comprehensive income	<u><u>\$ 147,954</u></u>	<u><u>232,083</u></u>

(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, 2019 and 2018.

(g) 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, 2019 and 2018 were as follows:

	Land	Buildings and constructions	Machinery and equipment	Other facilities	Construction in progress	Total
Cost:						
Balance as of January 1, 2019	\$ 10,398,532	28,750,122	173,461,487	6,494,922	15,967,882	235,072,945
Additions	-	1,502	1,059,459	419,060	15,813,258	17,293,279
Disposals	-	(13,524)	(1,608,944)	(174,705)	-	(1,797,173)
Reclassification	1,686,808	681,965	19,868,010	243,354	(22,484,693)	(4,556)
Effect of exchange rate changes	-	(247,201)	(1,974,689)	(60,744)	(61,794)	(2,344,428)
Balance as of December 31, 2019	<u><u>\$ 12,085,340</u></u>	<u><u>29,172,864</u></u>	<u><u>190,805,323</u></u>	<u><u>6,921,887</u></u>	<u><u>9,234,653</u></u>	<u><u>248,220,067</u></u>
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	<u><u>\$ 10,398,532</u></u>	<u><u>28,750,122</u></u>	<u><u>173,461,487</u></u>	<u><u>6,494,922</u></u>	<u><u>15,967,882</u></u>	<u><u>235,072,945</u></u>
Accumulated depreciation/ impairments:						
Balance as of January 1, 2019	\$ -	16,446,435	137,289,626	4,718,321	-	158,454,382
Depreciation for the period	30,378	871,485	5,546,324	417,633	-	6,865,820
Disposals	-	(13,524)	(1,595,856)	(174,129)	-	(1,783,509)
Reclassification	-	883	37,916	(39,261)	-	(462)
Effect of exchange rate changes	(803)	(74,150)	(834,570)	(42,624)	-	(952,147)
Balance as of December 31, 2019	<u><u>\$ 29,575</u></u>	<u><u>17,231,129</u></u>	<u><u>140,443,440</u></u>	<u><u>4,879,940</u></u>	<u><u>-</u></u>	<u><u>162,584,084</u></u>
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	<u><u>\$ -</u></u>	<u><u>16,446,435</u></u>	<u><u>137,289,626</u></u>	<u><u>4,718,321</u></u>	<u><u>-</u></u>	<u><u>158,454,382</u></u>
Carrying amounts:						
Balance as of December 31, 2019	<u><u>\$ 12,055,765</u></u>	<u><u>11,941,735</u></u>	<u><u>50,361,883</u></u>	<u><u>2,041,947</u></u>	<u><u>9,234,653</u></u>	<u><u>85,635,983</u></u>
Balance as of December 31, 2018	<u><u>\$ 10,398,532</u></u>	<u><u>12,303,687</u></u>	<u><u>36,171,861</u></u>	<u><u>1,776,601</u></u>	<u><u>15,967,882</u></u>	<u><u>76,618,563</u></u>

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (i) On December 2018, the Group recognized an impairment loss of \$911,512 thousand for all equipment that does not meet the requirements of future processes.

- (ii) Collaterals

The property, plant and equipment pledged to secure bank loans as of December 31, 2019 and 2018, are described in Note 8.

- (iii) As of December 31, 2019 and 2018, 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.

- (h) Right-of-use assets

The Group leases many assets including land and buildings, vehicle and machinery Information about cost, depreciation and impairment are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2019	\$ -	-	-
Adjustment of the first adoption of IFRS 16	<u>450,390</u>	<u>304</u>	<u>450,694</u>
Beginning at January 1, 2019	450,390	304	450,694
Additions	687,847	-	687,847
Disposals	(1,122)	-	(1,122)
Effect of exchange rate change	<u>67,268</u>	<u>-</u>	<u>67,268</u>
Balance at December 31	<u><u>\$ 1,204,383</u></u>	<u><u>304</u></u>	<u><u>1,204,687</u></u>
Accumulated depreciation:			
Balance at January 1, 2019	\$ -	-	-
Depreciation for the period	43,931	243	44,174
Disposals	(326)	-	(326)
Effect of exchange rate change	<u>105,668</u>	<u>-</u>	<u>105,668</u>
Balance at December 31, 2019	<u><u>\$ 149,273</u></u>	<u><u>243</u></u>	<u><u>149,516</u></u>
Carrying amount:			
Balance at December 31, 2019	<u><u>\$ 1,055,110</u></u>	<u><u>61</u></u>	<u><u>1,055,171</u></u>

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Short-term borrowings

(i) Short-term borrowings consisted of the following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured short-term borrowings	\$ 19,920,321	20,113,532
Employees' savings	334,775	284,770
Total	<u>\$ 20,255,096</u>	<u>20,398,302</u>
Interest rate	<u>0.750%~3.567%</u>	<u>0.750%~4.350%</u>

(ii) Issuance and redemption of loans

	<u>Total</u>
Balance as of January 1, 2019	\$ 20,398,302
New issuance during the period	341,549,459
Repayments during the period	(341,928,883)
Effect of exchange rate change	236,218
Balance as of December 31, 2019	<u>\$ 20,255,096</u>

	<u>Total</u>
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	<u>\$ 20,398,302</u>

(j) Short-term notes and bills payable

	<u>December 31, 2019</u>		
	<u>Institutions</u>	<u>Interest rate</u>	<u>Amount</u>
Short-term notes and bills payable	CTBC Bank Co., Ltd	0.622%	\$ 1,000,000
Short-term notes and bills payable	International Bills Finance Corporation	0.777%	500,000
Short-term notes and bills payable	Ta Ching Securities Co., Ltd.	0.590%	600,000
Short-term notes and bills payable	China Bills Finance Corporation	0.560%	2,000,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.857%	1,000,000
Short-term notes and bills payable	Grand Bills Finance Corporation	0.600%~0.622%	2,400,000
Short-term notes and bills payable	Taipei Fubon Commercial Bank Co., Ltd.	0.637%	2,000,000
Short-term notes and bills payable	E Sun Commercial Bank, LTD.	0.622%	2,500,000
Short-term notes and bills payable	Yuanta Commercial Bank. LTD.	0.632%	3,000,000
			15,000,000
Less: Discount on short-term notes and bills payable			(8,456)
Total			<u>\$ 14,991,544</u>

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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	Mega Bills Finance Co., Ltd.	0.660%~0.857%	2,300,000
Short-term notes and bills payable	Cathay United Bank Company Limited	0.665%~0.745%	3,000,000
Short-term notes and bills payable	Taipei Fubon Commercial Bank Co., Ltd.	0.745%	1,000,000
Short-term notes and bills payable	Ta Ching Securities Co., Ltd.	0.750%	600,000
Short-term notes and bills payable	Grand Bills Finance Corporation	0.610%~0.730%	2,200,000
Short-term notes and bills payable	CTBC Bank Co., Ltd	0.730%	500,000
Short-term notes and bills payable	Cathay United Bank Company Limited	0.660%	<u>500,000</u>
			12,000,000
Less: Discount on short-term notes and bills payable			<u>(4,364)</u>
Total			<u><u>\$ 11,995,636</u></u>

(k) Long-term debts

(i) Long-term debts consisted of the following:

December 31, 2019				
	Currency	Interest rate	Expiration	Amount
Unsecured long-term debts	NTD	0.800% ~4.750%	2020~2021	\$ 3,177,207
Secured long-term debts	NTD	1.632%	2020~2021	<u>3,433,333</u>
				6,610,540
Less: Current portion				<u>(4,666,096)</u>
Total				<u><u>\$ 1,944,444</u></u>

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	<u>5,713,038</u>
				10,823,054
Less: Current portion				<u>(4,541,715)</u>
Total				<u><u>\$ 6,281,339</u></u>

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Issuance and redemption of loan

	For the months periods ended <u>December 31, 2019</u>
Balance of January 1, 2019	\$ 10,823,054
New issuance during the period	2,300,000
Repayments during the period	(6,491,026)
Effect of exchange rate charge	<u>(21,488)</u>
Balance of December 31, 2019	<u><u>\$ 6,610,540</u></u>

