

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

**NAN YA PLASTICS CORPORATION
AND ITS SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

The 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 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 NAN YA PLASTICS CORPORATION as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, NAN YA PLASTICS CORPORATION and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: NAN YA PLASTICS CORPORATION
Chairman: Wu, Chia-Chau
Date: March 23, 2018



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Independent Auditors' Report

To the Board of Directors of NAN YA PLASTICS CORPORATION:

Opinion

We have audited the consolidated financial statements of NAN YA PLASTICS CORPORATION and its subsidiaries ("the Consolidated Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

How the matter was addressed in our audit

Please refer to note 4(o) "Revenue recognition" for accounting policy related to revenue recognition, and note 6(r) "Revenue" for information related to revenue recognition of the consolidated financial statements.

The Operating performance of Nan Ya Plastics Corporation and its subsidiaries has an effect on the distribution to their shareholders and stock price. Thus, their financial performance will have an impact on the users of financial statements. Therefore, the veracity and appropriateness of revenue recognition is a key matter when conducting our audit.

Our principal audit procedures included the following:

- (1) Assessing the accounting policies and appropriateness of revenue recognition (including sales returns and discounts).
- (2) Obtaining the list of the top ten newly-added clients and the list of newly added related parties for the current year, inspecting whether the transaction terms are different for normal clients, and reviewing the Consolidated Company's financial position after the reporting period to verify the frequency of the unusual sales returns for the purpose of assessing the appropriateness of revenue recognition.
- (3) Selecting a moderate number of samples from sales invoices to verify that the accounts receivable have been recovered and to ensure that the remitter matches the customer for the purpose of assessing the accuracy of revenue recognition.
- (4) Performing sales cut-off test on the period before and after the financial position date by vouching relevant documents of sales transactions to determine whether sales income, return, and discounts have been appropriately recognized.

2. Valuation of inventories

How the matter was addressed in our audit

Please refer to note 4(h) "Inventories" for accounting policy related to valuation of inventories, and note 6(d) "Inventories, net" for information related to valuation of inventories of the consolidated financial statements.

The amount of inventories shall be disclosed by lower of cost or net realizable values. Since the net realizable value is influenced by the international raw material pricing, there is a risk that the cost will exceed its net realizable value. Therefore, the valuation of inventories is a key matter when conducting our audit.

Our principal audit procedures included the following:

- (1) Assessing the appropriateness of inventories valuation policies.
- (2) Ensuring the process of inventory valuation is in conformity with the accounting policies.
- (3) Understanding the net realizable values used by management and the variation of the prices in a period after the reporting date to ensure the appropriateness of the valuation price.
- (4) Assessing whether the disclosure of provision for inventory valuation is appropriate.

Other Matter

We did not audit the financial statements of certain subsidiaries whose total assets constituted 7.44% and 7.46% of the consolidated total assets as of December 31, 2017 and 2016, respectively. The total revenues of these subsidiaries constituted 12.35% and 12.75% of the consolidated total revenues for the years ended December 31, 2017 and 2016, respectively. In addition, we did not audit the financial statements of certain investee companies under the equity method. The Consolidated Company's investments in the aforementioned investee companies constituted 15.19% and 14.06% of the consolidated total assets as of December 31, 2017 and 2016, respectively, and the Consolidated Company's equity in net earnings of these investee companies constituted 37.56% and 44.19% of the consolidated total comprehensive income for the years ended December 31, 2017 and 2016, respectively. The consolidated financial statements of the aforementioned subsidiaries and 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 subsidiaries and investee companies, is based solely on the reports of other auditors.

Nan Ya Plastics Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Consolidated Company'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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Consolidated Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Company 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 Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

Kou, Hsin-Yi and Yu, Chi-Lung.

KPMG

Taipei, Taiwan (Republic of China)

March 23, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial statements of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016				December 31, 2017		December 31, 2016	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets											
Current assets:											
1100	Cash and cash equivalents (notes 6(a), (f), (u) and (w))	\$ 44,304,079	8	57,411,505	11	2100	Short-term borrowings (notes 6(f), (j) and (u))	\$ 9,295,583	2	19,882,214	4
1126	Available-for-sale financial assets-current (notes 6(b) and (u))	49,047,420	9	45,602,328	8	2110	Short-term notes and bills payable (notes 6(i) and (u))	7,998,778	1	6,343,802	1
1150	Notes receivable, net (notes 6(c) and (u))	12,128,351	2	9,014,054	2	2170	Notes and accounts payable (notes 6(f) and (u))	10,252,937	2	11,402,860	2
1170	Accounts receivable, net (notes 6(c), (f) and (u))	41,459,623	8	36,793,565	7	2180	Accounts payable to related parties (notes 6(u) and 7)	9,722,905	2	8,673,428	2
1180	Accounts receivable due from related parties (notes 6(c), (u) and 7)	2,532,401	1	1,955,811	-	2200	Other payables	20,651,855	4	17,123,208	3
1200	Other receivables (notes 6(c) and (f))	2,168,987	-	1,605,502	-	2321	Current portion of bonds payable (notes 6(l) and (u))	7,887,079	1	9,730,424	2
1210	Other receivables due from related parties (notes 6(c) and 7)	14,347,741	3	25,173,284	5	2322	Current portion of long-term borrowings (notes 6(f), (k) and (u))	12,661,784	3	10,487,130	2
130X	Inventories (notes 6(d) and (f))	40,731,138	7	35,385,614	7	2399	Other current liabilities	1,210,273	-	1,275,208	-
1470	Other current assets	5,347,051	1	4,536,546	1		Total current liabilities	79,681,194	15	84,918,274	16
	Total current assets	212,066,791	39	217,478,209	41	Non-Current liabilities:					
Non-current assets:						2530	Bonds payable (notes 6(l) and (u))	48,036,622	9	46,571,691	9
1524	Non-current available-for-sale financial assets-non-current (notes 6(b) and (u))	1,128,219	-	1,220,108	-	2540	Long-term borrowings (notes 6(f), (k) and (u))	10,489,649	2	18,651,595	3
1543	Non-current financial assets at cost non-current (note 6(b))	18,694,079	3	18,223,610	3	2570	Deferred tax liabilities (note 6(n))	10,785,221	2	9,648,074	2
1550	Investments accounted for using equity method (note 6(e))	158,648,552	29	139,567,351	26	2611	Long-term notes payable (notes 6(k))	4,998,418	1	-	-
1600	Property, plant and equipment (notes 6(f) and (g))	132,901,898	24	139,724,458	26	2640	Net defined benefit liability-non-current (notes 6(f) and (m))	21,792,242	4	25,521,565	5
1780	Intangible assets (notes 6(f) and (h))	2,679,885	1	2,873,029	1	2645	Guarantee deposits	704,676	-	659,662	-
1812	Technology development expense	57,905	-	85,057	-	2670	Other non-current liabilities (note (e))	363,608	-	180,477	-
1840	Deferred tax assets (note 6(n))	5,911,842	1	6,036,996	1		Total non-current liabilities	97,170,436	18	101,233,064	19
1915	Prepayments for purchase of equipment	2,329,541	-	2,068,844	-		Total liabilities	176,851,630	33	186,151,338	35
1937	Overdue receivables (note 6(c))	-	-	-	-	Equity attributable to owners of parent (notes 6(n), (o) and (w)):					
1975	Net defined benefit asset-non-current (note 6(m))	6,325	-	1,097	-	3110	Common Stock	79,308,216	15	79,308,216	15
1990	Other non-current assets	9,646,352	3	9,906,045	2	3200	Capital surplus	26,158,472	5	23,155,633	4
	Total non-current assets	332,004,598	61	319,706,595	59	3300	Retained earnings	208,480,444	38	191,296,477	36
						3400	Others	41,672,728	7	44,692,788	8
						36XX	Non-controlling interests	11,599,899	2	12,580,352	2
							Total equity	367,219,759	67	351,033,466	65
	Total assets	\$ 544,071,389	100	537,184,804	100		Total liabilities and equity	\$ 544,071,389	100	537,184,804	100

See accompanying notes to Consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(r) and 7)	\$ 306,139,952	100	275,294,431	100
5000 Operating costs (notes 6(d), (m), (s), 7 and 12)	256,205,610	84	243,802,971	89
5910 Less: Unrealized (realized) profit from affiliated companies (note 7)	(32,789)	-	92,419	-
Gross profit, net	49,967,131	16	31,399,041	11
Operating expenses (notes 6(c), (f), (h), (m), (s), 7 and 12):				
6100 Selling expenses	9,864,939	3	9,375,091	3
6200 Administrative expenses	10,252,567	3	8,741,088	3
Total operating expenses	20,117,506	6	18,116,179	6
Operating income	29,849,625	10	13,282,862	5
Non-operating income and expenses (notes 6(b), (e), (f), (t) and 7):				
7010 Other income	5,081,480	2	4,907,466	2
7020 Other gains and losses	(2,110,263)	(1)	9,659,589	4
7050 Finance costs	(1,627,082)	(1)	(1,573,258)	(1)
7060 Share of profit of associates and joint ventures accounted for using equity method	31,582,414	11	27,570,332	10
Total non-operating income and expenses	32,926,549	11	40,564,129	15
Profit before income tax	62,776,174	21	53,846,991	20
Less: Income tax expense (note 6(n))				
7950	8,801,398	3	5,133,968	2
Net income	53,974,776	18	48,713,023	18
8300 Other comprehensive income (notes 6(b), (m), (n), (o) and (u)):				
8310 Items that may not be reclassified subsequently to profit or loss:				
8311 Gains (losses) on remeasurements of defined benefit obligation	(1,780,512)	(1)	(1,298,530)	-
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	(140,496)	-	(51,807)	-
8349 Income tax related to items that will not be reclassified to profit or loss	295,930	-	220,586	-
Total items that will not be reclassified to profit or loss	(1,625,078)	(1)	(1,129,751)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences raising on translation of foreign operations	(7,167,696)	(2)	(9,592,870)	(3)
8362 Unrealised gains (losses) on available-for-sale financial assets	3,373,781	1	(2,081,521)	(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	217,471	-	3,983,476	1
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	490,058	-	146,797	-
Total items that will be reclassified to profit or loss	(3,086,386)	(1)	(7,544,118)	(3)
8300 Other comprehensive income for the year, net of tax	(4,711,464)	(2)	(8,673,869)	(3)
8500 Total comprehensive income for the year	\$ 49,263,312	16	40,039,154	15
Profit (loss), attributable to:				
8610 Profit (loss), attributable to owners of parent	\$ 54,521,016	18	48,840,267	18
8620 Profit (loss), attributable to non-controlling interests	(546,240)	-	(127,244)	-
	\$ 53,974,776	18	48,713,023	18
Comprehensive income attributable to:				
8710 Comprehensive income, attributable to owners of parent	\$ 49,852,604	16	40,827,917	15
8720 Comprehensive income, attributable to non-controlling interests	(589,292)	-	(788,763)	-
	\$ 49,263,312	16	40,039,154	15
Basic earnings per share (note 6(q)):				
9710 Income from continuing operations	\$ 7.92	6.81	6.79	6.14
Income from non-controlling equity	(0.50)	0.06	(0.29)	0.02
9750 Income attributable to shareholders of the parent	\$ 7.42	6.87	6.50	6.16

See accompanying notes to Consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Share capital	Retained earnings				Total other equity interest						
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total equity attributable to owners of parent		
Balance at January 1, 2016	\$ 79,308,216	23,642,467	49,417,691	75,611,017	44,676,502	9,732,511	41,828,765	66,573	324,283,742	13,667,484	337,951,226	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	3,572,134	-	(3,572,134)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	4,651,042	(4,651,042)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(26,171,711)	-	-	-	(26,171,711)	-	(26,171,711)	
Reversal of special reserve	-	-	-	(557)	557	-	-	-	-	-	-	
Other changes in capital surplus:												
Other changes in capital surplus	-	(486,834)	-	-	-	-	-	-	(486,834)	-	(486,834)	
Profit (loss)	-	-	-	-	48,840,267	-	-	-	48,840,267	(127,244)	48,713,023	
Other comprehensive income	-	-	-	-	(1,077,289)	(9,148,469)	2,238,669	(25,261)	(8,012,350)	(661,519)	(8,673,869)	
Total comprehensive income	-	-	-	-	47,762,978	(9,148,469)	2,238,669	(25,261)	40,827,917	(788,763)	40,039,154	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(298,369)	(298,369)	
Balance at December 31, 2016	79,308,216	23,155,633	52,989,825	80,261,502	58,045,150	584,042	44,067,434	41,312	338,453,114	12,580,352	351,033,466	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	4,884,027	-	(4,884,027)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	6,670,914	(6,670,914)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(35,688,697)	-	-	-	(35,688,697)	-	(35,688,697)	
Other changes in capital surplus:												
Other changes in capital surplus	-	3,002,839	-	-	-	-	-	-	3,002,839	-	3,002,839	
Profit (loss)	-	-	-	-	54,521,016	-	-	-	54,521,016	(546,240)	53,974,776	
Other comprehensive income	-	-	-	-	(1,648,352)	(6,610,239)	3,623,762	(33,583)	(4,668,412)	(43,052)	(4,711,464)	
Total comprehensive income	-	-	-	-	52,872,664	(6,610,239)	3,623,762	(33,583)	49,852,604	(589,292)	49,263,312	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(391,161)	(391,161)	
Balance at December 31, 2017	\$ 79,308,216	26,158,472	57,873,852	86,932,416	63,674,176	(6,026,197)	47,691,196	7,729	355,619,860	11,599,899	367,219,759	

See accompanying notes to Consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 62,776,174	53,846,991
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	16,268,353	16,023,658
Amortization expense	1,999,718	1,781,572
Interest expense	1,627,082	1,573,258
Interest income	(865,868)	(719,958)
Share of profit of associates and joint ventures accounted for using equity method	(31,582,414)	(27,570,332)
(Gain) loss on disposal of property, plant and equipment	58,986	(119,716)
Property, plant and equipment transferred to expenses	118,039	56,178
Gain on disposal of investments	-	(11,990,605)
Impairment loss on financial assets	1,023	184,119
Unrealized loss (profit) from associates	(32,789)	92,419
Unrealized foreign exchange loss (gain)	120,443	(143,729)
Unclaimed dividend and overdue compensation of directors transferred to other income	11,212	(41,765)
Impairment loss (gain on reversal of impairment loss) on property, plant and equipment	(95,245)	626,001
Total adjustments to reconcile profit (loss)	(12,371,460)	(20,248,900)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes receivable	(3,114,297)	(1,035,661)
Increase in accounts receivable (including related parties)	(5,328,792)	(126,925)
Increase in other receivable	(207,703)	(114,966)
(Increase) decrease in Inventories	(5,604,212)	4,263,105
Increase in other current assets	(807,701)	(59,186)
Total changes in operating assets	(15,062,705)	2,926,367
Changes in operating liabilities:		
Notes and accounts payable	(75,302)	2,578,060
Other payable	2,564,150	(262,872)
Other current liabilities	(64,935)	(804,459)
Net defined benefit liability	(5,515,063)	(1,295,507)
Total changes in operating liabilities	(3,091,150)	215,222
Net changes in operating assets and liabilities	(18,153,855)	3,141,589
Total adjustments	(30,525,315)	(17,107,311)
Cash inflow generated from operations	32,250,859	36,739,680
Interest received	898,538	1,091,433
Dividends received	15,439,121	13,715,392
Interest paid	(1,680,347)	(2,415,044)
Income taxes paid	(5,767,626)	(2,744,852)
Net cash flows from operating activities	41,140,545	46,386,609
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	-	(5,828,053)
Proceeds from disposal of available-for-sale financial assets	-	18,429,277
Acquisition of financial assets at cost	(1,737,518)	-
Proceeds from capital reduction of financial assets at cost	65,393	25,952
Acquisition of investments accounted for using equity method	(2,343,616)	(1,361,880)
Proceeds from disposal of investments accounted for using equity method	-	1,212,997
Acquisition of subsidiaries	-	(5,375,410)
Acquisition of property, plant and equipment	(9,382,034)	(10,176,351)
Proceeds from disposal of property, plant and equipment	630,028	274,487
(Increase) decrease in refundable deposits	(13,071)	42,422
Decrease (increase) in other receivables due from related parties	10,825,543	(5,596,802)
Business combination	-	176,050
Increase in other non-current assets	(4,146,835)	(3,702,444)
Net cash used in investing activities	(6,102,110)	(11,879,755)
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term loans	(10,586,631)	7,580,662
Increase in short-term notes and bills payable	1,654,976	795,520
Proceeds from issuance of bonds	9,485,044	4,991,430
Repayments of bonds	(9,631,241)	(12,437,888)
Increase in long-term debts	7,608,874	5,018,695
Repayments of long-term debt	(13,596,166)	(7,231,276)
Increase in other borrowings	4,998,418	-
Increase in guarantee deposits	45,014	40,586
Decrease in other payables to related parties	-	(73,100)
Increase (decrease) in other non-current liabilities	242,892	(108,463)
Cash dividends paid	(35,667,630)	(25,133,161)
Change in non-controlling interests	(261,062)	(572,715)
Net cash used in financing activities	(45,707,512)	(27,129,710)
Effect of exchange rate changes on cash and cash equivalents	(2,438,349)	(1,876,953)
Net (decrease) increase in cash and cash equivalents	(13,107,426)	5,500,191
Cash and cash equivalents, beginning of year	57,411,505	51,911,314
Cash and cash equivalents, end of year	\$ 44,304,079	57,411,505

See accompanying notes to Consolidated financial statements.

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

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Nan Ya Plastics Corporation was incorporated on August 22, 1958, and established its factories in Kaohsiung City. The Consolidated Company engages in the manufacture and sale of plastic products, polyester fibers, petrochemical products, and electronic materials. The Consolidated Company has gone through several capital increases and established many divisions. Currently, the Consolidated Company has the following divisions: plastics, fiber, petrochemical, electronics, and engineering. The Consolidated Company has 10 manufacturing plants across Taiwan, 1 branch office in Mai-Liao and 1 branch office in Sen-Kong.