	For the months periods ended <u>December 31, 2018</u>
Balance of January 1, 2018	\$ 16,631,697
Repayment during the period	(5,813,964)
Effect of exchange rate charge	759
Other	<u>4,562</u>
Balance of December 31, 2018	<u><u>\$ 10,823,054</u></u>

(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, 2019, 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%.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 6) The Group did not breach the above mentioned financial covenants in respect of its financial statements as of December 31, 2019.
- 7) As of December 31, 2019, \$10,300,000 thousand of the credit line had been used, and \$6,866,667 thousand of the loan had been repaid.
- (iv) The assets pledged to secure loans are described in Note 8.
- (l) Bonds payable
- (i) Bonds payable consisted of the following:

	December 31, 2019	December 31, 2018
Domestic unsecured nonconvertible corporate bonds	\$ 32,564,312	37,154,561
Less: current portion	<u>-</u>	<u>(4,598,557)</u>
Total	<u><u>\$ 32,564,312</u></u>	<u><u>32,556,004</u></u>
Expiry	<u><u>2021~2028</u></u>	<u><u>2019~2028</u></u>

- (ii) Issuance and repayment of bonds payable for the years ended December 31, 2019 and 2018.

- 1) Issuance

	For the years ended December 31, 2018
Amount	<u><u>\$ 9,300,000</u></u>
Interest rate	<u><u>0.82%、0.93%、1.09%</u></u>
Expiry	<u><u>2023、2025、2028</u></u>

For the nine months periods ended September 30, 2018

- 2) Repayment

	For the years ended December 31,	
	2019	2018
Amount	\$ 4,600,000	5,700,000

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) The term of domestic corporate bonds as December 31, 2019 and 2018 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
2019.12.31 Ending balance	-	-	2,498,102	1,494,697
2019.12.31 Current portion	-	-	-	-
2018.12.31 Ending balance	999,614	1,449,442	4,646,952	1,493,183
2018.12.31 Current portion	999,614	1,449,442	2,149,501	-
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%	1.23%、1.52%
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.
	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
2019.12.31 Ending balance	6,295,396	5,994,072	6,993,575	9,288,470
2019.12.31 Current portion	-	-	-	-
2018.12.31 Ending balance	6,294,220	5,992,977	6,991,679	9,286,494
2018.12.31 Current portion	-	-	-	-
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 2020~2022 and 2023~2024, respectively.	Payable in 2 equal installments for each different coupon rate in 2022~2023, 2024~2025 and 2027~2028 respectively.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Lease liabilities

Lease liabilities consisted of the following:

	December 31, 2019
Current	\$ <u>32,878</u>
Non-current financial assets	\$ <u>19,319</u>

Please refer to Note 6 (u) the maturity analysis.

The amount of lease liabilities increased \$3,022 thousand dollars for the years ended December 31, 2019. The interest rate is 1.79% and the expired date is December 2027.

The amount recognized in profit or loss was as follows:

	For the year ended, December 31, 2019
Interest on lease liabilities	\$ <u>1,064</u>
Expenses relating to short-term leases	\$ <u>126,688</u>

The amount recognized in cash flows statement was as follows:

	For the year ended December 31, 2019
Total cash outflow for leases	\$ <u>160,173</u>

(i) Real estate leases

As of December 31, 2019, the Group leases land and buildings for its office space and employee dormitory. The leases of office space typically run for a period of 2 to 50 years, and 1 year for employee dormitory. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Certain leases provide for additional rent payments that are based on changes in the local price indices, or sales that the Group incurred at the leased store in the period ; others require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

(ii) Other leases

The Group also leases its buildings with contract terms of one year. These leases are short-term and the Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) 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, 2019	December 31, 2018
Present value of defined benefit obligations	\$ 9,791,588	9,710,141
Fair value of plan assets	<u>(2,880,882)</u>	<u>(2,587,023)</u>
Net defined benefit liabilities	<u>\$ 6,910,706</u>	<u>7,123,118</u>

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 \$2,842,599 as of December 31, 2019. 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, 2019	2018
Defined benefit obligations on January 1	\$ 9,710,141	9,788,989
Benefits paid	(474,088)	(475,699)
Current service and interest costs	216,534	218,402
Remeasurement of net defined benefit liabilities		
— actuarial losses arising from change in financial assumptions	421,322	364,835
Decrease due to transfer of related party employees	<u>(82,321)</u>	<u>(186,386)</u>
Defined benefit obligations on December 31	<u>\$ 9,791,588</u>	<u>9,710,141</u>

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements in fair value of defined benefit plan assets

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Fair value of plan assets on January 1	\$ 2,587,023	2,526,446
Interest income	31,777	29,881
Remeasurement of net defined obligation assets		
— return on plan assets (excluding interest income)	91,468	79,242
Benefits already paid by the plan	(169,101)	(165,646)
Contributions from employer	339,715	117,100
Fair value of plan assets on December 31	<u><u>\$ 2,880,882</u></u>	<u><u>2,587,023</u></u>

4) Expense recognized in profit or loss

The pension costs recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Current service costs	\$ 96,496	98,540
Interest costs	88,261	89,981
	<u><u>\$ 184,757</u></u>	<u><u>188,521</u></u>
Operating costs	\$ 107,892	110,835
Selling expenses	6,445	6,748
Administrative expenses	70,420	70,938
	<u><u>\$ 184,757</u></u>	<u><u>188,521</u></u>

5) Remeasurement of net defined benefit assets recognized in other comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Balance of January 1,	\$ 1,966,685	1,738,211
Recognized in current period	263,883	228,474
Balance of December 31,	<u><u>\$ 2,230,568</u></u>	<u><u>1,966,685</u></u>

6) Actuarial assumptions

The following are the principal actuarial assumptions as of December 31, 2019 and 2018:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Discount rate	1.00 %	1.25 %
Rate of future salary increases	2.85 %	2.85 %

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Based on the actuarial report, the Group is expected to make contributions of \$117,136 to the defined benefit plans for the one year period after the reporting date.

The weighted average duration of the defined benefit plan is 9.5 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, 2019 and 2018, 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, 2019		
Discount rate (change 0.25%)	\$ (186,726)	194,154
Future salary increases (change 1.00%)	820,501	(718,167)
December 31, 2018		
Discount rate (change 0.25%)	(202,850)	211,483
Future salary increases (change 1.00%)	898,019	(777,285)

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 \$323,993 and \$291,431 for the years ended December 31, 2019 and 2018, respectively.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Income tax

(i)

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Current income tax expense	\$ 4,697,607	5,989,685
Deferred tax expense		
The origination of temporary differences	197,383	1,614,610
Exchange differences on tax rates	-	(61,459)
Income tax expense	<u>\$ 4,894,990</u>	<u>7,542,836</u>

- (ii) The income tax expense related to components of other comprehensive income for the years ended December 31, 2019 and 2018 was as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	<u>\$ 65,971</u>	<u>169,178</u>
Items that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 190,273</u>	<u>(522,685)</u>

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:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Income tax calculated based on pretax financial income	\$ 8,443,830	11,418,475
Effect of difference in income tax rate between foreign investee and the Company	74,635	601,200
Reduction in tax rate	-	(61,459)
Tax- exempt income	(1,637,229)	(1,502,336)
Tax effect on investment income recognized under equity method and Non-deductible expenses	(2,379,976)	(3,726,545)
Under provision in prior periods	82,182	57,643
10% income surtax on undistributed earnings	<u>311,548</u>	<u>755,858</u>
Income tax expense	<u>\$ 4,894,990</u>	<u>7,542,836</u>

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Recognized deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

For the year ended December 31, 2019	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	24,845	662	-	25,507
Accrued pension liability	1,503,124	(108,454)	65,971	1,460,641
Unamortized impairment loss on non-financial assets	383,007	(63,995)	-	319,012
Unrealized foreign currency exchange loss	16,099	40,276	-	56,375
Others	526,873	483,532	-	1,010,405
Total	\$ 2,455,815	350,154	65,971	2,871,940
Deferred tax liabilities				
Unrealized foreign currency exchange gain	\$ 16,284,936	532,838	-	16,817,774
Cumulative translation adjustment	52,766	5,421	-	58,187
Depreciation	250,586	-	(190,273)	60,313
Depreciation	82,496	2,585	-	85,081
Unrealized gross profit	-	6,693	-	6,693
Total	\$ 16,670,784	547,537	(190,273)	17,028,048

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 profit	\$ -	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
Unrealized foreign currency exchange gain	272,099	-	(272,099)	-
Unrealized impairment loss	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				
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

(iv) The Company's income tax returns have been examined and approved through 2017 by the R.O.C tax authorities.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(p) Capital and other equity

As of December 31, 2019 and 2018, 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, 2019	December 31, 2018
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	196,704	192,701
Overdue unpaid directors' remuneration and dividends	383,947	377,294
Paid in capital in excess of the par value derived from overseas corporate bond conversion	<u>2,997,503</u>	<u>2,997,503</u>
	<u>\$ 11,724,498</u>	<u>11,713,842</u>

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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 December 31, 2019 and 2018.

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.

2) Earnings distribution

The appropriations of earnings in 2018 and 2017 were approved in the stockholders’ meeting on June 11, 2019 and June 20, 2018, respectively. The amounts of appropriation of dividends per share were as follows:

	For the years ended December 31,	
	2018	2017
Dividends attributable to ordinary shareholders:		
Cash dividends	<u>\$ 36,921,297</u>	<u>36,284,722</u>
Dividends per share	<u>\$ 5.80</u>	<u>5.70</u>

3) Other equity

	Exchange differences on translation of foreign operations	Unrealized gain (loss) on financial assets at fair value through profit or loss	Gain (loss) on hedging instruments	Total
Balance at January 1, 2019	\$ (1,556,605)	83,389,928	(18,763)	81,814,560
Exchange differences arising on translation of foreign operations	(3,228,641)	-	-	(3,228,641)
Share of exchange differences on associates and joint ventures accounted for using equity method	(493,004)	-	-	(493,004)
Share of unrealized gains or losses on associates accounted for using equity method and their financial assets at fair value through other comprehensive income	-	(1,614,742)	-	(1,614,742)
Unrealized gains on financial assets at fair value through other comprehensive income	-	(1,074,161)	-	(1,074,161)
Share of cash flow hedge of associates and joint ventures	-	-	19,542	19,542
Balance at September 30, 2019	<u>\$ (5,278,250)</u>	<u>80,701,025</u>	<u>779</u>	<u>75,423,554</u>

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	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 other comprehensive income	-	(12,003,865)	-	-	-	(12,003,865)
Share of cash flow hedge of associates and joint ventures	-	-	-	-	(28,314)	(28,314)
Balance at September 30, 2019	\$ (1,556,605)	83,389,928	-	-	(18,763)	81,814,560

(q) Earnings per share

The basic earnings per share were calculated as follows:

	For the years ended December 31,	
Profit attributable to ordinary shareholders	\$ 37,324,162	49,549,540
Weighted average number of outstanding ordinary shares	6,365,741	6,365,741
	\$ 5.86	7.78

(r) Revenue from Contracts with Customers

(i) Revenue Segmentation

		For the years ended December 31, 2019						
		Plastic division	Polyolefin division	Polypropylene division	Tairyln division	Chemistry division	Others divisions	Total
Major market :								
Taiwan	\$	21,446,804	10,470,835	7,409,012	6,639,632	19,089,340	2,541,681	67,597,304
Mainland China		19,532,847	17,049,124	24,555,556	16,011,795	4,613,024	333,734	82,096,080
Others		31,308,804	9,560,235	4,934,570	7,686,636	4,272,320	392,623	58,155,188
	\$	72,288,455	37,080,194	36,899,138	30,338,063	27,974,684	3,268,038	207,848,572
Major goods :								
PVC	\$	46,784,538	-	-	-	-	-	46,784,538
Liquid caustic soda		16,617,508	-	-	-	-	-	16,617,508
HDPE	-		17,000,080	-	-	-	-	17,000,080
LLDPE	-		6,280,034	-	-	-	-	6,280,034
EVA	-		13,448,044	-	-	-	-	13,448,044
PP	-			34,785,802	-	-	-	34,785,802
POM	-			2,113,336	-	-	-	2,113,336
AE	-				14,791,360	-	-	14,791,360
SAP	-				6,585,002	-	-	6,585,002
Carbon fiber	-				2,649,588	-	-	2,649,588
n-Butanol	-				3,204,626	-	-	3,204,626
AN	-					12,959,835	-	12,959,835
MMA	-					3,839,967	-	3,839,967
ECH	-					4,802,108	-	4,802,108
Others		8,886,409	352,036	-	3,107,487	6,372,774	3,268,038	21,986,744
	\$	72,288,455	37,080,194	36,899,138	30,338,063	27,974,684	3,268,038	207,848,572

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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
	<u>\$ 78,925,703</u>	<u>39,793,903</u>	<u>40,699,201</u>	<u>33,920,960</u>	<u>33,782,123</u>	<u>3,248,137</u>	<u>230,370,027</u>
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
	<u>\$ 78,925,703</u>	<u>39,793,903</u>	<u>40,699,201</u>	<u>33,920,960</u>	<u>33,782,123</u>	<u>3,248,137</u>	<u>230,370,027</u>

(ii) Balance of contracts

	December 31, 2019	December 31, 2018	January 1, 2019
Notes receivable	\$ 2,584,690	2,432,446	3,051,878
Accounts receivable (including related parties)	10,957,433	13,722,378	12,886,796
Less: allowance for doubtful receivables	(3,188)	(4,755)	(3,810)
Total	<u>\$ 13,538,935</u>	<u>16,150,069</u>	<u>15,934,864</u>

Please refer to Note 6(c) for the disclosure of accounts receivable and impairment.

(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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018, the appropriated employee compensations amounted to \$55,553 thousand and \$74,167 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

	2019	2018
Interest income from bank deposits	\$ 623,668	660,660
Rental income	157,425	171,677
Dividends income	<u>8,186,145</u>	<u>7,511,680</u>
	<u>\$ 8,967,238</u>	<u>8,344,017</u>

(ii) Other gains and losses

	2019	2018
Gain on disposal of property, plant and equipment	\$ 31,109	119,338
Gain on disposals of right-of-use assets	12,834	-
Foreign currency exchange gain (loss)	(280,225)	917,954
Gain on financial assets and liabilities at fair value through profit or loss	27,107	215,889
Impairment loss	-	(911,512)
Other gains	658,322	1,168,312
Other losses	<u>(768,603)</u>	<u>(702,466)</u>
Net of other gains and losses	<u>\$ (319,456)</u>	<u>807,515</u>

(iii) Finance costs

	2019	2018
Interest expense	\$ 1,799,314	1,488,584
Less: capitalized interest	<u>(440,200)</u>	<u>(8,544)</u>
Interest expense from bank loans	<u>\$ 1,359,114</u>	<u>1,480,040</u>
Capitalized interest rate	<u>1.33%~3.64%</u>	<u>1.47%~1.56%</u>

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The Group is exposed to credit risk primarily from financial assets and contract assets.

2) Concentration of credit risk

As sales are made to customers worldwide, the Group's exposure to credit risk concentration is expected to be low. Also, the Group mitigates its exposure by evaluating the customers' financial situation regularly.

3) Receivables and debt securities

For credit risk exposure of notes and trade receivables, please refer to note 6(c).