(2) Approval date and procedures of the consolidated financial statements:

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 23, 2018.

(3) New standards, amendments and interpretations adopted:

- (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, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Consolidated Company assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(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, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Consolidated Company 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 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Consolidated Company does not believe that the new classification requirements will have any material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Consolidated Company had equity investments classified as available-for-sale, with a fair value of \$44,697,822, and financial assets measured at cost of \$18,694,079 that are held for long-term strategic purposes. At initial application of IFRS 9, the Consolidated Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Consolidated Company estimated the application of IFRS 9's classification requirements on January 1, 2018, resulting in the increase of \$12,486,740 and \$1,622,882 in other equity and retained earnings, respectively.

At December 31, 2017, the Consolidated Company had fund investments, with a fair value of \$5,477,817, classified as available-for-sale that are held for sale strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVTPL. Consequently, all fair value gains and losses will be reported in profit or loss. The Consolidated Company estimated the application of IFRS 9's classification requirements on January 1, 2018, resulting in an increase of \$416,519 in other equity and a decrease of \$416,519 in retained earnings, respectively.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Consolidated Company estimated the application of IFRS 9's impairment requirements on January 1, 2018 resulting in no material impact to its consolidated financial statements.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Consolidated Company's assessment included an analysis to identify data gaps against current processes and the Consolidated Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Consolidated Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The new hedge accounting requirements should generally be applied prospectively. However, the Consolidated Company has decided to apply the accounting for the forward element of forward contracts retrospectively.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Consolidated Company has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

1) Sales of goods

For the sale of all products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control over the goods. The Consolidated Company has performed an assessment that the timing of the related risks and rewards of the goods ownership transferred is similar to the timing when control is transferred; and the Consolidated Company does not expect that there will be any significant impact on its consolidated financial statement.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(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 IASB, but not yet 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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 9 "Prepayment features with negative compensation"	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
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Consolidated Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.
October 12, 2017	Amendments to IAS 28 "Long-term interests in associates and joint ventures"	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
December 12, 2017	Annual Improvements to IFRS Standards 2015–2017 Cycle: • IFRS 3 Business Combinations and IFRS 11 Joint Arrangements • IAS 12 Income Taxes • IAS 23 Borrowing Costs	• Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. — If a party maintain joint control, then the previously held interest is not remeasured. — If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. • Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits-i.e. in profit or loss, OCI or equity. • Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
February 7, 2018	Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	The amendments clarify that: • on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and • the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognised in other comprehensive income.

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

(4) Summary of significant accounting policies:

The following significant accounting policies are adopted in the accompanying consolidated financial statements. Except for those additional accounting policy disclosures described herein, the significant accounting policies have been applied consistently to all the reporting periods presented in these financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC.

(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 consolidated balance sheet.

- (i) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;
- (ii) Available-for-sale financial assets are measured at fair value;

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (iii) Defined benefit liabilities (asset) which are recognized as fair value of plan assets, less, the present value of the defined benefit obligation and the measurement of upper limit described in note 4(o).

Functional and presentation currency

The functional currency of the Consolidated Company is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparing consolidated financial statements

The consolidated financial statements incorporates the financial statements of the Company and its controlled entities (the subsidiaries). The Company controls an investee when it is exposed, or has rights, to variable return from its involvement with the investee and has to affect those returns through its authority over its investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from the intra-group transactions are eliminated in preparing the consolidated financial statements. 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.

Financial statements of the subsidiaries are adequately adjusted to align their accounting policies with those of the Consolidated Company.

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

Investor	The name of subsidiaries	Business activity	Stockholder's Equity		Note
			December 31, 2017	December 31, 2016	
The Company	Nan Ya Plastics Corporation U.S.A.	production of plastic products	100.00 %	100.00 %	
The Company	Nan Ya Plastics Corporation America	production of plastic, polyester and chemical products	100.00 %	100.00 %	
The Company	Formosa Plastics Group Investment Corp	investment	100.00 %	100.00 %	
The Company	Nan Ya Plastics (Hong Kong) Co., Ltd.	plastics and electronic products trading, investment holding	100.00 %	100.00 %	
The Company	Superior World Wide Trading Co., Ltd.	plastics trading, investment holding	100.00 %	100.00 %	
The Company	Nan Ya PCB Corporation	production of printed circuit board	66.97 %	66.97 %	
The Company	Wen Fung Industrial Co., Ltd.	production of electronic components	100.00 %	100.00 %	
The Company	Nan Chung Petrochemical Corporation	production of chemical products	50.00 %	50.00 %	
The Company	Nan Ya International (Cayman) Limited	investment	100.00 %	100.00 %	
The Company	PFG Fiber Glass Corporation	production of glass fiber	100.00 %	100.00 %	Note 1
The Company	PFG Fiber Glass (Hong Kong) Corporation Limited	glass fiber trading	100.00 %	100.00 %	Note 1
Nan Ya PCB Corporation	Nan Ya PCB (U.S.A.) Corporation	retargeting	100.00 %	100.00 %	

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	The name of subsidiaries	Business activity	Stockholder's Equity		Note
			December 31, 2017	December 31, 2016	
Nan Ya PCB Corporation	Nan Ya PCB (HK) Corporation	electronic materials trading, investment holding	100.00 %	100.00 %	
Nan Ya PCB (HK) Corporation	Nan Ya PCB (Kunshan) Corporation	production of printed circuit board	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Nantong) Co., Ltd.	production of plastic products, steam and electricity	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electric (Nantong) Co., Ltd.	production of switch gear and control panel	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd.	production of plastic products	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	China Nantong Huafeng Co., Ltd.	trading	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nantong Huafu Plastics Co., Ltd.	trading	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	production of electronic materials, polyester products, steam and electricity	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd.	production of polyester products	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Guangzhou) Co., Ltd.	production of polyester products	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Huizhou) Co., Ltd.	production of polyester products	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd.	production of polyester products	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd.	production of electronic materials	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Trading (Huizhou) Co., Ltd.	trading	100.00 %	100.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Xiamen) Co., Ltd.	production of plastic products	85.00 %	85.00 %	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd.	production of plastic products and plasticizer	100.00 %	100.00 %	
Wen Fung Industrial Co., Ltd.	Wellink Technology Corporation	production of electronic components	100.00 %	100.00 %	
Nan Ya Plastics Corporation America	Nan Ya Plastics Corporation Texas	production of chemical products	100.00 %	100.00 %	
PFG Fiber Glass (Hong Kong) Corporation Limited	PFG Fiber Glass (Kunshan) Co., Ltd.	glass fiber trading	100.00 %	100.00 %	Note 1

Note 1: Became a subsidiary in 2016. Please refer to note 6(f) for related disclosures.

The Consolidated Company holds fifty-percent voting shares of Nan Chung Petrochemical Corporation, and the general manager of Nan Chung Petrochemical Corporation was designated by the Company. As the Consolidated Company has control over the operations of Nan Chung Petrochemical Corp., the Consolidated Company included Nan Chung Petrochemical Corporation, a subsidiary company, in its consolidated financial statements.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Consolidated Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency denominated non-monetary assets and liabilities measured at fair value are retranslated to the functional currency at the exchange rate on the date when fair value was determined. Foreign currency denominated non-monetary items measured at historical cost is translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the translation:

- Available-for-sale financial asset;
- 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 the hedge is effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Consolidated Company's presentation 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 Consolidated Company's presentation 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 Consolidated Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Consolidated Company 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.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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) The asset is expected to be realized, or sold or consumed, during the Consolidated Company's normal operating cycle;
- (ii) The asset is held primarily for the purpose of trading;
- (iii) The asset is expected to be realized within twelve months after the balance sheet date; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

- (i) The liability is expected to be settled during the Consolidated Company's normal operating cycle;
- (ii) The liability is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the balance sheet date; or
- (iv) The Consolidated Company 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.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. 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 that satisfy the said requirements and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are treated as cash equivalents.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

Financial assets are categorized into financial assets at fair value through profit or loss, loans, receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

Financial assets classified under this category are mainly the financial assets held-for-trading, or designated as at fair value through profit or loss on initial recognition.

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. Financial assets, other than ones classified as held-for-trading, are designated as at fair value through profit or loss at initial recognition under one of the following situations:

- a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- b) Performance of the financial asset is evaluated on a fair value basis;
- c) A hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets in this category are measured at fair value.

Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, included in statements of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using the trade-date accounting.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and dividend income, are recognized in other comprehensive income and presented in other equity interest in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other income and expenses in statement of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment loss, and are included in financial assets measured at cost.

Dividend income from equity investments is recognized when the Consolidated Company obtains the right to receive the dividend (usually the ex-dividend date) and is recognized in profit or loss, under other income of the results from non-operating activities.

Interest income from debt instruments is recognized in profit or loss, under other income of the results from non-operating activities.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, which comprise accounts receivable and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses, except for short-term receivables in which the effect of discounting is immaterial. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income from receivables is recognized in profit or loss.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, a financial asset is assessed for impairment at reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') that occurred subsequent to the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes delinquency or default (such as unpaid or delayed payment of interest or principal) by a debtor, restructuring of an amount due to the Consolidated Company on terms that the Consolidated Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an available-for-sale investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Consolidated Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is determined based on the excess of its carrying amount over the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is determined based on the excess of its carrying amount over the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is written off directly against its carrying amount, except for accounts receivable, in which an impairment loss is credited to an allowance account against the receivables. When a receivable is determined to be uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is charged to the allowance account. Changes in the amount of the allowance accounts are recognized into profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the other equity interest in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial assets measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity interest in equity.

Impairment losses and recoveries on receivables are recognized in administrative expenses; impairment losses and recoveries of financial assets other than receivables are recognized as other gains and losses.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash inflow from the asset are terminated, or when the Consolidated Company transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income are recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

(ii) Financial liabilities

1) Classification of debt or equity instruments

Debt or equity instruments issued by the Consolidated Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated Company are recognized based on the proceeds received, net of direct issue costs.

Interests, gains and losses related to financial liabilities are recognized in profit or loss.

Financial liabilities are reclassified to equity on conversion, on which no gains or losses are recognized.

2) Financial liabilities at fair value through profit or loss

Financial liabilities classified under this category are mainly financial liabilities held-for-trading, or designated as at fair value through profit or loss on initial recognition.

Financial liabilities reclassified as held-for-trading if they are acquired principally for the purpose of selling in the short term. Financial liabilities, other than ones classified as held-for-trading, are designated as at fair value through profit or loss at initial recognition under one of the following situations:

- a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- b) Performance of the financial liabilities is evaluated on a fair value basis;
- c) A hybrid instrument contains one or more embedded derivatives.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

At initial recognition, financial liabilities in this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which take into account any interest expense, are recognized in profit or loss.

Financial liabilities at fair value through profit or loss measured at cost, which are recognized as “Financial liabilities carried at cost”; include obligations to deliver equity investments that do not have a quoted price borrowed by a short seller.

Gains and losses on financial guarantee contracts and loan commitments that the Consolidated Company issues and designates as financial liabilities are recognized in profit or loss.

3) Other financial liabilities

Except for those held-for-trading or is designated at fair value through profit or loss, financial liabilities which comprise of short-term and long-term loans, and accounts and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss.

4) Derecognition of financial liabilities

A financial liability is derecognized when the contractual obligation thereon has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Consolidated Company has legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investment in associates

Associates are those entities in which the Consolidated Company has significant influence, but not 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.

The consolidated financial statements include the Consolidated Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Consolidated Company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Consolidated Company and an associate are eliminated to the extent of the Consolidated Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Consolidated Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Consolidated Company has an obligation or has made payments on behalf of the investee.

When the Consolidated Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Consolidated Company's proportionate interest in the net assets of the associate. The Consolidated Company records such a difference as an adjustment to its investments, with the corresponding amount charged or credited to capital surplus. The said adjustment should first be adjusted under additional paid in capital. If the additional paid in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Consolidated Company's ownership interest is reduced due to the additional subscription of the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of its related assets or liabilities.

(j) Joint arrangements

Joint arrangement is the agreement of two or multiple parties with joint controls of a delegated entity. Joint arrangement includes joint operations and joint venture. Its traits are as follows:

- (i) All parties are bound by the arrangement
- (ii) Joint arrangements would suggest that at least two parties possess joint control over the arrangements. IFRS 11 "Joint Arrangement" defines 'Joint control' as "the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties who have sharing control over the joint arrangement."

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

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. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures, unless, the entity is exempted from applying the equity method as specified in that standard.

The Consolidated Company considered the infrastructure, legal form of the vehicle, provisions of the joint arrangement and other facts and situations when evaluating the classification of the joint arrangement. The Consolidated Company had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in jointly-controlled entities to joint ventures. Although the investments have been reclassified, they are still recorded under the equity method, thus, there should be no impact on the recognized assets, liabilities and comprehensive income of the consolidated entities.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that is directly attributed to the acquisition of the asset, any cost directly attributable to transporting the asset to the location and condition necessary for it to be utilized by the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

Gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is charged to profit or loss.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is highly probable that the Consolidated Company may gain access to the future economic benefits associated with the expenditure, and when the amount can be reasonably measured. The carrying amount of those parts that are replaced is derecognized. On-going repairs and maintenance is expensed as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is provided over their estimated useful lives by using the straight-line method. Each significant item of property, plant and equipment is evaluated individually and depreciated separately if it possesses different useful life. The depreciation charge for each period is recognized in profit or loss.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings: 25 to 50 years.
- 2) Machinery and equipment: 7 to 15 years.
- 3) Miscellaneous equipment: 7 to 15 years.

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in accounting estimate.

(I) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis in order that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the adjustments are confirmed.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Lessee

Leases are operating leases and are not recognized in the Company's balance sheets. Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingency rents are recognized as expenses in the period when the adjustment are confirmed.

(m) Intangible assets, Technical cooperation fee and long-term prepaid rental expense (recognized as other assets)

(i) Intangible assets, technical cooperation fee and long-term prepaid rental expense

Intangible assets, technical cooperation fee and long-term prepaid rental expense are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The amortizable amount is the cost of an asset, less its residual value.

Except for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, technical cooperation fee and long-term prepaid rental expense from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- | | |
|-------------------------------------|------------|
| 1) Goodwill | 15 years |
| 2) Technical cooperation fee | 5~15 years |
| 3) Long-term prepaid rental expense | 50 years |

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life, technical cooperation fee and long-term prepaid rental expense are reviewed at least annually at each fiscal year-end. Any change thereof is accounted for as a change in an accounting estimate.

(n) Impairment – Non-financial assets

Assessment is made as to whether impairment occurred in non-financial assets (excluding inventories, assets generated from construction contracts, deferred income tax assets, employee benefits, noncurrent assets classified as available-for-sale, and biological assets) at each reporting date, and the recoverable amount thereof is estimated. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the recoverable amount is determined for the asset's cash-generating units (CGUs).

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such reduction is treated as an impairment loss, which is charged to profit or loss.

Assessment is also made at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increase in the carrying amount shall not exceed the carrying amount (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

(o) Revenue recognition

Revenue from the sale of goods in the course of ordinary business activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. International shipments transfer usually occurs upon loading the goods onto the relevant carrier at the port. Generally for such products the customer has no right of return. For domestic sales, transfers occur upon receipt by the customer.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss for the period in which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Consolidated Company's net obligation in respect of a defined benefit pension plan is calculated separately for each plan by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods. Any unrecognized past service costs and the fair value of any plan assets is deducted from aforementioned net obligation. The discount rate is the yield on the reporting date of government bonds that have maturity dates approximating the terms of the Consolidated Company's obligations and are denominated in the same currency in which the benefits are expected to be paid.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

An actuarial calculation of pension costs and related liabilities are performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Consolidated Company, an asset is recognized but the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Consolidated Company. An economic benefit is available to the Consolidated Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurement of the net defined benefit assets (liability), comprising (a) actuarial gains and losses, (b) the return on plan assets, excluding the amounts included in the net interest of the net defined benefit liability (asset); and (c) any change of upper limit of assets, excluding the amounts included in the net interest of the net defined benefit liability (asset), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and may not be reclassified to profit or loss.

Gains or losses on the curtailment or settlement of a defined benefit plan are also recognized as pension expenses when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that was not previously recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Consolidated Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period when employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for the differences between expected and actual outcomes.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For cash-settled awards (such as a share appreciation right), the Consolidated Company measures the fair value of the goods or services and recognizes expenses and liabilities during the period when employees can receive returns unconditionally. The Consolidated Company remeasures the fair value of the award at each reporting period date and on settlement, and any changes in fair value are recognized in personnel expenses under income or losses.

(r) Income taxes

Tax expense comprises current tax expense and deferred tax expense. Current and deferred taxes are included in profit or loss for the period, except to the extent that the tax arises from a business combination or a transaction or event which is recognized directly in equity or other comprehensive income.

Current tax comprises the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date, and any adjustments for current tax of prior periods.

Deferred tax is recognized for the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is recognized for all temporary differences, except to the extent that the deferred tax arises from:

- (i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); or
- (ii) the investments in subsidiaries, branches and associates, and interests in joint ventures, and it is probable that the temporary difference will not reverse in the foreseeable future; or
- (iii) The initial recognition of goodwill.

Deferred tax is measured, at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if:

- (i) the Consolidated Company has a legal enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intent either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously; in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

A deferred tax asset is recognized for the carryforward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year in the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits, and deductible temporary differences can be utilized.

(s) Business combination

Goodwill is measured at the consideration transferred, less, the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Consolidated Company reassesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Consolidated Company shall measure any non controlling interests in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition date fair value is re-measured, and the resulting gain or loss, if any, is recognized in profit or loss.

(t) Earnings per share

The Consolidated Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. The Consolidated Company's potentially dilutive ordinary shares comprise employee share options.