(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, 2019							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 23,097,528	23,313,152	20,057,627	2,442,725	812,800	-	-
Bonds payable	32,564,312	34,691,935	-	-	2,974,220	23,083,045	8,634,670
Secured bank loans	3,433,333	3,498,704	1,153,783	1,163,122	1,181,799	-	-
Short-term notes and bills payable	14,991,544	15,000,000	15,000,000	-	-	-	-
Accounts payable (including related parties)	11,062,826	11,062,826	11,062,826	-	-	-	-
Other payables (including related parties)	4,215,506	4,215,506	4,215,506	-	-	-	-
Loans from related parties	21,375,260	21,375,260	-	21,375,260	-	-	-
Other current liabilities	7,454,342	7,454,342	7,454,342	-	-	-	-
Employees' savings	334,775	336,600	336,600	-	-	-	-
Lease liabilities	52,197	53,023	16,760	16,699	17,020	1,403	1,141
	<u>\$ 118,581,623</u>	<u>121,001,348</u>	<u>59,297,444</u>	<u>24,997,806</u>	<u>4,985,839</u>	<u>23,084,448</u>	<u>8,635,811</u>
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	-	-	-	-
	<u>\$ 117,066,709</u>	<u>120,622,308</u>	<u>71,039,273</u>	<u>8,900,215</u>	<u>4,467,133</u>	<u>24,159,167</u>	<u>12,056,520</u>

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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 Group's exposure to significant foreign currency risk was as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	\$ 684,081	30.1060	20,594,943	560,830	30.7330	17,235,988
EUR	1,027	33.6895	34,599	1,299	35.1670	45,682
JPY	4,366	0.2763	1,206	50,378	0.2772	13,965
CNY	852	4.3155	3,677	1,876	4.4779	8,401
Financial liabilities						
Monetary items						
USD	23,303	30.1060	701,560	61,480	30.7330	1,889,465
EUR	290	33.6895	9,770	228	35.1670	8,018
JPY	50,407	0.2763	13,927	116,671	0.2772	32,341
CHF	-	-	-	220	30.1469	6,632

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, 2019 and 2018 would have decreased and increased the net income after tax by \$199,092 and \$153,674 for the years ended December 31, 2019 and 2018, 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.

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 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(280,225) and \$917,954, respectively.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets 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.

An increase 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income by \$230,975 thousand and \$352,199 thousand for the years ended December 31, 2019 and 2018 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Other market price risk

If the securities price changes at the reporting date (sensitivity analyses were performed using the same basis for both twelve-month period ended December 30, 2019 and 2018, and other factors remain unchanged), impacts on comprehensive income are as below:

	For the years ended December 31,			
	2019		2018	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increasing 1%	\$ 1,023,421	-	984,264	-
Decreasing 1%	\$ (1,023,421)	-	(984,264)	-

(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, 2019				
	Fair value				Total
	Carrying value	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily at FVTPL	\$ 4,044,356	-	4,044,356	-	4,044,356
Subtotal	4,044,356	-	4,044,356	-	4,044,356

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

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December 31, 2019					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through OCI					
Listed stocks	\$ 102,342,079	102,342,079	-	-	102,342,079
Unquoted equity instruments at fair value	21,408,559	-	-	21,408,559	21,408,559
Subtotal	123,750,638	102,342,079	-	21,408,559	123,750,638
Financial assets measured at amortized cost					
Cash and cash equivalents	18,165,952	-	-	-	-
Notes and accounts receivable (including related parties)	13,538,935	-	-	-	-
Other receivables (including related parties)	15,788,644	-	-	-	-
Subtotal	47,493,531	-	-	-	-
Total	\$ 175,288,525	102,342,079	4,044,356	21,408,559	127,794,994
Financial liabilities measured at amortized cost					
Bonds payable	\$ 32,564,312	-	-	-	-
Short-term notes and bills payable	14,991,544	-	-	-	-
Short-term borrowings	20,255,096	-	-	-	-
Long-term loans (including current portion)	6,610,540	-	-	-	-
Loans from related parties	21,375,260	-	-	-	-
Accounts payable (including related parties)	11,062,826	-	-	-	-
Other payables (including related parties)	4,215,506	-	-	-	-
Other current liabilities	7,454,342	-	-	-	-
Lease liabilities	52,197	-	-	-	-
Total	\$ 118,581,623	-	-	-	-
December 31, 2018					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
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

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		December 31, 2018				
		Carrying value	Fair value			Total
			Level 1	Level 2	Level 3	
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	
Financial liabilities measured at amortized cost						
Bonds payable	\$ 37,154,561	-	-	-	-	-
Short-term notes and bills payable	11,995,636	-	-	-	-	-
Short-term loans	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	-	-	-	-	-

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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
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If the financial instruments possessed by the Group 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 years ended December 31, 2019 and 2018.
- 5) Movement of financial instruments grouped into level 3

	Financial assets at fair value through other comprehensive income Unquoted equity instruments
January 1, 2019	\$ 26,542,369
Total gains and losses recognized:	
In other comprehensive income	(4,989,836)
Purchase	229,555
Effect of exchange rate changes	(373,529)
December 31, 2019	<u>\$ 21,408,559</u>
January 1, 2018	\$ 27,732,211
Total gains and losses recognized:	
In other comprehensive income	(3,423,210)
Additions	1,676,070
Effect of exchange rate changes	557,298
December 31, 2018	<u>\$ 26,542,369</u>

- 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.
- 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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
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Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
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:

	<u>Input</u>	<u>Change</u>	<u>Recognized in other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>
December 31, 2019				
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%	\$ <u>175,287</u>	<u>(175,287)</u>

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

			Recognized in other comprehensive income	
			Favorable change	Unfavorable change
September 30, 2018	Input	Change		
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%		
			\$ <u>223,444</u>	<u>(223,444)</u>

(v) 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

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Notes to the Consolidated Financial Statements

Items	Risk Management Department	Risk Detection
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 market 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
13.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.

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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.

(w) 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.

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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, 2019	December 31, 2018
Total liabilities	\$ 147,934,639	145,945,266
Less: cash and cash equivalents	<u>(18,165,952)</u>	<u>(23,310,772)</u>
Net liabilities	129,768,687	122,634,494
Total equity	<u>349,153,320</u>	<u>355,568,001</u>
Debt to capital ratio	<u><u>37.17 %</u></u>	<u><u>34.49 %</u></u>

(x) Changes in liabilities come from financing activities

Changes of liabilities arising from financing activities were as follows: :

	108.1.1	Effects of retroactive IRFS 16	Change in cash flows from financing activities	Changes in non-cash	Effect of exchange rate changes	December 31, 2019
Short term loans	\$ 20,398,302	-	(379,424)	-	236,218	20,255,096
Short term notes and bills	11,995,636	-	3,000,000	(4,092)	-	14,991,544
Long term loan (including current portion)	10,823,054	-	(4,191,026)	-	(21,488)	6,610,540
Bonds payable(including current portion)	37,154,561	-	(4,600,000)	9,751	-	32,564,312
Lease liabilities	-	81,596	(33,485)	4,086	-	52,197
Total liabilities arisings from financing activities	<u>\$ 80,371,553</u>	<u>81,596</u>	<u>(6,203,935)</u>	<u>9,745</u>	<u>214,730</u>	<u>74,473,689</u>

	107.1.1	Trace back the number of effects of ifrs16	Changes in non-cash	Effect of exchange rate changes	December 31, 2018
Short term loans	\$ 14,921,759	5,472,648	-	3,895	20,398,302
Short term notes and bills	9,495,509	2,500,000	127	-	11,995,636
Long term loan (including current portion)	16,631,697	(5,813,964)	4,562	759	10,823,054
Bonds payable(including current portion)	<u>33,558,238</u>	<u>3,600,000</u>	<u>(3,677)</u>	<u>-</u>	<u>37,154,561</u>
Total liabilities arisings from financing activities	<u>\$ 74,607,203</u>	<u>5,758,684</u>	<u>1,012</u>	<u>4,654</u>	<u>80,371,553</u>

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(7) Related-party transactions:

(a) Name of related parties

<u>Name of related party</u>	<u>Relationship with Consolidated Company</u>
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
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 Plastics Construction Corporation Ltd.	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
PFG Fiber Glass Corporation	Other related parties
Nan Chung Petrochemical Corporation	Other related parties

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<u>Name of related party</u>	<u>Relationship with Consolidated Company</u>
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 (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 Power (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
Formosa Port (Ningbo) Co., Ltd.	Other related parties
Nan Ya Technology Corporation	Other related parties
Nan Ya Plastics Corporation USA	Other related parties
Inteplast Taiwan Corporation	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
Chang Gung Biotechnology Corporation	Other related parties

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(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,	
	2019	2018
Associates	\$ 10,314,781	12,748,160
Joint ventures	119,181	81,383
Other related parties	24,628,413	29,202,443
	\$ 35,062,375	42,031,986

The receivables from related parties were as follows:

	December 31, 2019	December 31, 2018
Associates	\$ 969,160	1,200,489
Joint ventures	5,546	10,302
Other related parties	2,587,310	3,084,800
	\$ 3,562,016	4,295,591

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.

(ii) Purchase from related parties

The Group's significant purchases from related parties were as follows:

	For the years ended December 31,	
	2019	2018
Associates		
Formosa Petrochemical Corporation	\$ 76,932,917	95,868,581
Other	2,979,555	931,271
Other related parties	2,980,604	3,862,749
	\$ 82,893,076	100,662,601

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The payables from related parties were as follows:

	December 31, 2019	December 31, 2018
Associates		
Formosa Petrochemical Corporation	\$ 6,450,088	7,604,281
Other	173,518	577
Other related parties	<u>223,784</u>	<u>261,428</u>
	<u>\$ 6,847,390</u>	<u>7,866,286</u>

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 of property, plant and equipment (recognized as property, plant and equipment and right-of-use assets)

	For the years ended December 31, 2019		For the years ended December 31, 2018	
	Disposal price	Gain from disposal	Disposal price	Gain from disposal
Joint ventures	\$ 13,634	12,834	9	-
Other related parties	<u>10</u>	<u>10</u>	<u>151,682</u>	<u>53,692</u>
	<u>\$ 13,644</u>	<u>12,844</u>	<u>151,691</u>	<u>53,692</u>

There were no receivables on December 31, 2019 and 2018.

- 1) Purchase property, plant and equipment

Purchase of lands and equipment (recognized as property, plant and equipment) from related parties and the balance of payable were as follow :

	For the years ended December 31,	
	2019	2018
Associates	\$ -	95
Other related parties	<u>173,408</u>	<u>261,481</u>
	<u>\$ 173,408</u>	<u>261,576</u>

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The outstanding balance of the Group at the end of the period is as follow (recognized as other payable-related parties):

	December 31, 2019	December 31, 2018
Other related parties	\$ <u>13,453</u>	<u>117,601</u>

(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, 2019	December 31, 2018
Associates		
Formosa Heavy Industries Corp.	\$ 7,100,000	9,174,852
Other	-	400,000
Joint ventures	116,519	259,721
Other related parties		
Formosa Group Ocean Marine Corp.	5,475,441	5,451,192
Other	<u>300,000</u>	<u>-</u>
	\$ <u>12,991,960</u>	<u>15,285,765</u>

As of December 31, 2019 and 2018, the interest revenue receivables from the abovementioned transactions amounted to \$12,683 thousand and \$19,563 thousand, respectively, which was recognized as other receivables-related parties.

	Due to related parties (recognized as other payables- related parties)	
	December 31, 2019	December 31, 2018
Associates		
Formosa Plastics Corp., U.S.A.	\$ 21,375,260	9,066,235
Other	<u>-</u>	<u>645,393</u>
	\$ <u>21,375,260</u>	<u>9,711,628</u>

As of December 31, 2019 and 2018, the accrued interest expense from the abovementioned transactions amounted to \$50,269 thousand and thousand and \$27,657 thousand respectively, which was recognized as other current liabilities.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Endorsements and guarantees

- 1) The Group's endorsements guarantees to secure related parties' loans were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Associates		
Formosa Group (Cayman) Limited	\$ 7,526,500	19,208,125
Formosa Resources Corporation	3,236,395	3,303,798
Other related Parties		
Formosa Ha Tinh (Cayman) Ltd.	20,753,559	15,915,686
	<u>\$ 31,516,454</u>	<u>38,427,609</u>

(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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Associates	\$ 23	30
Joint ventures	-	5,076
Other related parties	28,308	-
	<u>\$ 28,331</u>	<u>5,106</u>

- 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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Associates	\$ 2,025,831	1,324,965
Others related parties	219,756	236,022
	<u>\$ 2,245,587</u>	<u>1,560,987</u>

(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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Associates		
Fujian Fuxin Sepecial steel Corporation	\$ 1,758,062	1,382,410

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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,	
	2019	2018
Associates		
Formosa Petrochemical Corporation	\$ 16,568	16,568
Formosa Heavy Industries Corp.	58,764	61,457
Other	7,479	6,966
Joint ventures		
Formosa Daikin Advanced Chemical Co., Ltd.	14,513	32,779
Other	595	596
Other related parties		
Nan Ya Plastics Corporation	24,740	24,740
Other	17,821	17,674
	\$ 140,480	160,780

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,	
	2019	2018
Short-term employee benefits	\$ 70,958	72,245

(8) Pledged assets:

The Group's assets pledged to secure loans were as follows:

Classification of assets	Nature of Pledged Assets	December 31, 2019	December 31, 2018
Investments accounted for using equity method	Stocks of Formosa Petrochemical Corp. \$	-	10,607,892
Fixed assets	Property plant and equipment	2,158,282	2,181,675
Refundable deposits (classified under other assets)	Certificate of deposit	134,529	81,805
		\$ 2,292,811	12,871,372

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Significant commitments and contingencies:

- (a) The amounts of endorsements and guarantees for related parties were as follows:

	December 31, 2019	December 31, 2018
Endorsements and guarantees	<u>\$ 31,516,454</u>	<u>38,427,609</u>

- (b) The amount of unused outstanding letters of credit for the importation of raw materials for related parties were as follows:

	December 31, 2019	December 31, 2018
Unused outstanding letters	<u>\$ 899,055</u>	<u>688,542</u>

- (c) The amounts of commitment letters for related parties were as follows:

As of December 31, 2019, the Company's investee, Formosa Ha Tinh (Cayman) Ltd., signed several contracts of syndicated credit lines with different banks amounting to US\$1,990,000 thousand and credit line of 500,000 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:

	For the years ended December 31, 2019				For the years ended December 31, 2018			
	Operating costs	Operating expenses	Non-operating expenses	Total	Operating costs	Operating expenses	Non-operating expenses	Total
Employee benefits								
Salaries	5,532,517	2,808,955	-	8,341,472	5,576,273	3,052,205	-	8,628,478
Labor and health insurance	432,631	248,200	-	680,831	399,755	239,602	-	639,357
Pension	323,167	185,583	-	508,750	299,492	180,460	-	479,952
Remuneration of directors	-	7,560	-	7,560	-	7,570	-	7,570
Others	375,495	100,876	-	476,371	177,494	124,343	-	301,837
Depreciation expenses	6,232,040	677,841	113	6,909,994	6,634,347	302,581	-	6,936,928
Amortization expenses	465,283	3,183	12,547	481,013	492,614	8,639	13,714	514,967

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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:

(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	17,000,000	6,500,000	-	1.418%	2	-	Short-term financing	-	-	-	69,830,664	139,661,328	
0	The Company	Formosa Chemicals & Fiber Corp	Other receivables-related parties	Yes	8,500,000	6,500,000	-	1.418%	2	-	Short-term financing	-	-	-	69,830,664	139,661,328	
0	The Company	Nan Ya plastic Corp.	Other receivables-related parties	Yes	8,500,000	6,500,000	-	1.418%	2	-	Short-term financing	-	-	-	69,830,664	139,661,328	
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	19,674,852	15,600,000	7,100,000	1.414% ~1.418%	2	-	Short-term financing	-	-	-	69,830,664	139,661,328	
0	The Company	Formosa Plastics Marine Corp	Other receivables-related parties	Yes	300,000	300,000	300,000	1.418%	2	-	Short-term financing	-	-	-	69,830,664	139,661,328	
0	The Company	Formosa Automobile Corporation	Other receivables-related parties	Yes	700,000	-	-	1.414% ~1.418%	2	-	Short-term financing	-	-	-	69,830,664	139,661,328	
0	The Company	Nan Ya Technology Corp	Other receivables-related parties	Yes	1,500,000	-	-	1.418%	2	-	Short-term financing	-	-	-	69,830,664	139,661,328	
0	The Company	Formosa Group Ocean Marine Corp.	Other receivables-related parties	Yes	9,427,041	8,405,441	5,475,441	1.414% ~1.418%	2	-	Short-term financing	-	-	-	69,830,664	139,661,328	
0	The Company	Japan Formosa Sumco Technology Corp.	Other receivables-related parties	Yes	1,120,000	-	-	1%	2	-	Short-term financing	-	-	-	69,830,664	139,661,328	
1	Formosa Industries (Ningbo) Co., Ltd	Formosa Mitsui Advanced Chemical Co., Ltd.	Other receivables-related parties	Yes	164,008 (CNY 38,000)	-	-	3.480%	2	-	Short-term financing	-	-	-	13,405,448	33,513,621	Note 4
2	Formosa Electronic (Ningbo) Co., Ltd.	Formosa Mitsui Advanced Chemical Co., Ltd.	Other receivables-related parties	Yes	116,532 (CNY 27,000)	116,532 (CNY 27,000)	116,519 (CNY 27,000)	3.36% ~3.480%	2	-	Short-term financing	-	-	-	140,490	351,226	Note 4
1	Formosa Electronic (Ningbo) Co., Ltd	Formosa Industries (Ningbo) Co., Ltd	Other receivables-related parties	Yes	125,164 (CNY29,000)	125,164 (CNY29,000)	125,150 (CNY29,000)	3.480%	2	-	Short-term financing	-	-	-	175,613	351,226	Notes 4, 5

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, 2019

(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 NT\$ to CNY for the highest balance of financing to other parties during the year and for the ending balance was NT\$4.316 to CNY1; and the exchange rate for the actual usage during the year was NT\$4.3155299 to CNY1.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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	226,949,658	19,315,625	7,526,500	7,526,500	-	2.16 %	453,899,316	N	N	N
0	The Company	Formosa Ha Tinh (Cayman) Limited	6	226,949,658	21,791,720	20,753,559	20,753,559	-	5.94 %	453,899,316	N	N	N
0	The Company	Formosa Resources Corporation	6	226,949,658	3,398,290	3,236,395	3,236,395	-	0.93 %	453,899,316	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, 2019 (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			Fair value	Highest	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		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	2,384,007	16.17 %	2,384,007	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	896,504	17.99 %	896,504	17.99 %	
The Company	Taiwan Aerospace Corp.	-	Financial assets at fair value through other comprehensive income-non-current	1,103	19,483	0.81 %	19,483	0.81 %	
The Company	Chinese Television System Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,769	34,075	1.05 %	34,075	1.05 %	
The Company	China Investment & Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,287	4,431	0.80 %	4,431	0.80 %	
The Company	Formosa Plastics Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	16,509	259,022	18.00 %	259,022	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			Fair value	Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)			
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	67,056	12.00 %	67,056	12.00 %	
The Company	Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	2,925	72,959	12.50 %	72,959	12.50 %	
The Company	Formosa Plastics Marine Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	2,429	752,699	15.00 %	752,699	15.00 %	
The Company	Formosa Group Ocean Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	3	4,842,526	19.00 %	4,842,526	19.00 %	
The Company	Formosa Plastics Maritime Corp.	Other related parties	Financial assets at fair value through other comprehensive income-non-current	354	301,086	18.11 %	301,086	18.11 %	
The Company	Am Trust Capital I Corp.	-	Financial assets at fair value through other comprehensive income-non-current	5,000	26,600	3.91 %	26,600	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	44,800	18.00 %	44,800	18.00 %	
The Company	Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	2,500	19,750	1.97 %	19,750	1.97 %	
The Company	Minima Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	7,405	199,417	19.15 %	199,417	19.15 %	
Formosa Plastics Corp. (Cayman Ltd)	Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	-	<u>9,924,415</u> 76,417	16.11 %	<u>9,924,415</u> 76,417	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	<u>11,407,727</u>	11.43 %	<u>11,407,727</u>	11.43 %	
					<u>21,408,559</u>		<u>21,408,559</u>		
The Company	Nan Ya Plastics Corporation	Other related parties	Current financial assets at fair value through other comprehensive income	783,357	57,028,380	9.88 %	57,028,380	9.88 %	
The Company	Formosa Chemicals & Fibre Corporation	Other related parties	Current financial assets at fair value through other comprehensive income	198,744	17,390,094	3.39 %	17,390,094	3.39 %	
The Company	Nan Ya Technology Corp.	Other related parties	Current financial assets at fair value through other comprehensive income	334,815	<u>27,923,605</u>	10.89 %	<u>27,923,605</u>	10.97 %	
					<u>102,342,079</u>		<u>102,342,079</u>		
The Company	Mega Prosperity Private Placement Fund	-	Current financial assets at fair value through profit or loss	12,479	<u>4,044,356</u>	25.00 %	<u>4,044,356</u>	25.00 %	

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (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 Industries Corporation	Investments accounted for using equity method	Formosa Industries Corporation	Subsidiary	2	5,345,785	-	381,323	-	-	-	-	2	3,649,971 (Note 1) (Note 7)
Formosa Industries Corporation	Securities-Formosa Olefins L.L.C.	Investments accounted for using equity method	Formosa Olefins L.L.C.	Associates	-	2,409,179	-	381,323	-	-	-	-	-	2,155,509 (Note 2)
The Company	Securities-Formosa Plastics Corporation (Cayman) Limited	Investments accounted for using equity method	Formosa Plastics Corporation (Cayman) Limited	Subsidiary	76	29,273,905	-	3,093,000	-	-	-	-	76	33,993,977 (Note 3) (Note 7)
Formosa Plastics Corporation (Cayman) Limited	Securities-Formosa Industries (Hong Kong) Limited	Investments accounted for using equity method	Formosa Industries (Hong Kong) Limited	Subsidiary	-	29,135,577	-	3,093,000	-	-	-	-	-	33,898,313 (Note 4) (Note 7)
Formosa Industries (Hong Kong) Limited	Securities-Formosa Industries (Ningbo) Co., Ltd	Investments accounted for using equity method	Formosa Industries (Ningbo) Co., Ltd	Subsidiary	-	28,812,332	-	3,093,000	-	-	-	-	-	33,547,087 (Note 5) (Note 7)
The Company	Securities-Formosa Resources Corporation	Investments accounted for using equity method	Formosa Resources Corporation	Associates	584,594	5,370,047	157,000	1,570,000	-	-	-	-	741,594	6,615,934 (Note 6)

Note 1: The ending balance includes the share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method of (\$2,012,543) thousand and accumulated translation adjustment of (\$64,594) thousand.

Note 2: The ending balance includes the share of profit or loss of associates and joint ventures accounted for using equity method of (\$92,758) thousand and accumulated translation adjustment of (\$42,235) thousand.

Note 3: The ending balance includes the share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method of \$2,960,201 thousand and accumulated translation adjustment of (\$1,323,424) thousand.

Note 4: The ending balance includes the share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method of \$2,993,160 thousand and accumulated translation adjustment of \$(1,323,424) thousand.

Note 5: The ending balance includes the share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method of \$2,951,921 thousand and accumulated translation adjustment of (\$1,310,166) thousand.

Note 6: The ending balance includes the share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method of (\$156,452) thousand and accumulated translation adjustment of (\$172,661) thousand.