(u) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Company). Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Consolidated Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(b) Measurement of defined benefit obligations

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have impact on the amount of the pensionable benefit obligations. Refer to note 6(m) for the actuarial assumptions used and sensitivity analysis.

The Consolidated Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Consolidated Company establishes a measurement and review mechanism for measuring fair value.

The Consolidated Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1:** quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- (c) Level 3:** inputs for the assets or liability that are not based on observable market data.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
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For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Please refer to note 6(u), financial instruments, for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

	December 31, 2017	December 31, 2016
Cash on hand	\$ 1,421	1,686
Cash in banks	4,958,290	28,322,264
Time deposits	32,674,075	21,988,219
Cash equivalents	<u>6,670,293</u>	<u>7,099,336</u>
Cash and cash equivalents	<u>\$ 44,304,079</u>	<u>57,411,505</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 Consolidated Company.

(b) Financial Assets

(i) Financial assets consisted of the following:

	December 31, 2017	December 31, 2016
Available-for-sale financial assets — current:		
Stocks	\$ 43,569,603	39,827,587
Funds	<u>5,477,817</u>	<u>5,774,741</u>
Total	<u>\$ 49,047,420</u>	<u>45,602,328</u>
Available-for-sale financial assets — non-current:		
Bonds and others	<u>\$ 1,128,219</u>	<u>1,220,108</u>
Financial assets carried at cost — non-current:		
Stocks	<u>\$ 18,694,079</u>	<u>18,223,610</u>

For the year ended December 31, 2016, the Consolidated Company sold its ownership of 483,770 thousand equity shares in Inotera Memories, Inc. for \$14,469,566, and resulted in a profit of \$8,920,104, which was recognized in profit or loss under other gains and losses. The said profit is the net of the related components previously charged to other comprehensive income.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
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The financial assets carried at cost are measured at cost, less, accumulated impairment losses on the reporting date. The fair values of these investments cannot be measured reliably because the range of reasonable fair value estimates is large and the probabilities for each estimate cannot be reasonably determined.

Please refer to note 6(u) for information on the Consolidated Company's exposure to credit, currency, and interest rates risk relating to financial instruments.

Please refer to note 8 for the details of financial assets pledged as collateral as of December 31, 2017 and 2016.

(ii) Sensitivity analysis—equity price risk

The impact to other comprehensive income of hypothetical changes in prices of the equity securities on the reporting date were as follows:

	For the years ended December 31			
	2017		2016	
Security price on reporting date	Other comprehensive income (after tax)	Income (after tax)	Other comprehensive income (after tax)	Income (after tax)
Increase of 1%	\$ 435,696	-	398,276	-
Decrease of 1%	\$ (435,696)	-	(398,276)	-

(c) Notes receivable, accounts receivable and other receivables

	December 31, 2017	December 31, 2016
Notes receivable	\$ 12,186,059	9,071,368
Accounts receivable	44,314,368	39,056,874
Other receivables	16,516,728	26,778,786
Overdue receivables	38,772	96,993
Allowance for doubtful receivables	(418,824)	(461,805)
Total	\$ 72,637,103	74,542,216

Movements of the allowance for doubtful receivables were as follows:

	For the years ended December 31,	
	2017	2016
Balance, beginning of year	\$ 461,805	440,979
Impairment loss recognised	18,646	15,579
Write-of	(50,487)	-
Effect of exchange rate changes	(11,140)	5,247
Balance, end of year	\$ 418,824	461,805

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The Consolidated Company estimates doubtful receivables and recognizes impairment allowance based on aging analysis, historical default rates and analysis of clients' financial situation.

Aging analysis of notes receivable, accounts receivable and other receivables which were overdue but not yet impaired were as follows:

	December 31, 2017	December 31, 2016
Overdue within 1 to 3 months	\$ 581,530	980,793
Overdue within 3 to 6 months	132,150	306,378
Overdue within 6 to 12 months	136,442	129,695
Overdue over 12 months	<u>129,170</u>	<u>128,796</u>
	<u>\$ 979,292</u>	<u>1,545,662</u>

As of December 31, 2017 and 2016, notes receivable and accounts receivable which were overdue or under legal proceedings amounted to \$38,772, and \$96,993, respectively. Such receivables were reclassified to overdue receivables under other assets and provided with a full impairment loss provision.

The Consolidated Company signed without-recourse factoring and financing contracts with financial institutions. According to these contracts, the net accounts receivable that have matured but are still uncollected will be paid by the financial institutions, except for those affected by trade disputes. As of December 31, 2017 and 2016, the outstanding accounts receivable factoring transactions between the Consolidated Company and the financial institutions were as follows:

December 31, 2017			
	Factoring Purchaser	Factoring Balance	Prepaid Amount
Gold Circuit Electronics Co., Ltd.	E. Sun Bank	<u>\$ 52,231</u>	-
			100,000
December 31, 2016			
	Factoring Purchaser	Factoring Balance	Prepaid Amount
Gold Circuit Electronics Co., Ltd.	E. Sun Bank	<u>\$ 47,347</u>	-
			100,000

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
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(d) Inventories, net

As of December 31, 2017 and 2016, the components of inventories were as follows:

	December 31, 2017	December 31, 2016
Finished goods	\$ 11,493,525	10,462,363
Work in process	9,597,819	8,488,488
Machinery and accessories in process	4,126,753	3,503,969
Raw materials	12,419,521	10,392,666
Supplies	747,586	763,077
Consigned-out raw materials	236,578	188,122
Consigned-out finished goods	11,424	5,567
Goods in transit	<u>2,097,932</u>	<u>1,581,362</u>
Total	<u>\$ 40,731,138</u>	<u>35,385,614</u>

For the years ended December 31, 2017 and 2016, cost of sales recognized in consolidated statement of comprehensive income amounted to \$256,257,387 and \$243,836,528, respectively.

For the years ended December 31, 2017 and 2016, net realizable value of inventories has increased because the factor that caused the inventory devaluation in the prior period were no longer present, the Consolidated Company recognized a gain from recovery in the value of inventories of \$51,777 and \$33,557, respectively, which were credited to cost of goods sold.

None of the inventory was pledged as collateral as of December 31, 2017 and 2016.

(e) Investments accounted for using equity method

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

	December 31, 2017	December 31, 2016
Associates	\$ 158,170,613	139,098,733
Jointly ventures	<u>477,939</u>	<u>468,618</u>
	<u>\$ 158,648,552</u>	<u>139,567,351</u>

(i) Associates

The Consolidated Company sold their ownership of 11,958 thousand equity shares in Formosa Petrochemical Corporation for \$1,212,997 from November 9 to 18, 2016, and resulted in a profit of \$455,557, which was recognized in profit or loss under gain on disposal of investments. The said profit is the net of the related components previously charged to other comprehensive income and capital surplus.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
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For the years ended December 31, 2017 and 2016, the Consolidated Company's share of net income (loss) of associates were as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
The Consolidated Company's share of net income of associates	<u>\$ 31,457,970</u>	<u>27,338,993</u>

- 1) Aforementioned information of associates was derived from financial statements audited by auditors.
- 2) The unrealized translation gain or loss arising from the investment in foreign entities, which was determined on exchange rates as of December 31, 2017 and 2016, was recognized in comprehensive income.
- 3) The unrealized sales profits from downstream transactions with investees under the equity method are treated as deductions from gross income. The realized sales profits from downstream sales are added to gross income. Details of these transactions are disclosed in note 7.
- 4) The Consolidated Company, which invested in "Formosa Automobile Sales Corporation" (originally was Formosa Automobile Corporation), an investee accounted for using the equity method, recognized gains of \$38,435 and \$15,937 from this investment for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Consolidated Company's cumulative loss from this investment had already exceeded the book value of the investment by \$29,473, and \$66,650, respectively.

As the Consolidated Company intends to support this investee companies, the investments in this investees were offset against related accounts receivable—related parties. As the balances of accounts receivable—related parties from "Formosa Automobile Corporation" were \$0 as of December 31, 2017 and 2016, such offset resulted in credit balances to the investments in this investees of \$29,473 and \$66,650, respectively, which were reclassified to non-current other liabilities.

- 5) The Company transferred 25% of its share of stocks in its associate company, "Formosa Group Investment (Cayman) Limited", to its subsidiary, "Nan Ya International (Cayman) Limited", as consideration for acquiring the latter's 100% share of the newly-issued ordinary stocks, 50,000 in total. The share equity of Formosa Ha Tinh (Cayman) Limited, originally held by Formosa Plastics Group Investment (Cayman) Limited, has been transferred to Nan Ya International (Cayman) Limited, resulting in an 11.43% shareholding of the said equity, which was recognized under "Financial assets carried at cost—non current".
- 6) On July 19, 2017, the subsidiary, Nan Ya International (Cayman) Limited, participated in the proportional capital increase by cash of Formosa Ha Tinh (Cayman) Limited, at 11.43% ownership interest, with the total investment amounting to USD57,161 thousand (equivalent to \$1,737,518).

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Aggregate information of associates that were not individually material:

	December 31, 2017	December 31, 2016
The carrying value of associates that were not individually material	\$ <u>158,170,613</u>	<u>139,098,733</u>
	<u>For the years ended December 31</u>	<u>2017</u>
Attributable to the Consolidated Company:		<u>2016</u>
Net Income	\$ 31,457,970	27,338,993
Other comprehensive income	<u>(1,436,242)</u>	<u>3,180,104</u>
Total comprehensive income	\$ <u>30,021,728</u>	<u>30,519,097</u>

(ii) Joint ventures

As of November 17, 2016, PFG Fiber Glass Corporation and PFG Fiber Glass (Hong Kong) Corporation Limited were joint ventures which accounted for using the equity method of the Consolidated Company. However, the Consolidated Company acquired an additional 50% ownership of PFG Fiber Glass Corporation and PFG Fiber Glass (Hong Kong) Corporation Limited on November 18, 2016, the Consolidated Company obtained control over the aforementioned investee companies. Please refer to note 6(f) for related disclosures.

For the years ended December 31, 2017 and 2016, the Consolidated Company's share of net income of joint venture were as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
The Consolidated Company's share of net income of joint ventures	\$ <u>124,444</u>	<u>231,339</u>

Aggregate information of joint ventures that were not individually material:

	December 31, 2017	December 31, 2016
The carrying value of joint ventures that were not individually material	\$ <u>477,939</u>	<u>468,618</u>
	<u>For the years ended December 31</u>	<u>2017</u>
Attributable to the Consolidated Company:		<u>2016</u>
Net income	\$ 124,444	231,339
Other comprehensive income	<u>-</u>	<u>(117,967)</u>
Total comprehensive income	\$ <u>124,444</u>	<u>113,372</u>

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
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(iii) Collateral

Please refer to note 8 for investments accounted for using equity method which were pledged to banks or courts as collateral to secure the Consolidated Company's bank loans and lawsuits as of December 31, 2017 and 2016.

(f) Business combination

On November 18, 2016, the Consolidated Company obtained control over PFG Fiber Glass Corporation and PFG Fiber Glass (Hong Kong) Corporation Limited by acquiring the remaining 50% interest of the investees. As a result, the Company's equity interest in the aforementioned investees increase from 50% to 100%. PFG Fiber Glass Corporation is a producer and supplier of glass fiber. PFG Fiber Glass (Hong Kong) Corporation Limited is a supplier of glass fiber.

The transaction costs relating to these acquisitions amounted to \$3,203 on tax, which were recognized as administrative expenses in the statement of comprehensive income.

- (i) The following table summarises the acquisition-date fair value of major class of consideration transferred.

	PFG Fiber Glass Corporation	PFG Fiber Glass (Hong Kong) Corporation Limited
Cash	\$ <u>2,148,131</u>	<u>3,227,279</u>

- (ii) The following table summarizes the recognized amounts of identifiable net assets acquired at the acquisition date.

	PFG Fiber Glass Corporation	PFG Fiber Glass (Hong Kong) Corporation Limited
Cash and cash equivalents	\$ 8,739	167,311
Accounts receivable and other receivables	332,880	987,552
Inventories	305,789	599,085
Property, plant and equipment	2,740,571	9,725,177
Intangible assets	2,596,821	300,351
Other assets	652,185	362,477
Accounts payable and Other payables	(577,235)	(83,616)
Short- and long-term borrowing	(897,704)	(5,228,140)
Net defined benefit liability, non-current	(752,546)	-
Other liabilities	<u>(113,238)</u>	<u>(375,639)</u>
Total identifiable net assets acquired	\$ <u>4,296,262</u>	<u>6,454,558</u>

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(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows :

	PFG Fiber Glass Corporation	PFG Fiber Glass (Hong Kong) Corporation Limited
Consideration transferred	\$ 2,148,131	3,227,279
Add : Fair value of pre-existing interest in investee company	2,148,131	3,227,279
Less: Fair value of identifiable net assets	(4,296,262)	(6,454,558)
Goodwill	<u>\$ -</u>	<u>-</u>

The Consolidated Company re-measured the fair value of its existing equity interest in PFG Fiber Glass Corporation (50%) and PFG Fiber Glass (Hong Kong) Corporation Limited (50%) before the business combination, and the resulting gains of \$1,298,411 and \$150,175, respectively, were recognized as “other gains and losses” in the statement of comprehensive income.

(g) Property, Plant and Equipment

The cost, depreciation, and impairment of property, plant and equipment of the Consolidated Company for the years ended December 31, 2017 and 2016 were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2017	\$ 9,871,616	61,776,017	340,269,689	1,563,481	12,073,648	12,000,648	437,555,099
Additions	-	37,091	1,002,416	25,332	270,184	8,047,011	9,382,034
Disposals	-	(973)	(4,175,725)	(37,574)	(219,946)	(55,129)	(4,489,347)
Reclassification	3,320	958,382	6,728,245	24,802	67,323	(6,192,095)	1,589,977
Effect of exchange rate changes	(4,474)	(895,137)	(4,528,159)	(20,126)	(99,703)	(324,202)	(5,871,801)
Balance on December 31, 2017	<u>\$ 9,870,462</u>	<u>61,875,380</u>	<u>339,296,466</u>	<u>1,555,915</u>	<u>12,091,506</u>	<u>13,476,233</u>	<u>438,165,962</u>
Balance on January 1, 2016	\$ 9,925,466	58,077,921	315,610,160	1,635,103	11,693,360	14,400,528	411,342,538
Additions	-	75,501	705,395	15,513	180,792	9,199,150	10,176,351
Disposals	(51,851)	(160,057)	(2,413,814)	(76,886)	(194,092)	(22,375)	(2,919,075)
Reclassification	-	2,346,243	11,041,630	(36,515)	489,955	(11,219,254)	2,622,059
Effect of loss of control	-	3,405,548	24,522,065	55,198	331,436	51,532	28,365,779
Effect of exchange rate changes	(1,999)	(1,969,139)	(9,195,747)	(28,932)	(427,803)	(408,933)	(12,032,553)
Balance on December 31, 2016	<u>\$ 9,871,616</u>	<u>61,776,017</u>	<u>340,269,689</u>	<u>1,563,481</u>	<u>12,073,648</u>	<u>12,000,648</u>	<u>437,555,099</u>
Depreciation and impairment loss:							
Balance on January 1, 2017	\$ -	31,518,303	255,594,785	1,381,323	9,336,230	-	297,830,641
Depreciation for the period	-	2,037,312	13,655,505	46,101	529,435	-	16,268,353
Reversal of impairment	-	-	(90,335)	(17)	(4,893)	-	(95,245)
Disposals	-	(778)	(3,450,845)	(36,899)	(193,772)	-	(3,682,294)
Reclassification	-	(17,526)	(806,253)	(1,531)	(222,253)	-	(1,047,563)
Effect of exchange rate changes	-	(442,588)	(3,473,694)	(16,545)	(77,001)	-	(4,009,828)
Balance on December 31, 2017	<u>\$ -</u>	<u>33,094,723</u>	<u>261,429,163</u>	<u>1,372,432</u>	<u>9,367,746</u>	<u>-</u>	<u>305,264,064</u>

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	Land	Building and construction	Machinery and equipment	Transportation equipment	Other facilities	Construction in progress	Total
Balance on January 1, 2016	\$ -	29,448,212	234,558,409	1,458,563	8,811,026	-	274,276,210
Depreciation for the period	-	2,001,819	13,425,864	41,845	554,130	-	16,023,658
Impairment loss	-	-	579,518	-	46,499	-	626,017
Reversal of impairment	-	-	-	(16)	-	-	(16)
Disposals	-	(152,830)	(2,298,299)	(73,823)	(183,174)	-	(2,708,126)
Reclassification	-	56,900	(90,282)	(66,819)	137,468	-	37,267
Effect of loss of control	-	976,336	14,606,911	44,414	272,370	-	15,900,031
Effect of exchange rate changes	-	(812,134)	(5,187,336)	(22,841)	(302,089)	-	(6,324,400)
Balance on December 31, 2016	<u>\$ -</u>	<u>31,518,303</u>	<u>255,594,785</u>	<u>1,381,323</u>	<u>9,336,230</u>	<u>-</u>	<u>297,830,641</u>
Carrying amounts:							
Balance on December 31, 2017	<u>\$ 9,870,462</u>	<u>28,780,657</u>	<u>77,867,303</u>	<u>183,483</u>	<u>2,723,760</u>	<u>13,476,233</u>	<u>132,901,898</u>
Balance on December 31, 2016	<u>\$ 9,871,616</u>	<u>30,257,714</u>	<u>84,674,904</u>	<u>182,158</u>	<u>2,737,418</u>	<u>12,000,648</u>	<u>139,724,458</u>

- (i) Please refer to note 8 for the property, plant and equipment pledged to secure bank loans as of December 31, 2017 and 2016.
- (ii) For the years ended December 31, 2017 and 2016, the capitalized interest on borrowings for the purchase of the property, plant and equipment of the Consolidated Company amounted to \$85,700 and \$127,182, respectively. The capitalized interest rate ranged from 1.495% to 2.284% and 1.2581% to 3.395% for the years ended December 31, 2017 and 2016, respectively.