Note 7: 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: None.
- (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 NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

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	Nan Ya Plastics Corporation	Other related parties	(Sales)	(12,085,169)	(7.29)%	Before the 27th of the following month	-		1,088,827	10.65%	
The Company	Formosa Chemicals & Fiber Corporation	"	"	(6,329,550)	(3.82)%	Before the 27th of the following month	-		552,181	5.40%	
The Company	Formosa Petrochemical Corporation	Associates	"	(6,910,491)	(4.17)%	Before the 27th of the following month	-		501,512	4.90%	

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES **Notes to Consolidated 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 Heavy Industries Corp.	Associates	(Sales)	(194,719)	(0.12)%	Before the 27th of the following month	-		3,015	0.03%	
The Company	Formosa Taffeta Co. Ltd.	Other related parties	"	(257,885)	(0.16)%	Before the 27th of the following month	-		14,812	0.14%	
The Company	Inteplast Taiwan Corporation	"	"	(218,588)	(0.13)%	O/A 60 days	-		12,901	0.13%	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	"	"	(432,111)	(0.26)%	O/A 60 days	-		149,140	1.46%	
The Company	Nan Ya Rigid Film (Nantong) Co., Ltd.	"	"	(159,162)	(0.10)%	O/A 60 days	-		97,889	0.96%	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent-sub subsidiary	"	(2,471,844)	(1.49)%	O/A 90 days	-		336,843	3.29%	Note 1
The Company	Formosa Industries Corp., Vietnam	"	"	(360,784)	(0.22)%	O/A 90 days	-		33,391	0.33%	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent-sub subsidiary	"	(7,703,969)	(4.65)%	O/A 90 days	-		1,980,464	19.36%	Note 1
The Company	Formosa Plastics Corp., U.S.A.	Associates	"	(3,009,148)	(1.81)%	O/A 90 days	-		458,930	4.49%	
Formosa Industries (Ningbo) Co., Ltd.	The Company	Parent-sub subsidiary	"	(1,237,661)	(2.50)%	Before the 30th of the following month	-		72,162	1.49%	Note 1
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd.	Other related parties	"	(1,045,783)	(2.11)%	Before the 30th of the following month	-		59,540	1.23%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Xiamen) Co., Ltd.	"	"	(226,420)	(0.46)%	Before the 30th of the following month	-		33,010	0.68%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Guangzhou) Co., Ltd.	"	"	(434,116)	(0.88)%	Before the 30th of the following month	-		41,500	0.86%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Huizhou) Co., Ltd.	"	"	(109,908)	(0.22)%	Before the 30th of the following month	-		12,641	0.26%	
Formosa Industries Corporation	Inteplast Group	"	"	(103,722)	(9.69)%	Before the 30th of the following month	-		100,576	18.91%	
The Company	Nan Ya Plastics Corporation	Other related parties	Purchase	1,011,273	0.88 %	Before the 27th of the following month	-		(44,396)	(0.47)%	
The Company	Formosa Chemicals & Fiber Corporation	"	"	1,795,556	1.56 %	Before the 27th of the following month	-		(166,495)	(1.75)%	
The Company	Formosa Petrochemical Corporation	Associates	"	76,932,917	66.83 %	Before the 27th of the following month	-		(6,450,088)	(67.76)%	
The Company	Formosa Heavy Industries Corp.	"	"	955,675	0.83 %	Before the 27th of the following month	-		(135)	-%	
Formosa Industries (Ningbo) Co., Ltd.	The Company	Parent-sub subsidiary	"	24,564,281	60.91 %	O/A 90 days	-		(3,238,458)	(96.87)%	Note - Note 1
Formosa Polypropylene (Ningbo) Co., Ltd.	The Company	Parent-sub subsidiary	"	150,856	6.72 %	O/A 90 days	-		(146,867)	53.61%	
Formosa Industries Corporation	Formosa Plastics Corp., U.S.A.	Associates	"	1,873,024	83.48 %	Before the 10th of the following month	-		(26,516)	(9.68)%	

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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to 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	1,088,827	11.50	-		1,088,827	-	
The Company	Formosa Chemicals & Fiber Corporation	"	552,181	10.63	-		552,181	-	
The Company	Formosa Petrochemical Corporation	Associates	501,512	13.45	-		501,512	-	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	Other related parties	149,140	3.34	-		88,089	-	
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Other related parties	336,843	3.83	-		217,856	-	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent-subsidiary	1,980,464	4.21	-		805,333	-	Note
The Company	Formosa Plastics Corp., U.S.A.	Associates	458,930	5.37	-		112,479	-	
The Company	Formosa Heavy Industries Corp.	Associates	7,100,000	-	-		-	-	
The Company	Formosa Automobile Corporation	Associates	300,000	-	-		-	-	
The Company	Formosa Group Ocean Marine Corp.	Other related parties	5,475,441	-	-		-	-	
The Company	Fujian Fuxin Special Steel Co., Ltd.	Associates	1,758,062	-	-		-	-	
Formosa electronic (Ningbo) Co., Ltd.	Formosa Mitsui Advanced Chemical Co., Ltd.	Other related parties	116,519	-	-		-	-	
Formosa electronic (Ningbo) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Parent-subsidiary	125,150	-	-		-	-	Note
Formosa Industries (USA) Co., Ltd.	Intreplast Group	Other related parties	100,576	-	-		-	-	

Note: The transaction has already been written off in the consolidated financial statements.

(ix) Trading in derivative instruments: None.

(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	7,703,969	O/A 90 days	3.71%
0	The Company	Formosa Industries (Ningbo) Co., Ltd.	1	Accounts receivable	1,980,464	"	0.40%
0	The Company	Formosa Industries (Ningbo) Co., Ltd.	1	Other revenue (Note 3)	16,860,312	O/A 60 days	8.11%
0	The Company	Formosa Industries (Ningbo) Co., Ltd.	1	Other receivables—related parties	1,257,994	"	0.25%
1	Formosa Industries (Ningbo) Co., Ltd.	The Company	2	Sales	1,237,661	Before the 30th of the following month	0.60%
1	Formosa Industries (Ningbo) Co., Ltd.	The Company	2	Accounts receivable	72,162	"	0.01%
2	Formosa electronic (Ningbo) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	3	Other receivables—related parties	125,150	Before the 30th of the following month	0.03%
2	Formosa electronic (Ningbo) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	3	Sales	73,288	"	-%

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.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (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, 2019			Highest3 Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Formosa Petrochemical Corporation	Taiwan	Petrochemicals	30,144,951	30,144,951	2,720,549	28.56 %	94,112,087	28.56 %	36,798,213	10,570,039	Note, Note 2
The Company	Formosa Plastics Corp., U.S.A.	U.S.A.	Chemicals	5,614,024	5,614,024	70	22.66 %	65,167,060	22.66 %	18,147,970	4,315,020	Note, Note 2
The Company	Formosa Heavy Industries Corp.	Taiwan	Mechanical equipment	2,498,463	2,498,463	651,828	32.92 %	7,090,652	32.92 %	124,778	42,009	Note, Note 2
The Company	Sky Dragon Investment Limited	Samoa	Investment	13,221,416	13,221,416	425,800	50.00 %	5,509,231	50.00 %	(1,663,267)	(831,633)	Note, Note 2
The Company	Formosa Plastics Corp. (Cayman Ltd.)	Cayman	Investment	22,197,301	19,104,301	76	100.00 %	33,993,977	100.00 %	2,960,201	2,960,201	Note, Note 1, Note 2
The Company	Mai Liao Power Corp.	Taiwan	Electricity	5,985,531	5,985,531	547,030	24.94 %	11,050,697	24.94 %	2,199,499	548,601	Note, Note 2
The Company	Formosa Sunco Technology Corp.	Taiwan	Electronics manufacture	1,709,987	1,709,987	112,708	29.06 %	5,926,658	29.06 %	2,125,798	617,750	Note, Note 2
The Company	Formosa Transportation Corp.	Taiwan	Transportation	110,664	110,664	6,566	33.33 %	1,021,908	33.33 %	147,833	45,848	Note, Note 2
The Company	Formosa Fairway Corp.	Taiwan	Transportation	33,330	33,330	4,698	33.33 %	82,160	33.33 %	(16,684)	(5,561)	Note 2
The Company	Yi-Jih Development Corp.	Taiwan	Construction	57,000	57,000	5,700	28.72 %	63,557	28.72 %	876	252	Note 2
The Company	Ya Tai Development Corp.	Taiwan	Development of land	54,034	54,034	1,306	45.04 %	18,051	45.04 %	(1,856)	(836)	Note 2
The Company	Formosa Asahi Spondev Co., Ltd.	Taiwan	Artificial fiber	501,752	501,752	50	50.00 %	1,284,962	50.00 %	119,393	59,696	Note 2
The Company	Formosa Automobile Corporation	Taiwan	Automobile	270,442	270,442	27,044	45.00 %	181,321	45.00 %	170,099	76,543	Note 2
The Company	Wu Ya Park Management Consulting Corporation Ltd.	Taiwan	Consulting service	341	341	33	33.00 %	2,530	33.00 %	2,908	960	Note 2
The Company	Formosa Daikin Advanced Chemical Co., Ltd.	Taiwan	Chemical industry	100,000	100,000	24	50.00 %	1,018,634	50.00 %	252,805	126,402	Note 2
The Company	Formosa Resources Corporation	Taiwan	Mining industry	7,415,940	5,845,940	741,594	25.00 %	6,615,934	25.00 %	(605,807)	(151,452)	Note, Note 2
The Company	Formosa Environmental Technology Corporation	Taiwan	Environmental industry	417,145	417,145	41,714	24.34 %	225,669	24.34 %	366	89	Note, Note 2
The Company	Formosa Plastics Development Corporation Ltd.	Taiwan	Construction	100,000	100,000	10,000	33.33 %	75,521	33.33 %	(20,335)	(6,778)	Note 2
The Company	Formosa Group (Cayman) Limited	Cayman	Investment	377	377	13	25.00 %	653,576	25.00 %	145,410	36,352	Note, Note 2
The Company	Formosa Industries Corporation	U.S.A.	Chemicals	7,245,610	6,864,287	2	100.00 %	3,649,971	100.00 %	(2,012,543)	(2,012,543)	Note, Note 1, Note 2
The Company	Formosa Plastics International (Cayman) Limited	Cayman	Investment	18,784,620	18,784,620	52	100.00 %	11,407,974	100.00 %	-	-	Note, Note 1, Note 2
Formosa Plastics Corp. (Cayman) Ltd.	Formosa Industries (Hong Kong) Limited	Hong Kong	Reinvestment	10,780,504 (USD334,902)	7,687,504 (USD234,502)	-	100.00 %	33,898,313 (USD1,125,965)	100.00 %	2,993,160 (USD96,791)	2,993,160 (USD96,791)	Note 1, Note 2, Note 3
Formosa Industries Corporation	Formosa Olefins, L.L.C.	U.S.A.	Olefins	3,527,939 (USD108,075)	3,146,616 (USD95,700)	-	33.00 %	2,155,509 (USD71,597)	33.00 %	(1,796,238) (USD-58,086)	(592,758) (USD-19,168)	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 %	174,641 (USD5,801)	38.00 %	(220,040) (USD-7,116)	(83,615) (USD-2,704)	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, 2019, was 30.1060 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2019, was 30.9239 to 1.

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	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	26,167,124 (USD822,023)	(2)	18,814,370 (USD578,270)	3,093,000 (USD100,000)	-	21,907,370 (USD678,270)	2,951,921 (USD95,458)	100.00%	100.00	2,951,921 (USD95,458)	33,547,087 (USD1,114,299)	-
Formosa Electronic (Ningbo) Co., Ltd (note 2)	Electronics	74,648 (USD2,260)	(2)	66,137 (USD2,000)	-	-	66,137 (USD2,000)	41,239 (USD1,334)	100.00%	100.00	41,239 (USD1,334)	351,226 (USD11,666)	-
Formosa Mitsui Advanced Chemical Co., Ltd.	Electrolyte	244,196 (USD8,200)	(2)	122,098 (USD4,100)	-	-	122,098 (USD4,100)	(65,620) (USD-2,122)	50.00%	50.00	(32,810) (USD-1,061)	16,255 (USD540)	-
Fujian Fuxin Special Steel Co., Ltd	Steel	34,347,344 (USD1,460,000)	(2)	13,221,416 (USD425,800)	-	-	13,221,416 (USD425,800)	(2,851,456) (USD-92,209)	29.16%	29.16	(831,609) (USD-26,892)	5,508,762 (USD182,979)	-
Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd	Carbon fiber	555,517 (USD17,000)	(2)	99,993 (USD3,060)	-	-	99,993 (USD3,060)	(77,593) (USD-2,509)	16.11%	18.00	-	76,417 (USD2,538)	-

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, 2019	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment (Note 2)
33,514,902 (US\$1,113,230)	37,850,558 (US\$1,257,243)	-

Note: The exchange rate of New Taiwan dollars to US dollars on December 31, 2019, was 30.1060 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".

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 years ended December 31, 2019							
	Plastic division	Polyolefin division	Polypropylene division	Tairylan division	Chemistry division	Others divisions	Adjustments and eliminated	Total
Revenue:								
From external customers	\$ 72,288,456	37,080,194	36,899,138	30,338,063	27,974,684	3,268,037	-	207,848,572
From sales among intersegments	1,495,181	1,842,914	69,985	76,513	1,582,979	5,601,848	(10,669,420)	-
Total revenue	<u>\$ 73,783,637</u>	<u>38,923,108</u>	<u>36,969,123</u>	<u>30,414,576</u>	<u>29,557,663</u>	<u>8,869,885</u>	<u>(10,669,420)</u>	<u>207,848,572</u>
Interest expense	\$ 87,576	128,760	19,722	203,797	-	936,142	-	1,375,997
Depreciation and amortization	1,981,062	628,435	782,487	2,513,475	309,441	1,176,107	-	7,391,007
Reportable segment profit or loss	<u>\$ 10,213,373</u>	<u>2,183,186</u>	<u>3,539,143</u>	<u>(534,086)</u>	<u>6,629,582</u>	<u>(1,972,997)</u>	<u>22,160,951</u>	<u>42,219,152</u>
Capital expenditure of non-current assets	\$ 1,767,024	11,504,697	2,049,767	424,204	164,603	-	-	15,910,295
Reportable segment assets	<u>\$ 27,281,353</u>	<u>12,040,326</u>	<u>15,570,770</u>	<u>24,409,381</u>	<u>5,526,370</u>	<u>463,533,215</u>	<u>(51,273,456)</u>	<u>497,087,959</u>
Reportable segment liabilities	<u>\$ 5,066,903</u>	<u>1,297,854</u>	<u>2,326,908</u>	<u>1,555,888</u>	<u>238,233</u>	<u>139,874,544</u>	<u>(2,425,691)</u>	<u>147,934,639</u>
	For the years 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	<u>\$ 80,563,806</u>	<u>41,753,017</u>	<u>40,772,911</u>	<u>34,023,459</u>	<u>35,918,688</u>	<u>8,897,456</u>	<u>(11,559,310)</u>	<u>230,370,027</u>
Interest expense	\$ 101,368	231,965	25,660	286,669	-	834,378	-	1,480,040
Depreciation and amortization	2,065,510	658,891	786,511	2,499,579	281,887	1,164,517	-	7,456,895
Reportable segment profit or loss	<u>\$ 11,194,040</u>	<u>(2,618)</u>	<u>2,990,663</u>	<u>297,776</u>	<u>10,681,421</u>	<u>20,445</u>	<u>31,910,649</u>	<u>57,092,376</u>
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	<u>\$ 29,590,718</u>	<u>13,932,506</u>	<u>14,168,740</u>	<u>26,567,301</u>	<u>6,860,608</u>	<u>464,903,165</u>	<u>(54,509,771)</u>	<u>501,513,267</u>
Reportable segment liabilities	<u>\$ 5,378,260</u>	<u>1,901,874</u>	<u>2,603,902</u>	<u>1,605,968</u>	<u>229,078</u>	<u>136,021,755</u>	<u>(1,795,571)</u>	<u>145,945,266</u>

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FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

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(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,	
	2019	2018
Revenue from external customers:		
Taiwan	\$ 67,597,304	79,087,410
Mainland China	82,096,080	87,017,326
Others	<u>58,155,188</u>	<u>64,265,291</u>
	<u>\$ 207,848,572</u>	<u>230,370,027</u>
Non-current assets:		
Taiwan	\$ 44,692,178	43,214,567
United States of America	27,970,678	11,725,486
Mainland China	<u>22,081,131</u>	<u>29,345,203</u>
Total	<u>\$ 94,743,987</u>	<u>84,285,256</u>

Non-current assets include property, plant and equipment, right-of-use assets, 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.