(h) Intangible assets

The cost, amortization and impairment of the intangible assets of the Consolidated Company for the years ended December 31, 2017 and 2016 were as follows:

	<u>Trademark</u>
Costs :	
Balance at December 31, 2017 (as same as balance at January 1, 2017)	\$ <u>2,897,172</u>
Balance at January 31, 2016	\$ -
Acquisition through business combinations	<u>2,897,172</u>
Balance at December 31, 2016	\$ <u>2,897,172</u>
Accumulated amortization and impairment losses :	
Balance at January 1, 2017	\$ 24,143
Amortization for the year	<u>193,144</u>
Balance at December 31, 2017	\$ <u>217,287</u>
Balance at January 1, 2016	\$ -
Amortization for the year	<u>24,143</u>
Balance at December 31, 2016	\$ <u>24,143</u>

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	<u>Trademark</u>
Carrying value :	
Balance at December 31, 2017	\$ <u>2,679,885</u>
Balance at December 31, 2016	\$ <u>2,873,029</u>

The amortization expense relating to the intangible assets of the Consolidated Company for the year ended December 31, 2017 and 2016 was recognized in the administrative expenses in the statements of comprehensive income.

(i) Short-term notes and bills payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Short-term notes and bills payable	\$ 8,000,000	6,350,000
Discount on short-term notes and bills payable	(1,222)	(6,198)
Total	\$ <u>7,998,778</u>	<u>6,343,802</u>
Interest rate	<u>0.36%~0.45%</u>	<u>0.63%~0.73%</u>

(j) Short-term borrowings

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unsecured short-term borrowings	\$ <u>9,295,583</u>	<u>19,882,214</u>
Interest rate	<u>0.50%~4.35%</u>	<u>0.70%~4.1325%</u>

The Consolidated Company were no material issues, and the amount of \$10,586,631 was redeemed on short term borrowings for the year ended December 31, 2017. The amount of \$7,580,622 was issued, and there were no material buyback or redemption during the year ended December 31, 2016. For information concerning interest expense, please refer to note 6(t).

(k) Long-term debts

Long-term debts consisted of the following:

	<u>December 31, 2017</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Expiration</u>	<u>Amount</u>
Secured long-term debts	TWD	1.2180%~1.6316%	2020~2021	\$ 4,766,666
Unsecured long-term debts	TWD	0.9500%~1.15%	2018~2019	7,300,000
Unsecured long-term debts	USD	1.3600%~2.383%	2018	10,128,451
Unsecured long-term debts	CNY	4.750%	2020	956,316
Long-term notes payable	NTD	0.58%~0.89%	2019~2020	4,998,418
Current portion				<u>(12,661,784)</u>
Total				\$ <u>15,488,067</u>

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	December 31, 2016			
	Currency	Interest rate	Expiration	Amount
Secured long-term debts	TWD	1.2151%~1.6316%	2019~2021	\$ 6,100,000
Unsecured long-term debts	TWD	0.9561%~1.25%	2017~2019	6,314,286
Unsecured long-term debts	USD	1.3364%~2.020%	2017~2020	16,724,439
Current portion				<u>(10,487,130)</u>
Total				<u>\$ 18,651,595</u>

Please refer to note 6(u) for information on the Consolidated Company's exposure to liquidity risk, and risk of changes in interest rates and liquidation risk.

(i) The Consolidated Company issued the amounts of \$7,608,874 and \$5,018,695 on long term loans for the year ended December 31, 2017 and 2016, respectively. The amounts of \$13,596,166 and \$7,231,276 were redeemed for the year ended December 31, 2017 and 2016, respectively. For information on interest expense, please refer to note 6(t).

(ii) Pledged assets for bank loans

Refer to note 8 for information on the Consolidated Company's assets pledged to secure loans.

(iii) Secured debts

In order to raise funds to repay debts and for reinvestments, new factory construction plans, and foreign and domestic equipment acquisitions, the Consolidated Company signed a syndicated long-term mortgage loan agreement with Bank of Taiwan, the lead bank of the syndicated loan, and other banks on November 14, 2013. The key terms and conditions of the loan agreement are as follows:

- 1) Credit line: NT\$6,000,000
- 2) Interest rate: as settled with each participating bank.
- 3) Period: 7 years (including a 3-year grace period)
- 4) Collateral: the acquired land financed by the loan.
- 5) The financial covenants under this loan agreement include the requirement to maintain certain financial ratios based on the audited annual financial reports. Failure to comply with these financial covenants may cause the syndicated banks to terminate the credit line or declare the unpaid principal and interest 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 less than 100%
 - b) Leverage Ratio (total liabilities plus contingent liabilities to tangible net worth): not higher than 150%

As of December 31, 2017, NT\$6,000,000 of the credit line had been drawn.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(I) Unsecured bonds payable

	December 31, 2017	December 31, 2016
Domestic unsecured nonconvertible corporate bonds	\$ 54,200,000	52,500,000
Foreign unsecured nonconvertible corporate bonds	1,791,254	3,873,642
Costs of issuing bonds	(67,553)	(71,527)
Current portion	<u>(7,887,079)</u>	<u>(9,730,424)</u>
Total	<u>\$ 48,036,622</u>	<u>46,571,691</u>

The terms of domestic corporate bonds as of December 31, 2017 were as follows:

	The first domestic unsecured nonconvertible corporate bond in 2012	The second domestic unsecured nonconvertible corporate bond in 2012	The third domestic unsecured nonconvertible corporate bond in 2012	The first domestic unsecured nonconvertible corporate bond in 2013	The second domestic unsecured nonconvertible corporate bond in 2013
Issued amount	NT\$6,800,000	NT\$5,200,000	NT\$6,000,000	NT\$9,600,000	NT\$10,400,000
Balance, end of year	1,299,293	2,798,296	5,996,958	4,196,867	10,383,729
Current portion	649,646	1,399,148	-	2,298,285	-
Issuance date	July 4, 2012	September 7, 2012	February 25, 2013	August 5, 2013	December 18, 2013
Issuance period	5 years and 7 years	5 years and 7 years	7 years and 10 years	4 years, 5 years and 7 years	10 years and 12 years
Coupon rate	1.36% and 1.45%	1.25% and 1.37%	1.36% and 1.50%	1.40%, 1.45% and 1.55%	1.98% and 2.08%
Interest payment date	July 4	September 7	February 25	August 5	December 18
Repayment method	Payable in 2 equal installments for each coupon rate in 2016~2017 and 2018~2019, respectively.	Payable in 2 equal installments for each coupon rate in 2016~2017 and 2018~2019, respectively.	Payable in 2 equal installments for each coupon rate in 2018~2019 and 2021~2022, respectively	Payable in 2 equal installments for each coupon rate in 2017~2018 and 2019~2020, respectively	Payable in 2 equal installments for each coupon rate in 2022~2023 and 2024~2025, respectively

	The first domestic unsecured nonconvertible corporate bond in 2014	The second domestic unsecured nonconvertible corporate bond in 2014	The first domestic unsecured nonconvertible corporate bond in 2016	The first domestic unsecured nonconvertible corporate bond in 2017
Issued amount	NT\$10,000,000	NT\$5,000,000	NT\$5,000,000	NT\$9,500,000
Balance, end of year	9,980,623	4,996,418	4,993,858	9,486,405
Current portion	-	1,748,746	-	-
Issuance date	June 24, 2014	November 11, 2014	August 16, 2016	July 10, 2017
Issuance period	14 years and 15 years	5 years and 10 years	5 years	5 years and 7 years
Coupon rate	2.04%	1.45% and 1.93%	0.68%	1.03% and 1.25%
Interest payment date	June 24	November 11	August 16	July 10
Repayment method	Payable in 2 equal installments for each coupon rate in 2028 and 2029, respectively.	Payable in 2 equal installments for each coupon rate in 2018~2019 and 2023~2024, respectively	Payable in 2 equal installments for each coupon rate in 2020 and 2021, respectively	Payable in 2 equal installments for each coupon rate in 2021~2022 and 2023~2024, respectively

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The details of Nan Ya Plastics (Hong Kong) Co., Ltd's overseas corporate bond were as follows:

	For the year ended December 31, 2013
Issued amount	USD\$ 180,000 thousand
Issuance date	2013.8.5
Issuance period	5 years
Coupon rate	3 month LIBOR+1.1%
Interest payment date	February 5, May 5, August 5, and November 5
Bondholders with a put option	The bondholders bear no right to request the Consolidated Company to redeem the bond.
Issuer with a redemption option	The bond issuer bears the right to request the holders to redeem all outstanding bonds if the issuer needs to pay extra tax due to change in laws and regulations.

(m) Employee Benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligation	\$ 31,686,207	30,591,280
Fair value of plan assets	<u>(9,900,290)</u>	<u>(5,070,812)</u>
Net defined benefit liabilities	<u>\$ 21,785,917</u>	<u>25,520,468</u>

The Consolidated Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its 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 plan assets

The Consolidated Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Consolidated Company's Bank of Taiwan labor pension reserve account balance amounted to \$9,714,536 as of December 31, 2017. 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 the present value of the defined benefit obligation

Movements in the present value of the defined benefit obligation were as follows:

	For the years ended December 31	
	2017	2016
Balance, beginning of year	30,591,280	28,148,410
Current service cost and interest expense	784,343	1,116,546
Remeasurements of the net defined benefit liabilities:		
Actuarial losses (gains) arising from changes in financial assumptions	774,617	700,391
Experience adjustments	1,016,379	613,055
Benefits paid from plan assets	(1,490,358)	(1,224,371)
The effects of business combinations	-	1,227,397
Increase from transfer of related party employees	22,669	13,575
Effect of exchange rate changes	(12,723)	(3,723)
Balance, end of year	<u>31,686,207</u>	<u>30,591,280</u>

3) Movements in the fair value of the plan assets

Movements in the fair value of the plan assets were as follows:

	For the years ended December 31	
	2017	2016
Balance, beginning of year	\$ 5,070,812	3,383,511
Interest income	70,041	61,448
Remeasurements of the net defined benefit liabilities:		
Return on plan assets	10,484	14,916
Contributions from employer	5,876,573	2,048,890
Benefits paid	(1,116,074)	(909,459)
The effects of business combinations	-	474,851
Effect of exchange rate changes	(11,546)	(3,345)
Balance, end of year	<u>\$ 9,900,290</u>	<u>5,070,812</u>

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Pension costs recognized in profit or loss

The pension costs of the defined benefit plans recognized in profit or loss were as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Current service cost	\$ 403,665	674,883
Net interest expense of net defined benefit liabilities	310,637	380,215
	<u>\$ 714,302</u>	<u>1,055,098</u>

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Operating Costs	\$ 556,146	855,850
Selling expenses	25,768	42,192
Administrative expenses	132,388	157,056
	<u>\$ 714,302</u>	<u>1,055,098</u>

5) Movement in the re-measurement of net defined benefit liability recognized in other comprehensive income

The cumulated pretax re-measurement of the net defined benefit liability recognized in other comprehensive income were as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Accumulated amount at January 1	\$ (3,516,462)	(2,217,932)
Recognized during the period	(1,780,512)	(1,298,530)
Accumulated amount at December 31	<u>\$ (5,296,974)</u>	<u>(3,516,462)</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>For the years ended December 31</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Discount rate	1.25%~3.70%	1.25%~4.00%
Future salary increase rate	1.25%~3.50%	2.50%~3.50%

The expected allocation payment to be made by the Consolidated Company to the defined benefit plans for the one-year period after the reporting date is \$409,707.

The weighted-average lifetime of the defined benefits plans is 11~23 years.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Sensitivity analysis

As the principle actuarial assumptions change, the present value of the defined benefit obligation of the Company, Nan Ya PCB Corp., Nan Chung Petrochemical Corp., Wellink Technology Corp. and PFG Fiber Glass Corporation would increase (decrease) as follows:

	Influences of defined benefit obligations	
	Increase	Decrease
December 31, 2017		
Discount rate(0.25% variation)	\$ (689,080)	720,475
Future salary increasing rate(1.00% variation)	3,088,072	(2,645,504)
December 31, 2016		
Discount rate(0.25% variation)	(697,317)	730,406
Future salary increasing rate(1.00% variation)	3,159,829	(2,686,465)

As the principle actuarial assumptions change, the present value of the defined benefit obligation of Nan Ya Plastics Corporation U.S.A. would increase (decrease) as follows:

	Influences of defined benefit obligations	
	Increase	Decrease
December 31, 2017		
Discount rate(1.00% variation)	\$ (14,927)	17,983
Future salary increasing rate(1.50% variation)	5,299	(4,533)
December 31, 2016		
Discount rate(1.00% variation)	(15,376)	18,478
Future salary increasing rate(1.50% variation)	5,633	(4,821)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plan

The Labor Pension Act ("The Act") prescribes a defined contribution plan. Pursuant to the Act, the Company, and its subsidiaries namely, Nan Ya PCB Corp., Wen Fung Industrial Corp., Nan Chung Petrochemical Corp., Wellink Technology Corp. and PFG Fiber Glass Corporation have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

Nan Ya Plastics Corporation America and Nan Ya PCB (U.S.A.) Corporation adopt a Defined Contribution Plan and periodically provide contributions thereon according to local law. Those contributions are recognized as an expense on an accrual basis.

Subsidiaries in China are governed by China laws and regulation. Based on China laws and regulation, those companies contribute for employees' pension benefits at rates ranging from 6% to 20% of salary every month and remit those contributions to the related authority.

The Consolidated Company's pension costs under the defined contribution pension plan amounted to \$1,293,611 and \$1,271,466 for the years ended December 31, 2017 and 2016, respectively.

(n) Income Tax

(i) Income tax expense

The components of income tax expense for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31	
	2017	2016
Current income tax expense		
Current period	\$ 6,858,475	4,206,589
Adjustment for prior periods	9,188	(29,523)
Deferred tax expense		
Origination and reversal of temporary differences	1,920,787	956,902
Adjustment for prior periods	12,948	-
Total income tax expense	<u>\$ 8,801,398</u>	<u>5,133,968</u>

The amount of income tax recognized in other comprehensive income for 2017 and 2016 were as follows:

	For the years ended December 31	
	2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement from defined benefit plans	<u>\$ 295,930</u>	<u>220,586</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 490,058</u>	<u>146,797</u>

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of income tax and profit before tax for 2017 and 2016 were as follows:

	For the years ended December 31	
	2017	2016
Profit before income tax	\$ <u>62,776,174</u>	<u>53,846,991</u>
Income tax calculated on accounting income at a statutory rate	\$ 13,362,215	9,861,852
Effect from the difference in income tax rate between foreign investee and the Consolidated Company	407,572	238,254
Tax effect on tax-exempt dividend income	(433,426)	(353,599)
Tax effect on tax-exempt income	-	(2,040,876)
Tax effect on unrecognized deferred assets of tax losses	296,147	370,714
Tax effect on unrecognized temporary differences	17,399	98,557
Income tax expense arising from investment income in joint ventures	143,903	169,900
Tax effect on investment income recognized under equity method	(6,590,173)	(5,072,517)
Tax effect on investment tax credits	(13,000)	-
Differences between estimated and actual income tax and income tax adjustments on prior years	22,136	(29,523)
Additional income tax under the Alternative Minimum Tax Act	-	181,290
10% surtax on undistributed earnings	719,025	449,827
Other income tax adjustments	<u>869,600</u>	<u>1,260,089</u>
Income tax expense	\$ <u><u>8,801,398</u></u>	<u><u>5,133,968</u></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The component of unrecognized deferred tax assets were as follows:

	December 31, 2017	December 31, 2016
Deductible temporary differences	\$ 116,600	99,201
Tax benefit of loss carry forwards	<u>876,970</u>	<u>580,823</u>
	\$ <u><u>993,570</u></u>	<u><u>680,024</u></u>

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Company can utilize the benefits therefrom.

As of December 31, 2017, the information of the Consolidated Company's unutilized business losses for which no deferred tax assets were recognized are as follows:

Occurrence year	Unutilized creditable amount	Expiry date
2008	\$ 11,554	2018
2009	149,842	2019
2010	33,282	2020
2011	23,925	2021
2012	2,029,810	2022
2013	1,302,494	2023
2014	36,692	2024
2015	93	2025
2016	1,565,891	2026
2017	5,065	2027
	<u>\$ 5,158,648</u>	

2) Recognized deferred tax assets and liabilities

Movement in the deferred tax assets and liabilities for 2017 and 2016 were as follows:

Deferred tax liabilities:

	Foreign investment income recognized under equity method	Defined benefit plans	Others	Total
Balance on January 1, 2017	\$ 9,086,580	(20,364)	581,858	9,648,074
Recognized in profit or loss	1,022,118	-	113,170	1,135,288
Recognized in other comprehensive income	-	9,547	-	9,547
Foreign currency translation differences for foreign operations	-	5,126	(12,814)	(7,688)
Balance on December 31, 2017	<u>\$ 10,108,698</u>	<u>(5,691)</u>	<u>682,214</u>	<u>10,785,221</u>
Balance on January 1, 2016	\$ 8,425,497	(21,211)	594,240	8,998,526
Recognized in profit or loss	661,083	-	16,459	677,542
Recognized in other comprehensive income	-	342	-	342
Acquisition of subsidiary	-	-	128,376	128,376
Foreign currency translation differences for foreign operations	-	505	(157,217)	(156,712)
Balance on December 31, 2016	<u>\$ 9,086,580</u>	<u>(20,364)</u>	<u>581,858</u>	<u>9,648,074</u>

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred tax assets:

	Investment tax credits	Defined benefit plans	Idle capacity	Loss carryforward	Others	Total
Balance on January 1, 2017	\$ 17,780	4,320,820	36,027	1,354,361	308,008	6,036,996
Recognized in profit or loss	38	(939,338)	(2,708)	-	143,561	(798,447)
Recognized in other comprehensive income	-	305,477	-	-	490,058	795,535
Foreign currency translation differences for foreign operations	-	-	-	-	(122,242)	(122,242)
Balance on December 31, 2017	<u>\$ 17,818</u>	<u>3,686,959</u>	<u>33,319</u>	<u>1,354,361</u>	<u>819,385</u>	<u>5,911,842</u>
Balance on January 1, 2016	\$ -	4,196,199	34,138	1,355,756	110,356	5,696,449
Recognized in profit or loss	17,780	(225,478)	1,889	(1,395)	(55,776)	(262,980)
Recognized in other comprehensive income	-	220,928	-	-	146,797	367,725
Acquisition through business combinations	-	129,171	-	-	102,734	231,905
Foreign currency translation differences for foreign operations	-	-	-	-	3,897	3,897
Balance on December 31, 2016	<u>\$ 17,780</u>	<u>4,320,820</u>	<u>36,027</u>	<u>1,354,361</u>	<u>308,008</u>	<u>6,036,996</u>

3) Income tax examination and approval

The Company's tax returns through 2015 have been examined by the ROC tax authorities.

4) Integrated income tax information

	December 31, 2017 (note)	December 31, 2016
Undistributed earnings in 1997 and prior years	\$ 3,123,574	3,123,574
Undistributed earnings in 1998 and thereafter	<u>60,550,602</u>	<u>54,921,576</u>
	<u>\$ 63,674,176</u>	<u>58,045,150</u>
Balance of imputation credit account	<u>\$ 731,838</u>	<u>588,673</u>
	<u>2017 (estimated) (note)</u>	<u>2016 (actual)</u>
Creditable ratio distribution to residents	<u>1.21%</u>	<u>9.19%</u>

The aforementioned integrated income tax has been calculated in accordance with information letter No.10204562810 issued by the Ministry of Finance of the ROC on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system. The information presented above is for reference only.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Capital and other equity

As of December 31, 2017 and 2016, the Company's government registered total authorized capital and issued capital stock both amounted to \$79,308,216, divided into 7,930,822 thousand shares of stock with \$10 par value per share.

(i) Capital surplus

The components of capital surplus as of December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Paid-in capital from conversion of corporate bond to common stock in excess of par value	\$ 8,997,136	8,997,136
Gains on acquisition of Taiwan Plasticizer Corporation	74,474	74,474
Other	<u>17,086,862</u>	<u>14,084,023</u>
Total	<u><u>\$ 26,158,472</u></u>	<u><u>23,155,633</u></u>

According to the ROC Company Act, the realized capital surplus can only be used for the distribution of stock or cash dividends, appropriated proportionately to shareholders, after covering accumulated deficit, if any. Realized capital surplus includes the additional paid-in capital from issuance of common stock in excess of the common stock's par value and donation from others. The Company's paid-in capital in excess of par value is transferrable to common stock annually but shall not exceed 10% of total issued and outstanding common stock according to Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

(ii) Retained earnings

1) Legal reserve

According to the amendment of the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. If the Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) 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 IFRSs as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments(gains) of \$6,277,052, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No. 1010012865as 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, these special reserves can be reverted to distributable earnings proportionately. As the amount appropriated exceeds the increase in retained earnings arising from the adoption of

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

IFRSs, only \$6,243,060 is appropriated in compliance to the IFRSs as endorsed by the FSC. The balance of special reserve both amounted to \$6,145,034 as of December 31, 2017 and 2016.

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.

3) Earnings distribution

According to the rules of the Company's articles, the Company's annual net earnings, 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 belongs to a mature industry, in which the annual profit is stable. It adopts three kinds of dividend distribution policies, which are cash dividends, capitalization of earnings, and capital surplus. The 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 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.

Based on the resolutions approved by stockholders during meetings held on June 20, 2017 and June 23, 2016, the distribution of the Company's earnings in 2015 and 2014, respectively, were as follows:

	<u>2016</u>	<u>2015</u>
Dividends per share:		
Cash dividends	\$ 4.50	3.30
Stock dividends	<u>-</u>	<u>-</u>
	<u>\$ 4.50</u>	<u>3.30</u>

The aforementioned earnings distributions did not differ from those proposed by the board of directors and those estimated and accrued amount in the financial statements in 2016 and 2015. The related information can be obtained from the Market Observation Post System website.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other equity accounts (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets	Cash flow hedge	Total
Balance, January 1, 2017	584,042	44,067,434	41,312	44,692,788
Exchange differences arising on translation of foreign operations	(5,097,022)	-	-	(5,097,022)
Share of exchange differences of associates/joint ventures under equity method	(1,513,217)	-	-	(1,513,217)
Unrealized gains (losses) on available-for-sale financial assets	-	3,372,708	-	3,372,708
Share of unrealized gains (losses) on available-for-sale financial assets of associates/joint venture under equity method	-	251,054	-	251,054
Share of cash flow hedge of associates/ joint ventures	-	-	(33,583)	(33,583)
Balance, December 31, 2017	<u>\$ (6,026,197)</u>	<u>47,691,196</u>	<u>7,729</u>	<u>41,672,728</u>
Balance, January 1, 2016	9,732,511	41,828,765	66,573	51,627,849
Exchange differences arising on translation of foreign operations	(8,278,937)	-	-	(8,278,937)
Share of exchange differences of associates/joint ventures under equity method	(869,532)	-	-	(869,532)
Unrealized gains (losses) on available-for-sale financial assets	-	(1,770,068)	-	(1,770,068)
Share of unrealized gains (losses) on available-for-sale financial assets of associates/joint venture under equity method	-	4,008,737	-	4,008,737
Share of cash flow hedge of associates/ joint ventures	-	-	(25,261)	(25,261)
Balance, December 31, 2016	<u>\$ 584,042</u>	<u>44,067,434</u>	<u>41,312</u>	<u>44,692,788</u>

(p) Share-based payment

The Consolidated Company was authorized to issue 9,912 units and 1,588 units of employee stock options on June 23, 2009 and March 25, 2010, respectively, and each option entitles the holder to subscribe for one thousand common shares of the Consolidated Company at the exercise price of \$89 and \$124.5, respectively. The Consolidated Company transferred capital surplus to share capital on August 5, 2011, and adjusted the exercise price to NT\$75.4 and NT\$116. The Consolidated Company distributed cash dividend on July 23, 2012, and adjusted the exercise price to NT\$72.2 (9,912 units) and NT\$111.1 (1,588 units), respectively. The Consolidated Company distributed cash dividend on July 22, 2015, and adjusted the exercise price to NT\$70.0 (9,912 units) and NT\$107.5 (1,588 units), respectively. The Consolidated Company distributed cash dividend on July 12, 2016, and adjusted the exercise price to NT\$67.6 (9,912 units) and NT\$103.8 (1,588 units), respectively. The Consolidated Company distributed cash dividend from capital surplus on July 26, 2017, and adjusted the exercise price to NT\$100.5 (1,588 units); among all other stock options, those issued in 2009 was already expired on June 22, 2017. The grant was limited to regular employees of NanYa PCB Corporation. The options are exercisable at certain percentages after the second anniversary from the grant date, with 50%, 75%, and 100% of these stock options vested after the second, third, and fourth anniversary dates, respectively, and the options granted are valid for 8 years.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Parameter of the measurement of the fair value on grant dates

The Consolidated Company utilized the Black-Scholes option pricing model to value the stock options granted, and the main inputs to the valuation model were as follows:

	The 1st batch 2009 of employee stock options	The 2nd batch 2010 of employee stock options
Dividend rate	-	-
Expected price volatility	42.89 %	39.77 %
Risk-free interest rate	1.0102 %	0.9584 %
Expected valid period (years)	5.375	5.375
Projected turnover rate	13.01 %	23.43 %

(ii) Related information of employee stock option plans

The details of these employee stock option plans for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31			
	2017		2016	
Employee stock option plans	Weighted- average exercise price	Number of options (Units)	Weighted- average exercise price	Number of options (Units)
Outstanding at January 1, 2017 and 2016	\$ 74.17	5,778	76.81	5,991
Options exercised	68.09	(4,800)	76.81	(213)
Outstanding at December 31, 2016 and 2015	\$ 100.50	<u>978</u>	74.17	<u>5,778</u>
Options exercisable, end of period	100.50	<u>978</u>	74.17	<u>5,778</u>

As of December 31, 2017 and 2016, the details of the Consolidated Company's outstanding stock options accounted for as a compensatory cost were as follows:

	December 31, 2017					
	Options outstanding			Options exercisable		
Range of exercise prices (NT\$)	Number of options	Remaining period (years)	Exercise price (NT\$)	Number of options	Exercise price (NT\$)	
\$ 100.5	<u>978</u>	<u>0.25</u>	<u>100.5</u>	<u>978</u>	<u>100.5</u>	

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Range of exercise prices (NT\$)	December 31, 2016				
	Options outstanding			Options exercisable	
	Number of options	Remaining period (years)	Exercise price (NT\$)	Number of options	Exercise price (NT\$)
\$ 68	4,730	0.48	67.6	4,730	67.6
\$ 103.8	1,048	1.24	103.8	1,048	103.8

(q) Earnings Per Share

The basic earnings per share for the years ended December 31, 2017 and 2016 were calculated on profit attributable to ordinary shareholders of the Company of \$54,521,016 and \$48,840,267, respectively, and weighted average number of outstanding shares of stock were 7,930,822 ordinary shares, calculated as follows:

(i) Profit attributable to ordinary shareholders

	For the years ended December 31	
	2017	2016
Profit attributable to ordinary shareholders	\$ 54,521,016	48,840,267

(ii) Weighted average number of outstanding ordinary shares

	For the years ended December 31	
	2017	2016
Shares outstanding as of January 1 is the same as weighted average number of common stock outstanding as of December 31	\$ 7,930,822	7,930,822

(r) Revenue

For the years ended December 31, 2017 and 2016, the components of revenue were as follows:

	For the years ended December 31	
	2017	2016
Sale of goods	\$ 301,727,843	271,640,649
Service revenues	215,651	143,298
Others	4,196,458	3,510,484
	\$ 306,139,952	275,294,431

(s) Employee compensation

According to the specifications of the Company's article, 0.05% to 0.5% of the earnings before tax and bonuses should be appropriated to employees as bonuses. However, certain amounts of the earnings should be reserved if there is an accumulated loss from the operations in the previous years in advance of the appropriation of the employee bonuses.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounted to \$58,908 and \$51,567, respectively, which were calculated based on the Company's profit before tax without the employee compensation of each period, multiplied by the percentage of remuneration to employees as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017 and 2016.

(t) Non-operating income and expenses

(i) Other income

For the years ended December 31, 2017 and 2016, the components of other income were as follows:

	For the years ended December 31	
	2017	2016
Interest income	\$ 865,868	719,958
Dividend income	2,577,728	2,115,878
Other income	<u>1,637,884</u>	<u>2,071,630</u>
	\$ <u>5,081,480</u>	<u>4,907,466</u>

(ii) Other gains and losses

For the years ended December 31, 2017 and 2016, the components of other gains and losses were as follows:

	For the years ended December 31	
	2017	2016
Foreign exchange losses	\$ (1,957,292)	(1,461,784)
Gain on disposal of investments		
Gain on disposal of investments accounted for using equity method	-	1,904,143
Gain on disposal of available-for-sale financial assets	-	10,086,462
Impairment loss on financial assets	(1,023)	(184,119)
Gain (Loss) on disposal of property, plant and equipment	(58,986)	119,716
Reversal of impairment/ Impairment loss of property, plant and equipment, and non-financial instruments	95,245	(626,001)
Others	<u>(188,207)</u>	<u>(178,828)</u>
	\$ <u>(2,110,263)</u>	<u>9,659,589</u>

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Finance costs

For the years ended December 31, 2017 and 2016, the components of finance costs were as follows:

	For the years ended December 31	
	2017	2016
Interest expense	\$ 1,712,782	1,700,440
Less: Capitalization of interest	(85,700)	(127,182)
	\$ 1,627,082	1,573,258

(u) Financial Instruments

(i) Credit Risk

1) Exposure to credit risk

The Consolidated Company is exposed to credit risk primarily from cash and cash equivalents, deposits, and trade receivables.

2) Concentration of credit risk

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

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2017							
Non-derivative financial liabilities							
Short-term notes and bills payable	\$ 7,998,778	8,001,222	8,001,222	-	-	-	-
Notes and accounts payable	10,252,937	10,252,937	10,252,937	-	-	-	-
Payables to related parties	9,722,905	9,722,905	9,722,905	-	-	-	-
Short-term borrowings	9,295,583	9,304,122	9,274,914	29,208	-	-	-
Long-term debts	23,151,433	23,751,814	2,040,460	11,009,417	7,501,672	3,200,265	-
Bonds payable (TWD)	54,132,447	59,376,095	290,640	6,648,280	6,701,590	20,403,130	25,332,455
Bonds payable (USD)	1,791,254	1,828,679	24,353	1,804,326	-	-	-
Long-term notes payable	4,998,418	5,014,294	3,164	3,164	2,005,551	3,002,415	-
	\$ 121,343,755	127,252,068	39,610,595	19,494,395	16,208,813	26,605,810	25,332,455

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2016							
Non-derivative financial liabilities							
Short-term notes and bills payable	\$ 6,343,802	6,356,198	6,356,198	-	-	-	-
Notes and accounts payable	11,402,860	11,402,860	11,402,860	-	-	-	-
Payables to related parties	8,673,428	8,673,428	8,673,428	-	-	-	-
Short-term borrowings	19,882,214	19,913,954	19,913,954	-	-	-	-
Long-term debts	29,138,725	30,389,056	8,951,701	1,996,260	4,518,770	14,922,325	-
Bonds payable (TWD)	52,428,473	57,972,990	290,640	8,351,280	6,834,470	14,823,305	27,673,275
Bonds payable (USD)	<u>3,873,642</u>	<u>3,978,564</u>	<u>54,754</u>	<u>1,961,980</u>	<u>1,961,830</u>	<u>-</u>	<u>-</u>
	<u>\$ 131,743,144</u>	<u>138,687,050</u>	<u>55,643,535</u>	<u>12,309,520</u>	<u>13,315,070</u>	<u>29,745,630</u>	<u>27,673,275</u>

It is expected that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) **Currency risk**

1) **Exposure to foreign currency risk**

The Consolidated Company's foreign currency denominated financial assets and liabilities exposed to exchange rate risk were as follows:

	<u>December 31, 2017</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>TWD</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$	999,623	29,8480
JPY		118,876	0.2641
EUR		1,836	35.6081
HKD		6,989	3.8267
CNY		1,324	4.5679
<u>Non-monetary items</u>			
USD		584,711	29.8480
CNY		50,062	4.5679
IDR		114,274,967	0.0022
VND		5,983,703,009	0.0013

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2017			
	Foreign Currency	Exchange Rate	TWD
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 442,738	29.8480	13,214,844
JPY	824,118	0.2641	217,650
EUR	2,317	35.6081	82,504
CNY	2	4.5679	9
December 31, 2016			
	Foreign Currency	Exchange Rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 1,435,905	32.2790	46,349,577
JPY	114,601	0.2768	31,722
EUR	1,847	33.8460	62,514
HKD	16,816	4.1383	69,590
CNY	97,671	4.6531	454,473
<u>Non-monetary items</u>			
USD	661,904	32.2790	21,365,599
CNY	48,375	4.6531	225,094
IDR	99,068,868	0.0025	247,672
VND	6,307,294,061	0.0014	8,830,212
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	718,071	32.2790	23,178,614
USD	1,117,696	0.2768	309,378
JPY	8,839	33.8460	299,165
HKD	1,551	4.6531	7,217

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Consolidated Company's exposure to exchange rate risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans and borrowings, accounts payable and other payables which are denominated in different foreign currencies. The overall effects to net income before tax for the year ended December 31, 2017 and 2016 assuming the TWD depreciated or appreciated by 1% against the USD, JPY, EUR, HKD and CNY as of December 31, 2017 and 2016 were as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Appreciation in value of 1%	\$ (164,554)	(622,392)
Depreciation in value of 1%	<u>164,554</u>	<u>622,392</u>
	<u>\$ -</u>	<u>-</u>

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

Due to the variety of functional currencies, the Consolidated Company disclosed its aggregated foreign exchange gains (losses); the Consolidated Company's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2017 and 2016 were the net exchange losses of \$1,957,292 and 1,461,784, respectively.

(iv) Interest rate analysis

The Consolidated Company's financial assets and liabilities exposed to interest rate are described in note 6(u)

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase or decrease in interest rate is assessed by management to be a reasonable possible change in interest rate.

An increase or decrease of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have increased or decreased net income by \$4,144 and \$6,396 for the years ended December 31, 2017 and 2016, respectively.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value of financial instruments

1) The categories and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets, is measured on a recurring basis. The carrying amount and fair value of the Consolidated Company's financial assets and liabilities, including the information on fair value hierarchy as stated below. However, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2017				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Stocks in listed companies	\$ 43,569,603	43,569,603	-	-	43,569,603
Domestic and foreign funds	5,477,817	903,549	4,574,268	-	5,477,817
Bond investments and others	<u>1,128,219</u>	<u>-</u>	<u>-</u>	<u>1,128,219</u>	<u>1,128,219</u>
Subtotal	<u>\$ 50,175,639</u>	<u>44,473,152</u>	<u>4,574,268</u>	<u>1,128,219</u>	<u>50,175,639</u>
Loans and receivables					
Cash and cash equivalent	\$ 44,304,079	-	-	-	-
Notes and accounts receivable (including related parties)	<u>56,120,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 100,424,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Short-term borrowing	\$ 9,295,583	9,295,583	-	-	9,295,583
Short-term notes and bills payable	7,998,778	7,998,778	-	-	7,998,778
Notes and accounts payable (including related parties)	19,975,842	-	-	-	-
Bonds payable	55,923,701	55,923,701	-	-	55,923,701
Long-term borrowing	23,151,433	23,151,433	-	-	23,151,433
Long-term notes payable	<u>4,998,418</u>	<u>4,998,418</u>	<u>-</u>	<u>-</u>	<u>4,998,418</u>
Subtotal	<u>\$ 121,343,755</u>	<u>101,367,913</u>	<u>-</u>	<u>-</u>	<u>101,367,913</u>

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

		December 31, 2016			
			Fair Value		
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Stocks in listed companies	\$ 39,827,587	39,827,587	-	-	39,827,587
Domestic and foreign funds	5,774,741	900,299	4,874,442	-	5,774,741
Bond investments and others	1,220,108	-	-	1,220,108	1,220,108
Subtotal	<u>\$ 46,822,436</u>	<u>40,727,886</u>	<u>4,874,442</u>	<u>1,220,108</u>	<u>46,822,436</u>
Loans and receivables					
Cash and cash equivalent	\$ 57,411,505	-	-	-	-
Notes and accounts receivable (including related parties)	47,763,430	-	-	-	-
Subtotal	<u>\$ 105,174,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Short-term borrowing	\$ 19,882,214	19,882,214	-	-	19,882,214
Short-term notes and bills payable	6,343,802	6,343,802	-	-	6,343,802
Notes and accounts payable (including related parties)	20,076,288	-	-	-	-
Bonds payable	56,302,115	56,302,115	-	-	56,302,115
Long-term borrowing	29,138,725	29,138,725	-	-	29,138,725
Subtotal	<u>\$ 131,743,144</u>	<u>111,666,856</u>	<u>-</u>	<u>-</u>	<u>111,666,856</u>

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments traded in active markets are measured at fair value based on the quoted market prices. Quoted prices are the prices announced by the main stock exchanges and over-the-counter markets. They are the basis for recognizing the fair value of the listed and over-the-counter equity instruments.

Financial instrument possesses a quoted price in the active markets if the trading prices fairly represent the frequent and orderly transactions for financial instrument, and are readily available from trade centers, security brokers, underwriters, trade unions, pricing service institutes or other related authorities. The market for the said financial instrument shall be seen as inactive should the aforementioned requirements have not been met. Large or significantly increasing gap between the purchase and the exit prices of a financial instrument, or low trade volume, are general indicators of an inactive market.

If the financial instrument of the Consolidated Company possesses an active market, its fair value should be recognized according to different categories and characteristics as follows:

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For listed and over-the-counter stocks with standard terms and are publicly traded in active markets, their fair value are calculated by the market's quoted prices.

Other financial instruments that are not traded in active markets are measured with fair values provided by using the valuation techniques via market approach or the discounted cash flow method or other available methods.

If the financial instruments held by the Consolidated Company are not traded in active markets, the valuation of their fair value is categorized as follows:

Bond investments that has no quoted prices: Fair value is measured with the income approach by applying the discounted cash flow method that convert future cashflow amounts to a single current amount on the basis of the value indicated by current market expectations about those future amounts.

3) Transfers between levels of the fair value hierarchy

There were no transfers between levels of the fair value hierarchy for the years ended December 31, 2017 and 2016.

4) Movement of financial instruments grouped into level 3

	Available-for-sale financial assets
	Bond investment and others
January 1, 2017	\$ 1,220,108
Total gains and losses recognized:	
In other comprehensive income	-
Effect of exchange rate changes	(91,889)
December 31, 2017	<u>\$ 1,128,219</u>
January 1, 2016	\$ 1,281,330
Total gains and losses recognized:	
In other comprehensive income	(30,751)
Effect of exchange rate changes	(30,471)
December 31, 2016	<u>\$ 1,220,108</u>

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Financial risk management

- (i) The Consolidated Company have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following, likewise, discusses the Consolidated Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Framework of risk management

The Consolidated Company's risk management policies are established to identify and analyze the risks confronting the Consolidated Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The audit committee has overall responsibility for the establishment and oversight of the risk management framework, and is responsible for developing and monitoring the Consolidated Company's risk management policies.

(iii) Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

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.

The credit risk exposure on bank deposits and other financial instruments are measured and monitored by the Consolidated Company's finance department. As the Consolidated Company's transactions are done with the banks and other external parties with good credit standing, management is not aware of any non compliance issues and is not expecting significant credit risk.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalents, 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 Consolidated Company's reputation.

(v) Market risk

Market risk is the risk that changes in the market, such as foreign exchange rates, interest rates, and equity prices, of that will affect the Consolidated Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exchange rate risk

The Consolidated Company's exposure to exchange rate risk is due to global transactions that are denominated in a currency other than the respective functional currency of the Company, primarily the New Taiwan Dollars (TWD). The currencies used in these transactions are denominated in USD. The exchange rate risk mainly arises from future business transactions and recognized assets and liabilities. Part of the exchange rate risks arising from purchases and sales can be offset each other to achieve automatic hedge.

When the Consolidated Company has foreign currency needs, the Consolidated Company uses spot exchange contracts and forward exchange contracts if the exchange rate is advantageous to the Consolidated Company to manage the risk. If necessary, the Consolidated Company uses derivatives operated by prestigious international banks to manage its exposure to foreign currency exchange rate fluctuation risk, which monitor the exchange rate risks and adhere to acceptable levels by the Consolidated Company.

2) Interest rate risk

The Consolidated Company's interest rate risk mainly arises from long-term loans with variable interest rates, which bear cash flow risks to the Consolidated Company. Part of the interest rate risks can be offset by cash and cash equivalents with variable interest rates held by the Consolidated Company.

The Consolidated Company manages interest rate risks by using derivatives when necessary, to lower the risk to acceptable levels.

3) Other market price risk

The Consolidated Company is exposed to fair value change risk due to available-for-sale financial assets measured at fair value.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Capital Management

Although business operated by the Consolidated Company has reached the stage of maturity, a sufficient amount of capital is still required to support the operation of investee companies, construction and expand its production facilities and equipment.

The Consolidated Company's policy is to maintain sufficient financial resources and operating plan to meet future demands such as operating capital, capital expenditure, research and development expenditures, loan reimbursements, and dividend distributions.

The Consolidated Company uses debt to capital ratio to manage its capital. The debt to capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities are derived by deducting cash and cash equivalents from total liabilities. Total capital includes the following: common shares of stock, capital surplus, retained earnings, other equity, and non-controlling interests; plus net liabilities. The Consolidated Company's debt to capital ratio at the end of the reporting period was as follows:

	December 31, 2017	December 31, 2016
Total liabilities	\$ 176,851,630	186,151,338
Less: cash and cash equivalents	<u>(44,304,079)</u>	<u>(57,411,505)</u>
Net debt	<u>\$ 132,547,551</u>	<u>128,739,833</u>
Total equity	<u>\$ 367,219,759</u>	<u>351,033,466</u>
Debt-to-equity ratio at December 31	<u>26.52 %</u>	<u>26.83 %</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Consolidated Company and its subsidiaries.

(b)

Name of related party	Relationship with the Consolidated Company
Formosa Petrochemical Corporation	Associates
Nanya Technology Corporation	Associates
Formosa Resources Corporation	Associates
Formosa Plastics Construction Corporation	Associates
Formosa Heavy Industries Corporation	Associates
Formosa Heavy Industries (Ningbo) Co., Ltd.	Associates
Formosa Heavy Industries Corp. (GZ) Ltd.	Associates
Formosa Synthetic Rubber (Hong Kong) Corporation Limited	Associates
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Associates
Formosa Industries Corporation	Associates
Formosa Group (Cayman) Limited	Associates

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of related party	Relationship with the Consolidated Company
Formosa Utility Venture, Ltd.	Associates
Formosa Environmental Technology Corporation	Associates
Formosa Automobile Corporation	Associates
FG Inc.	Associates
Nan Ya Plastics (Zhengzhou) Co., Ltd.	Joint ventures
Nanya Kyowa Plastics (Nantong) Co., Ltd.	Joint ventures
P.T. Indonesia Nanya Indah Plastics Co.	Joint ventures
PFG Fiber Glass Corporation	Joint ventures (Note 1)
PFG Fiber Glass (Kunshan) Co., Ltd.	Joint ventures (Note 1)
Formosa Plastics Corporation	Other related parties
Formosa Chemicals and Fiber Corporation	Other related parties
Hwa Ya Power Corporation	Other related parties
Formosa Taffeta Co., Ltd.	Other related parties
Formosa Advanced Technology Corporation	Other related parties
Formosa Ha Tinh (Cayman) Ltd.	Other related parties
Formosa Ha Tinh Steel Corporation	Other related parties
Formosa Ha Tinh (Cayman) Limited Taiwan Branch	Other related parties
China Man-made Fiber Corporation	Other related parties
Mai Liao Harbor Administration Corp.	Other related parties
Formosa Industries (Ningbo) Co., Ltd.	Other related parties
Formosa Power (Ningbo) Limited Company	Other related parties
Formosa Electronic (Ningbo) Co., Ltd.	Other related parties
Formosa ABS Plastics (Ningbo) Limited Company	Other related parties
Formosa Chemicals and Fiber (Ningbo) Corporation	Other related parties
Formosa Phenol (Ningbo) Limited Company	Other related parties
Xiamen Haicang Investment Group Co., Ltd.	Other related parties
Formosa Plastics Marine Corporation	Other related parties
Formosa Plastics Corporation U.S.A.	Other related parties
Inotera Memories, Inc	Other related parties (Note 2)
FG LA LLC	Other related parties

Note 1 : On November 18, 2016, the Consolidated Company obtained control over PFG Fiber Glass Corporation and PFG Fiber Glass (Kunshan) Co., Ltd., which were included in its consolidated financial statements.

Note 2 : Since December 8, 2016, the Consolidated Company and Nanya Technology Corporation disposed its shares in Inotera Memories, Inc.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant related-party transactions

(i) Sales to related parties

Significant sales to related parties and the balance of accounts receivable were as follows:

	For the years ended December 31	
	2017	2016
Associates and joint ventures	\$ 6,747,192	5,490,349
Other related parties	14,278,820	15,821,530
	\$ 21,026,012	21,311,879

The receivables from related parties were as follows:

	December 31, 2017	December 31, 2016
Subsidiaries and joint ventures	859,276	586,252
Other related parties	1,673,125	1,369,559
	\$ 2,532,401	1,955,811

The selling prices and collection terms of sales to related parties are not significantly different from those of third-party customers. The accounts receivable arising from sales of machinery and equipment, and machine parts are collected after the delivery inspection, and the accounts receivable arising from sales of other products are collected on the 30th day of the following month.

The Company sells mainly machinery and provides engineering services to related parties in China and Vietnam. Payment is made after the test run of machinery sold. Also, it sells other products to these related parties. Selling prices and collection terms of other products sold to these associates are not materially different from those to non-related general buyers. Payments are collected 30 to 180 days after shipping of these other products.

(ii) Purchase from related parties

Significant purchases from related parties and the balance of accounts payable were as follows:

	For the years ended December 31	
	2017	2016
Associates and joint ventures		
Formosa Petrochemical Corporation	\$ 41,510,806	38,208,458
Other associates and joint ventures	46,394	5,334,427
Other related parties		
Formosa Chemicals and Fiber Corporation	28,673,444	26,498,728
Other related parties	21,096,647	19,038,318
	\$ 91,327,291	89,079,931

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The payables to related parties were as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Associates and joint ventures		
Formosa Petrochemical Corporation	\$ 3,884,307	3,801,251
Other associates and joint ventures	-	532
Other related parties		
Formosa Chemicals & Fiber Corporation	3,299,791	2,359,848
Other related parties	<u>2,538,691</u>	<u>2,511,797</u>
	<u>\$ 9,722,789</u>	<u>8,673,428</u>

Purchase prices and payment terms of purchases from related parties are not materially different from those of non-related general suppliers. Payment shall be paid within 30 to 180 days of the month following the month of purchase with checks which are due and payable immediately.

(iii) Unrealized sales profit

Significant unrealized (realized) profits from sales to related parties for the years ended December 31, 2017 and 2016 were as follows:

<u>For the year ended December 31, 2017</u>			
<u>Investee company</u>	<u>Unrealized sales</u> <u>profit at beginning</u> <u>of period</u>	<u>(Realized)</u> <u>Unrealized</u> <u>Sales Profits</u>	<u>Unrealized sales</u> <u>profit at end</u> <u>of period</u>
Associates and joint ventures	\$ <u>135,038</u>	<u>(32,789)</u>	<u>102,249</u>

<u>For the year ended December 31, 2016</u>			
<u>Investee company</u>	<u>Unrealized sales</u> <u>profit at beginning</u> <u>of period</u>	<u>(Realized)</u> <u>Unrealized</u> <u>Sales Profits</u>	<u>Unrealized sales</u> <u>profit at end</u> <u>of period</u>
Associates and joint ventures	\$ <u>42,619</u>	<u>92,419</u>	<u>135,038</u>

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Construction

The Consolidated Company contracted with associates to construct and expand the Consolidated Company's factory. The construction costs for the years ended December 31, 2017 and 2016 were as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Associates and joint ventures		
Formosa Heavy Industries Corporation	\$ <u>541,901</u>	<u>272,733</u>

The payables to related parties were as follows:

	<u>December 31,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
Associates and joint ventures		
Formosa Heavy Industries Corporation	\$ <u>116</u>	<u>-</u>

(v) Utility expenses

Part of the utilities of the Company's Lin-Yuan plant and all of the utilities of the Company's Ren-Wu plant, including power, water and steam, are supplied by or paid on behalf of the Company by the utility plants of Formosa Plastics Corporation. The utilities of the Company's Mai Liao plant, including power, water and steam, are supplied by Formosa Petrochemical Corporation. The expenses for utilities for the years ended December 31, 2017 and 2016 were as follows:

	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Associates and joint ventures		
Formosa Petrochemical Corporation	\$ 7,334,716	6,342,765
Other related parties		
Formosa Plastics Corporation	<u>106,571</u>	<u>106,378</u>
	\$ <u>7,441,287</u>	<u>6,449,143</u>

(vi) Property transactions

1) Acquisition of Property, Plant and Equipment

The price of property, plant and equipment purchased from related parties were as follows:

	<u>December 31,</u>
	<u>2017</u>
Associates — Formosa Petrochemical Corporation	\$ <u>299</u>

The Consolidated Company had no similar transactions in the year ended December 31, 2016.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Disposal of land

<u>Investee</u>	<u>For the year ended December 31, 2016</u>	
	<u>Proceeds, net</u>	<u>Gains (losses) from disposal</u>
Other related parties - Formosa Plastics Corporation	\$ <u>43,100</u>	<u>14,544</u>

The Consolidated Company has no similar transactions in the year ended December 31, 2017.

3) Acquisition of financial assets

	<u>Financial Statement Account</u>	<u>Number of Shares (in thousands)</u>	<u>Transaction Shares</u>	<u>For the year ended December 31, 2017</u>
Associates – Formosa Resources Corporation	Investments accounted for using equity method	168,344	Shares of stock of Formosa Resources Corporation	\$ 1,683,440
Associates – FG Inc.	Investments accounted for using equity method	2	Shares of stock of FG Inc	660,176
Other related parties – Formosa Ha Tinh	Financial assets carried at cost – non current	56,470	Shares of stock of Formosa Ha Tinh (Cayman) Ltd.	<u>1,737,518</u>
				<u>\$ 4,081,134</u>

	<u>Financial Statement Account</u>	<u>Number of Shares (in thousands)</u>	<u>Transaction Shares</u>	<u>For the year ended December 31, 2016</u>
Associates – Formosa Plastics Construction Corporation	Investments accounted for using equity method	8,500	Shares of stock of Formosa Plastics Construction Corporation	\$ 85,000
Associates – Formosa Synthetic Rubber (Hong Kong) Corporation Limited	Investments accounted for using equity method	40,000	Shares of stock of Formosa Synthetic Rubber (Hong Kong) Corporation Limited	1,276,880
Other related parties – Formosa Group (Cayman) Limited	Financial assets carried at cost – non current	508,237	Shares of stock of Formosa Ha Tinh (Cayman) Ltd.	16,084,840
				<u>\$ 17,446,720</u>

4) Disposal of financial assets

	<u>Financial Statement Account</u>	<u>Transaction Shares (in thousands)</u>	<u>Transaction Items</u>	<u>For the year ended December 31, 2016</u>	
				<u>Disposal price</u>	<u>Gain (loss) from disposal</u>
Associates - Nan. Ya Plastics International (Cayman) Limited	Investments accounted for using equity method	508,249	Shares of stock of Formosa Group (Cayman) Limited	\$ <u>15,817,802</u>	<u>-</u>

The Consolidated Company has no similar transactions in the year ended December 31, 2017.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Loans to related parties

The loans to related parties were as follows:

	Other Receivables from Related Parties	
	December 31, 2017	December 31, 2016
Associates and joint ventures		
Nanya Technology Corporation	\$ -	8,000,000
Formosa Group (Cayman) Limited	4,259,500	7,963,300
Other related parties and joint ventures	1,779,460	665,394
Other related parties		
Formosa Plastics Marine Corporation	4,176,922	2,983,903
Formosa Ha Tinh (Cayman) Ltd.	3,040,500	4,037,625
Other related parties	<u>1,091,359</u>	<u>1,523,062</u>
	<u>\$ 14,347,741</u>	<u>25,173,284</u>

(viii) Endorsements and guarantees

As of December 31, 2017 and 2016, the amounts of the Consolidated Company's endorsements and guarantees for securing related parties' loans were as follows:

	December 31, 2017	December 31, 2016
Associates and joint ventures		
Formosa Group (Cayman) Limited	\$ 21,639,800	33,247,370
Formosa Industries Corporation	4,898,311	5,297,258
Other associates and joint ventures	3,890,900	1,475,611
Other related parties		
Formosa Ha Tinh (Cayman) Ltd.	<u>15,457,372</u>	<u>12,472,657</u>
	<u>\$ 45,886,383</u>	<u>52,492,896</u>

(ix) Rental

- 1) The rental income of the Consolidated Company from leasing its plants to its related parties, recognized as other income, were as follows:

	For the years ended December 31	
	2017	2016
Associates and joint ventures		
Nan Ya Technology Corporation	<u>\$ 218,883</u>	<u>206,215</u>

The rentals charged to related parties are determined based on the local market prices, and rents are collected monthly depending on the contract.

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) The rental expenses of the Consolidated Company's offices and buildings leased from its related parties, recognized as operating costs and expenses, were as follows:

	For the years ended December 31	
	2017	2016
Associates and joint ventures	\$ 13,164	9,867
Other related parties	90,903	93,600
	<u>\$ 104,067</u>	<u>103,467</u>

The related parties charged their rentals based on the local market prices, which are paid expending on the contract periods (e.g. monthly, semi-annually or annually)

- (d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2017	2016
Short-term employee benefits	\$ 116,712	120,212

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	Usage	December 31, 2017	December 31, 2016
Available-for-sale financial asset—current—stock of Formosa Plastics Corporation	Others	The collateral to provisional execution in litigation	\$ 1,257,043	1,136,051
Investment accounted for using equity method—stock of Formosa Petrochemical Corporation	Long-term and short-term debt	Long-term and short-term debt	9,099,955	8,240,538
Land (include idle land)	Long-term and short-term debt	Long-term and short-term debt	7,529,494	7,529,494
Machinery and equipment	Long-term and short-term debt	Long-term and short-term debt	235,439	18,217,116
Total			<u>\$ 18,121,931</u>	<u>35,123,199</u>

(Continued)

NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

	December 31, 2017	December 31, 2016
(1) Outstanding standby letter of credit	\$ 1,480,072	647,341
(2) Endorsements and guarantees	45,886,383	52,492,896
(3) Bonding guarantees by banks	25,000	31,500
(4) Letters of credit guarantees by banks	22,275	22,275
(5) Nan Ya PCB (Kunshan) Corporation, a subsidiary of Nan Ya PCB Corporation and a sub-subsidiary of the Company, signed a syndicated loan contract with a group of financial institutions, with Chang Hwa Bank as the lead bank, amounting to USD 117,330 thousand, for its construction funds commencing 2012. According to the requirement of the consortium, Nan Ya PCB Corporation has to offer a letter of undertaking and commit to monitor the operations of Nan Ya PCB (Kunshan) to ensure that it completes its construction on schedule.		
(6) Formosa Ha Tinh (Cayman) Ltd., a Company's investee, signed a syndicated line of credit with a group of financial institutions amounting to USD 1,560,000 thousand for its operational needs. According to the requirement of the consortium, the Company has to offer a letter of undertaking based on its ownership of 11.432% and commit to monitor the operations of Formosa Ha Tinh (Cayman) Ltd. to ensure that it completes its financial obligation.		
(7) Litigation between the Company and DBTEL Incorporated		

The Company's client, DBTEL Inc. (DBTEL), placed several orders from the Company concerning LCD monitors since May 2003. However, in June 2004, it decided to cancel some of them, even demanding the Company to postpone its delivery; and in some cases, it went to a certain extent as to refuse accepting the goods delivered by the Company, resulting in a stock up of both raw materials and finished products in the Company's warehouse amounting to USD 5,409,815 and NTD 100,846,141. In light of this matter, the Company filed a lawsuit against DBTEL to the Taiwan High Court on April 6, 2006, demanding for compensation for the damage caused by DBTEL. In reply, the Court authorized the Company to hold certain properties of DBTEL as its collateral. However, DBTEL was not satisfied with the decision made by the Court; therefore, it filed an appeal against the Company. On April 18, 2017, the Court decided that the compensation demanded by the Company should not exceed the amounts of USD 1,246,118 and NTD 27,229,161 (both including principal and interest). Plus, the said properties that were held by the Company for collateral amounting to NTD 167,711,921 should also be returned to DBTEL, with additional interest from May 3, 2011 to the return date calculated by 5% annual interest rate. The Company considered the verdict handed down by the Taiwan High Court to be unreasonable and contradictory to its previous decision. Therefore, it filed an appeal to the Supreme Court. Currently, this case is still in progress.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Consolidated Company's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by \$1,013,020 and \$343,242, respectively.

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, were as follows:

	For the year ended December 31, 2017				For the year ended December 31, 2016			
	Operating Costs	Operating expenses	Non-Operating expenses	Total	Operating Costs	Operating expenses	Non-Operating expenses	Total
Employee benefit								
Salaries	21,366,354	5,705,191	-	27,071,545	20,470,040	5,839,313	-	26,309,353
Labor and health insurance	1,935,383	342,093	-	2,277,476	1,843,081	354,254	-	2,197,335
Pension expenses	1,646,535	361,378	-	2,007,913	1,893,112	433,452	-	2,326,564
Others personnel expenses	1,182,337	188,191	-	1,370,528	1,117,457	218,189	-	1,335,646
Depreciation expenses	15,515,691	730,296	22,366	16,268,353	15,171,498	830,394	21,766	16,023,658
Amortization expenses	1,753,860	245,858	-	1,999,718	1,671,427	110,145	-	1,781,572

(13) Other disclosures:

(a) Information on significant transactions:

- (i) Loans to other parties: Please see attached Table 1.
- (ii) Guarantees and endorsements for other parties: Please see attached Table 2.
- (iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures): Please see attached Table 3.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$100 million or 20% of the capital stock: Please see attached Table 4.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please see attached Table 5

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million 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: Please see attached Table 6.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please see attached Table 7.
- (ix) Trading in derivative instruments: Please refer to notes : None
- (x) Business relationships and significant intercompany transactions: Please see attached Table 8.
- (b) Information on investees : Please see attached Table 9.
- (c) Information on investment in mainland China : Please see attached Table 10.

(14) Segment information:

(a) General Information

The Consolidated Company's four reportable segments are: plastics products, plastic materials, electronic materials and fiber products. Plastic products department mainly engaged in the manufacture and sale of flexible PVC sheets and other plastics processing products; plastic materials department is mainly engaged in the manufacture and sale of ethylene glycol and other plastic petrochemical raw materials; electronic materials department is mainly engaged in the manufacture and sale of copper clad laminate; fiber products department is mainly engaged in the manufacture and sale of polyester products.

The Consolidated Company's reportable segments are responsible for the Consolidated Company's strategic business units, including the manufacturing and supplying of different products. As each strategic business unit requires different technology and marketing strategies, each unit is administered individually.

(b) Segment revenue and operating results

The Consolidated Company uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, excluding any shares of profit (loss) of associates and joint ventures accounted for using equity method, income tax, extraordinary gains and losses, and foreign exchange gains and losses, because they are managed on a group basis, and hence they are not allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

There were no material differences between the accounting policies adopted for the Consolidated Company's operating segments and those described in Note 4. The terms and conditions for the Consolidated Company's intersegment sales and transfers are the same as those of third-party transactions, which are measured at market price.

Operating segments are combined and reconciled as follows:

For the year ended December 31, 2017							
	Plastics Product	Plastics Material	Electronic Materials	Polyester Product	Other Department	Reconciliations	Total
Revenue :							
Net revenue from external customers	\$ 44,647,056	87,847,276	110,903,078	56,536,402	6,206,140	-	306,139,952
Net revenue from sales among intersegments	944,452	8,524,406	22,244,785	750,917	3,196,652	(35,661,212)	-
Interest revenue	197,137	81,556	451,668	967	775,757	(641,217)	865,868
Total revenue	\$ 45,788,645	96,453,238	133,599,531	57,288,286	10,178,549	(36,302,429)	307,005,820
Interest expense	\$ 74,703	453,151	546,344	96,839	1,097,262	(641,217)	1,627,082
Depreciation and amortization	1,649,471	5,708,250	8,273,850	1,801,364	835,136	-	18,268,071
Share of profit (loss) of associates and joint ventures accounted for using equity method							31,582,414
Reportable segment profit or loss	\$ 4,599,540	13,876,780	20,467,951	1,849,208	33,049,198	(11,066,503)	62,776,174
Reportable segment assets	\$ 32,612,367	63,714,019	139,985,117	35,058,030	442,646,826	(169,944,970)	544,071,389
Reportable segment liabilities	\$ 10,192,314	13,833,368	29,722,991	11,284,939	121,238,465	(9,420,447)	176,851,630

For the year ended December 31, 2016							
	Plastics Product	Plastics Material	Electronic Materials	Polyester Product	Other Department	Reconciliations	Total
Revenue :							
Net revenue from external customers	\$ 46,516,524	70,861,618	95,201,750	53,493,178	9,221,361	-	275,294,431
Net revenue from sales among intersegments	812,200	8,204,117	9,790,545	770,709	2,833,292	(22,410,863)	-
Interest revenue	158,489	56,121	338,046	3,155	744,701	(580,554)	719,958
Total revenue	\$ 47,487,213	79,121,856	105,330,341	54,267,042	12,799,354	(22,991,417)	276,014,389
Interest expense	\$ 58,392	401,348	400,618	100,817	1,192,637	(580,554)	1,573,258
Depreciation and amortization	1,778,396	5,645,988	7,717,041	1,761,502	902,303	-	17,805,230
Share of profit (loss) of associates and joint ventures accounted for using equity method							27,570,332
Reportable segment profit or loss	\$ 5,475,758	1,752,653	4,122,290	1,214,367	46,000,028	(4,718,105)	53,846,991
Reportable segment assets	\$ 35,762,150	63,825,959	131,018,418	36,244,197	427,588,175	(157,254,095)	537,184,804
Reportable segment liabilities	\$ 9,893,095	21,084,802	25,675,900	10,950,353	122,115,851	(3,568,663)	186,151,338

Further explanations of the significant reconciling items of reportable segment information exhibited above are described as follows:

The eliminations of the Consolidated Company's intersegment revenue amounted to \$36,302,429 and \$22,991,417 in 2017 and 2016, respectively.

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NAN YA PLASTICS CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Geographic information

The Consolidated Company's revenues from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are as follows:

<u>Geographic</u>	<u>For the years ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Net Revenue from External Customers:		
Taiwan	\$ 91,441,076	78,650,112
China and HK	123,844,067	109,357,474
U.S.A.	40,567,735	37,395,838
Others	<u>50,287,074</u>	<u>49,891,007</u>
	<u>\$ 306,139,952</u>	<u>275,294,431</u>
<u>Geographic</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
Non-current Assets:		
Taiwan	\$ 75,380,225	78,587,660
China and HK	61,836,129	68,427,523
U.S.A.	<u>10,399,227</u>	<u>7,642,250</u>
	<u>\$ 147,615,581</u>	<u>154,657,433</u>

Non-current assets include property, plant and equipment, investment property, intangible assets and other assets, but do not include financial instruments, deferred tax assets, post-employment benefit assets, and non-current assets arising from insurance contracts.

(d) Information about major customers

There is no single customer's sale which exceeds 10% of the Consolidated Company's revenues.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
LOANS TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 1

No.	Name of Lenders	Name of Borrowers	Account Name	Related Party	Highest Balance of Financing to Other Parties during the Period	Ending Balance	Actual Usage during the Period	Range of Interest Rates during the Period	Purposes of Fund Financing for the Borrowers (Note 1)	Transaction Amount for Business Between Two Parties (Note 2)	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Individual Funding Loan Limits (Note 3)	Maximum Limitation on Fund Financing (Note 4)
													Item	Value		
0	The Company	Nanya Technology Corporation	Other receivables from related parties	YES	11,000,000	-	-	1.407932%~1.409215%	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Mai Liao Power Corporation	Other receivables from related parties	YES	1,200,000	-	-	-	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Nan Chung Petrochemical Corporation (Note 6)	Other receivables from related parties	YES	500,000	500,000	-	1.407739%~1.409215%	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Formosa Plastics Marine Corporation	Other receivables from related parties	YES	6,640,083	5,866,923	4,176,922	1.407722%~1.409215%	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Wellink Technology Corporation (Note 6)	Other receivables from related parties	YES	100,000	100,000	-	-	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Nan Ya Plastics (Hong Kong) Co., Ltd. (Note 6)	Other receivables from related parties	YES	500,000	500,000	-	-	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Formosa Plastics Group Investment Corp. (Note 6)	Other receivables from related parties	YES	70,000	70,000	-	-	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Formosa Heavy Industries Corporation	Other receivables from related parties	YES	9,500,000	6,500,000	-	-	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Formosa Petrochemical Corporation	Other receivables from related parties	YES	16,500,000	6,000,000	-	1.408063%~1.408150%	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Formosa Plastics Corporation	Other receivables from related parties	YES	8,000,000	6,000,000	-	-	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Formosa Chemicals and Fiber Corporation	Other receivables from related parties	YES	8,000,000	6,000,000	-	-	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Formosa Ha Tinh (Cayman) Ltd.	Other receivables from related parties	YES	7,147,625	3,040,500	3,040,500	1.407722%~1.409214%	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Formosa Group (Cayman) Limited	Other receivables from related parties	YES	7,963,300	4,259,500	4,259,500	1.407722%~1.409214%	2	-	Operating capital	-	-	-	88,904,965	177,809,930
0	The Company	Formosa Ha Tinh (Cayman) Limited Taiwan Branch	Other receivables from related parties	YES	30,000	-	-	1.409146%~1.409215%	2	-	Operating capital	-	-	-	88,904,965	177,809,930
1	Nan Ya Plastics (Guangzhou) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	465,929	-	-	3.045%~3.48%	2	-	Operating capital	-	-	-	1,298,115	2,596,230
1	Nan Ya Plastics (Guangzhou) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	YES	1,099,958	1,099,958	1,099,958	3.045%~3.48%	2	-	Operating capital	-	-	-	1,298,115	2,596,230
2	Nan Ya Plastics (Huizhou) Co., Ltd.	PFG Fiber Glass (Kunshan) Co., Ltd. (Note 6)	Other receivables from related parties	YES	232,813	-	-	2.02483%~2.02483%	2	-	Operating capital	-	-	-	1,642,203	3,284,407
2	Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya PCB (Kunshan) Corporation (Note 6)	Other receivables from related parties	YES	45,679	-	-	3.48%~3.48%	2	-	Operating capital	-	-	-	1,642,203	3,284,407
2	Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	YES	479,633	479,633	479,633	3.045%~3.48%	2	-	Operating capital	-	-	-	1,642,203	3,284,407
2	Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	465,472	440,805	440,805	3.045%~3.48%	2	-	Operating capital	-	-	-	1,642,203	3,284,407
2	Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 6)	Other receivables from related parties	YES	196,421	196,421	196,421	3.48%~3.48%	2	-	Operating capital	-	-	-	1,642,203	3,284,407
2	Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	701,178	262,656	262,656	3.045%~3.48%	2	-	Operating capital	-	-	-	1,642,203	3,284,407
3	Nan Ya Trading (Huizhou) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	22,840	4,568	4,568	3.045%~3.48%	2	-	Operating capital	-	-	-	27,287	54,573
3	Nan Ya Trading (Huizhou) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	22,840	18,272	18,272	3.045%~3.48%	2	-	Operating capital	-	-	-	27,287	54,573
4	China Nantong Huafeng Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 6)	Other receivables from related parties	YES	36,543	36,543	36,543	3.48%~3.48%	2	-	Operating capital	-	-	-	166,414	332,829

No.	Name of Lenders	Name of Borrowers	Account Name	Related Party	Highest Balance of Financing to Other Parties during the Period	Ending Balance	Actual Usage during the Period	Range of Interest Rates during the Period	Purposes of Fund Financing for the Borrowers (Note 1)	Transaction Amount for Business Between Two Parties (Note 2)	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Individual Funding Loan Limits (Note 3)	Maximum Limitation on Fund Financing (Note 4)
													Item	Value		
4	China Nantong Huafeng Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	63,951	63,951	63,951	3.48%~3.48%	2	-	Operating capital	-	-	-	166,414	332,829
4	China Nantong Huafeng Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	YES	164,446	164,446	164,446	3.48%~3.48%	2	-	Operating capital	-	-	-	166,414	332,829
5	Nan Ya Plastics (Xiamen) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	141,606	82,223	82,223	3.045%~3.48%	2	-	Operating capital	-	-	-	725,241	725,241
5	Nan Ya Plastics (Xiamen) Co., Ltd.	Xiamen Haicang Investment Group Co., Ltd.	Other receivables from related parties	YES	91,359	91,359	91,359	3.045%~3.48%	2	-	Operating capital	-	-	-	725,241	725,241
5	Nan Ya Plastics (Xiamen) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	YES	228,397	228,397	228,397	3.045%~3.48%	2	-	Operating capital	-	-	-	725,241	725,241
5	Nan Ya Plastics (Xiamen) Co., Ltd.	Nan Ya Plastics (Zhengzhou) Co., Ltd.	Other receivables from related parties	YES	196,421	-	-	3.045%~3.045%	2	-	Operating capital	-	-	-	725,241	725,241
6	Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	783,400	-	-	3.045%~3.48%	2	-	Operating capital	-	-	-	3,715,042	7,430,084
6	Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	18,272	3,198	3,198	3.48%~3.48%	2	-	Operating capital	-	-	-	3,715,042	7,430,084
6	Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 6)	Other receivables from related parties	YES	187,285	187,285	187,285	3.48%~3.48%	2	-	Operating capital	-	-	-	3,715,042	7,430,084
6	Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	YES	3,294,392	3,294,392	3,294,392	3.045%~3.48%	2	-	Operating capital	-	-	-	3,715,042	7,430,084
7	Nantong Huafu Plastics Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	YES	45,679	-	-	3.48%~3.48%	2	-	Operating capital	-	-	-	46,424	92,848
7	Nantong Huafu Plastics Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	YES	45,679	-	-	3.48%~3.48%	2	-	Operating capital	-	-	-	46,424	92,848
7	Nantong Huafu Plastics Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	15,988	15,988	15,988	3.48%~3.48%	2	-	Operating capital	-	-	-	46,424	92,848
8	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	114,198	114,198	114,198	3.48%~3.48%	2	-	Operating capital	-	-	-	24,935,559	49,871,117
8	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	2,673,154	1,302,774	1,302,774	3.045%~3.48%	2	-	Operating capital	-	-	-	24,935,559	49,871,117
8	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics (Zhengzhou) Co., Ltd.	Other receivables from related parties	YES	178,149	173,581	173,581	3.48%~3.48%	2	-	Operating capital	-	-	-	24,935,559	49,871,117
8	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Other receivables from related parties	YES	456,793	344,879	344,879	3.045%~3.48%	2	-	Operating capital	-	-	-	24,935,559	49,871,117
8	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya PCB (Kunshan) Corporation (Note 6)	Other receivables from related parties	YES	159,878	159,878	159,878	3.48%~3.48%	2	-	Operating capital	-	-	-	24,935,559	49,871,117
8	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	PFG Fiber Glass (Kunshan) Co., Ltd. (Note 6)	Other receivables from related parties	YES	4,137,879	2,891,501	2,891,501	1.816%~3.48%	2	-	Operating capital	-	-	-	24,935,559	49,871,117
8	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	YES	3,457,924	1,232,428	1,232,428	3.045%~3.48%	2	-	Operating capital	-	-	-	24,935,559	49,871,117
8	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 6)	Other receivables from related parties	YES	937,796	937,796	937,796	3.48%~3.48%	2	-	Operating capital	-	-	-	24,935,559	49,871,117
9	Nan Ya Electric (Nantong) Corporation	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	YES	292,348	287,780	287,780	3.48%~3.48%	2	-	Operating capital	-	-	-	570,701	1,141,403
9	Nan Ya Electric (Nantong) Corporation	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	68,519	-	-	3.045%~3.48%	2	-	Operating capital	-	-	-	570,701	1,141,403
9	Nan Ya Electric (Nantong) Corporation	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	YES	50,247	-	-	3.045%~3.045%	2	-	Operating capital	-	-	-	570,701	1,141,403
10	Nan Ya Plastics Film (Nantong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	YES	511,608	511,608	511,608	3.48%~3.48%	2	-	Operating capital	-	-	-	1,023,637	2,047,274
11	Nan Ya PCB Corporation	Nan Ya PCB (HK) Corporation (Note 6)	Other receivables from related parties	YES	50,000	50,000	-	-	2	-	Operating capital	-	-	-	7,689,118	15,378,236
11	Nan Ya PCB Corporation	Mai Liao Power Corporation	Other receivables from related parties	YES	2,000,000	500,000	-	-	2	-	Operating capital	-	-	-	7,689,118	15,378,236
11	Nan Ya PCB Corporation	Mai Liao Harbor Administration Corp.	Other receivables from related parties	YES	800,000	-	-	1.408%~1.409%	2	-	Operating capital	-	-	-	7,689,118	15,378,236

No.	Name of Lenders	Name of Borrowers	Account Name	Related Party	Highest Balance of Financing to Other Parties during the Period	Ending Balance	Actual Usage during the Period	Range of Interest Rates during the Period	Purposes of Fund Financing for the Borrowers (Note 1)	Transaction Amount for Business Between Two Parties (Note 2)	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Individual Funding Loan Limits (Note 3)	Maximum Limitation on Fund Financing (Note 4)
													Item	Value		
11	Nan Ya PCB Corporation	Formosa Heavy Industries Corporation	Other receivables from related parties	YES	3,380,000	3,000,000	1,000,000	1.408%~1.409%	2	-	Operating capital	-	-	-	7,689,118	15,378,236
11	Nan Ya PCB Corporation	Nanya Technology Corporation	Other receivables from related parties	YES	1,800,000	-	-	1.408%~1.409%	2	-	Operating capital	-	-	-	7,689,118	15,378,236
11	Nan Ya PCB Corporation	Formosa Plastics Transport Corporation	Other receivables from related parties	YES	180,000	180,000	180,000	1.408%~1.408%	2	-	Operating capital	-	-	-	7,689,118	15,378,236
11	Nan Ya PCB Corporation	Hwa Ya Power Corporation	Other receivables from related parties	YES	2,000,000	1,000,000	1,000,000	1.408%~1.409%	2	-	Operating capital	-	-	-	7,689,118	15,378,236
11	Nan Ya PCB Corporation	Formosa Technologies Corporation	Other receivables from related parties	YES	200,000	-	-	-	2	-	Operating capital	-	-	-	7,689,118	15,378,236
12	Nan Ya Plastics corporation, America	Nan Ya Plastics corporation USA (Note 6)	Other receivables from related parties	YES	895,440	895,440	686	1.896%~2.496%	2	-	Operating capital	-	-	-	17,688,982	35,377,964
12	Nan Ya Plastics corporation, America	Nan Ya Plastics corporation, Texas (Note 6)	Other receivables from related parties	YES	14,327,094	14,327,094	54	1.896%~2.496%	2	-	Operating capital	-	-	-	17,688,982	35,377,964
13	Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	YES	447,724	-	-	1.85%~1.85%	2	-	Operating capital	-	-	-	37,702,287	75,404,573
13	Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 6)	Other receivables from related parties	YES	6,493,933	5,210,458	5,210,458	0.91%~2.67%	2	-	Operating capital	-	-	-	37,702,287	75,404,573
13	Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 6)	Other receivables from related parties	YES	5,607,108	3,189,399	3,189,399	0.91%~2.88%	2	-	Operating capital	-	-	-	37,702,287	75,404,573
14	Wellink Technology Corporation	Formosa Plastics Transport Corporation	Other receivables from related parties	YES	30,000	20,000	20,000	1.408%~1.408%	2	-	Operating capital	-	-	-	67,318	134,636
15	Wen Fung Industrial Co., Ltd.	Formosa Environmental Technology Corporation	Other receivables from related parties	YES	61,000	61,000	61,000	1.408%~1.409%	2	-	Operating capital	-	-	-	61,830	123,659
15	Wen Fung Industrial Co., Ltd.	Wellink Technology Corporation (Note 6)	Other receivables from related parties	YES	23,000	23,000	-	-	2	-	Operating capital	-	-	-	24,732	123,659

Note 1 : (a) Those with business contact please fill in 1; (b) Those necessary for short-term financing please fill in 2.

Note 2 : Amount from business contact stands for the sum of purchases and sales.

Note 3 : The cap amount of loans to associates and interested parties should not exceed 25% of the equity of the lenders. Other parties should not exceed 20% of the lender's net worth.

Note 4 : Capital loaned to other parties should not exceed 50% of the lender's net worth, of which the sum loaned to non interested parties for capital requirements should not exceed 40% of the net worth of borrower.

Note 5 : Nan Ya Plastics corporation, America and Nan Ya Plastics corporation USA s'reporting currency are denominated in USD, and the exchange rate of NTD to USD as of December 31, 2017 (in average) is 29.848(30.421) : 1.

Nan Ya Plastics (Hong Kong) Co., Ltd and Superior World Wide Trading Co., Ltd. s'reporting currency are denominated in HKD, and the exchange rate of NTD to HKD as of December 31, 2017 (in average) is 3.8267(3.9002) : 1.

Note 6 : This transaction has already been written off during the consolidation process.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
GUARANTEES AND ENDORSEMENTS FOR OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 2

No	Endorsement Guarantee Provider	Counterparty of Guarantee and Endorsement		Limitation Amount of Guarantees and Endorsements for a Specific Enterprise	Highest Balance for Guarantee and Endorsements during the Period	Balance of Guarantees and Endorsements as of December 31, 2017	Amount Secured by Guaranteed and Endorsed Property	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Amounts of Guarantees and Endorsements to Net Worth of the Latest	Maximum Amounts for Guarantees and Endorsements	Parent Company Endorses/Guarantees to Third Parties on Behalf of Subsidiary	Subsidiary Endorses/Guarantees to Third Parties on Behalf of Parent Company	Endorsements/Guarantees to the Third Parties on Behalf of the Companies in Mainland China
		Name	Relationship with The Company (Note)										
0	The Company	Nan Ya Plastics (Hong Kong) Co., Ltd.	2	231,152,909	16,386,731	12,536,339	12,536,339	-	3.53%	462,305,818	Y	N	N
0	The Company	Formosa Industries Corporation	1	9,449,399	4,898,311	4,898,311	4,898,311	-	1.38%	462,305,818	N	N	N
0	The Company	Formosa Group (Cayman) Ltd.	6	231,152,909	30,743,440	21,639,800	21,639,800	-	6.09%	462,305,818	N	N	N
0	The Company	Formosa Ha Tinh (Cayman) Ltd.	6	231,152,909	15,457,372	15,457,372	15,457,372	-	4.35%	462,305,818	N	N	N
0	The Company	Formosa Resources Corporation	6	231,152,909	3,208,660	3,208,660	3,208,660	-	0.90%	462,305,818	N	N	N
1	Nan Ya Plastics Corporation America	Formosa Utility Venture	1	22,995,677	1,364,480	682,240	682,240	-	1.93%	45,991,353	N	N	N
1	Nan Ya Plastics Corporation America	Nan Ya Plastics Corporation Texas	2	22,995,677	1,766,878	1,766,878	1,766,878	-	4.99%	45,991,353	Y	N	N

Note: The six conditions in which the Company may have guarantees or endorsements for the receiving parties are as follows:

- (1) The Company has business with the receiving parties.
- (2) The Company holds directly more than 50% of the common stock of the subsidiaries.
- (3) In aggregate, the Company and its subsidiaries hold more than 50% of the investee.
- (4) In aggregate, the Company holds directly or indirectly through its subsidiaries more than 50% of the investee.
- (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.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
SECURITIES HELD AS OF DECEMBER 31, 2017
(EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 3

Security Holder	Category and Name of Security	Relationship Between Issuer of Security and the Company which Holds Securities	Account Name	December 31, 2017				Highest percentage of ownership during the year	Notes
				Number of Shares (in thousands)	Carrying Value	Shareholding Percentage	Market Value or Net Asset Value		
The Company	Formosa Plastics Corporation	Other related parties	Available for sale financial assets—current	294,793	29,096,079	4.63%	29,096,079	4.63%	Note 1
The Company	Formosa Chemicals and Fiber Corporation	Other related parties	Available for sale financial assets—current	140,520	14,473,524	2.40%	14,473,524	2.40%	
The Company	Mega International Private USD Money Market	-	Available for sale financial assets—current	14,979	4,574,268	-	4,574,268	-	
Nan Ya PCB Corporation	Capital Money Market	-	Available for sale financial assets—current	56,331	903,549	-	903,549	-	
Nan Ya Plastics Corporation America	Double Oak (Bonds)	-	Available for sale financial assets—non current	-	209,261	-	209,261	-	
Nan Ya Plastics Corporation America	Ballantyne Re plc (Bonds)	-	Available for sale financial assets—non current	-	141,920	-	141,920	-	
Nan Ya Plastics Corporation America	Sutton (Bonds)	-	Available for sale financial assets—non current	-	447,720	-	447,720	-	
Nan Ya Plastics Corporation America	American Overseas Reinsurance Co., Ltd. (Preferred Stock)	-	Available for sale financial assets—non current	-	115,344	-	115,344	-	
Nan Ya Plastics Corporation America	MBIA Insurance Corp. (Preferred Stock)	-	Available for sale financial assets—non current	-	213,974	-	213,974	-	
The Company	Formosa Group Ocean Investment Corporation	Other related parties	Financial assets carried at cost—non current	3	856,948	19.00%	8,601,833	19.00%	Note 2
The Company	Formosa Plastics Corporation U.S.A.	Other related parties	Financial assets carried at cost—non current	2	141,379	0.51%	1,275,416	0.51%	
The Company	Ostendo Technologies Inc.	-	Financial assets carried at cost—non current	150	766	0.12%	766	0.12%	Note 2
The Company	Formosa Plastics Maritime Co.	Other related parties	Financial assets carried at cost—non current	352	1,620	18.00%	56,972	18.00%	
The Company	Formosa International Development Co., Ltd.	Other related parties	Financial assets carried at cost—non current	15,246	90,010	18.00%	296,415	18.00%	
The Company	Mai Liao Harbor Administration Corp.	Other related parties	Financial assets carried at cost—non current	39,562	539,245	17.98%	975,417	17.98%	
The Company	Formosa Plastics Marine Corporation	Other related parties	Financial assets carried at cost—non current	2,429	15,000	15.00%	136,993	15.00%	
The Company	ASIA Pacific Investment Co.	Other related parties	Financial assets carried at cost—non current	63,717	727,407	14.99%	3,952,733	14.99%	Note 2
The Company	Formosa Technologies Corporation	Other related parties	Financial assets carried at cost—non current	2,925	13,331	12.50%	63,131	12.50%	Note 2
The Company	WK Technology Fund Ltd.	-	Financial assets carried at cost—non current	326	21,204	1.63%	9,352	1.63%	Note 2
The Company	WK Technology Fund IV Ltd.	-	Financial assets carried at cost—non current	658	4,838	1.08%	5,671	1.08%	Note 2
The Company	Central Leasing Corp.	-	Financial assets carried at cost—non current	1,779	-	1.07%	-	1.07%	
The Company	Chinese Television System Inc.	-	Financial assets carried at cost—non current	1,769	28,609	1.04%	48,107	1.04%	Note 2
The Company	China Investment & Development Company, Limited	-	Financial assets carried at cost—non current	1,287	8,250	0.80%	12,333	0.80%	Note 2
The Company	Taiwan Aerospace Corp.	-	Financial assets carried at cost—non current	1,070	10,702	0.79%	14,147	0.79%	Note 2
The Company	AmTrust Capital I Corp.	-	Financial assets carried at cost—non current	5,000	50,000	3.91%	51,327	3.91%	Note 2
The Company	Nan Ya Photonics Inc	Other related parties	Financial assets carried at cost—non current	6,446	88,263	14.42%	104,178	14.42%	
The Company	Mega Growth Capital Venture	-	Financial assets carried at cost—non current	2,500	25,000	1.97%	24,273	1.97%	Note 2
Nan Ya Plastics (Hong Kong) Co., Ltd.	Hua Ya (Dong Ying) Plastics Corp.	-	Financial assets carried at cost—non current	-	39,046	15.00%	99,177	15.00%	

Security Holder	Category and Name of Security	Relationship Between Issuer of Security and the Company which Holds Securities	Account Name	December 31, 2017				Highest percentage of ownership during the year	Notes
				Number of Shares (in thousands)	Carrying Value	Shareholding Percentage	Market Value or Net Asset Value		
Nan Ya Plastics (Hong Kong) Co., Ltd.	Hua Ya (Wu Hu) Plastics Corp.	-	Financial assets carried at cost—non current	-	39,046	15.00%	144,312	15.00%	Note 2
Formosa Plastics Group Investment Corp.	WK Technology Fund Ltd.	-	Financial assets carried at cost—non current	484	9,203	2.42%	13,849	2.42%	Note 2
Formosa Plastics Group Investment Corp.	WK Technology Fund IV Ltd.	-	Financial assets carried at cost—non current	2,192	-	3.60%	18,886	3.60%	Note 2
Nan Ya International (Cayman) Limited	Formosa Ha Tinh (Cayman) Ltd.	Other related parties	Financial assets carried at cost—non current	564,707	15,984,212	11.43%	14,966,797	11.43%	

Note 1 : The Company pledged its shares of Formosa Plastics Corporation of 12,736 thousand common shares amounting to NTD 1,257,043.

Note 2 : Stockholders' equity is based on an unaudited financial report for the year ended, December 31, 2017.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
INDIVIDUAL SECURITIES ACQUIRED OR DISPOSED OF WITH ACCUMULATED AMOUNT EXCEEDING THE LOWER OF NTS300 MILLION OR 20% OF THE CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 4

Company Name	Category and Name of Security	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Carrying Value	Gain/Loss on Disposal	Shares (in thousands)	Amount
The Company	Formosa Resources Corporation	Investments accounted for using equity method	Formosa Resources Corporation	Investments accounted for using equity method	416,250	4,159,625	168,344	1,683,440				-	584,594	5,361,771 (Note)
The Company	Nan Ya International (Cayman) Limited	Investments accounted for using equity method	Nan Ya International (Cayman) Limited	Investments accounted for using equity method	50	15,441,077	1	1,738,438	-	-	-	-	51	15,984,458 (Note) and (Note 2)
The Company	FG Inc.	Investments accounted for using equity method	FG Inc.	Investments accounted for using equity method	-	-	2	660,176	-	-	-	-	2	655,907 (Note)
Nan Ya International (Cayman)	Formosa Ha Tinh (Cayman) Ltd.	Financial assets carried at cost -- non current	Formosa Ha Tinh (Cayman) Ltd.	Other related parties	508,237	15,440,967	56,470	1,737,518	-	-	-	-	564,707	15,984,212 (Note 1)

Note : End of period amount includes investment income and transaction adjustment under equity method.

Note1 : End of period amount includes the effect of exchange rate changes.

Note2 : The transaction was written-off during the preparation of consolidated financial statements

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
ACQUISITION OF INDIVIDUAL REAL ESTATE WITH AMOUNTS EXCEEDING THE LOWER OF NT\$300 MILLION OR 20% OF THE CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 5

Company Name	Name of Property	Transaction Date	Transaction Amount	Status of Payment	Counter-party	Relationship with the Company	Disclosure of Information on Previous Transfer of Equipment is Required for Related Parties who are also the Counter Parties				References for Determining Price	Purpose of Acquisition and Current Condition	Others
							Owner	Relationship with the Company	Date of Transfer	Amount			
Nan Ya Plastics corporation, Texas	Construction in progress	106.06.14 & 106.09.22	343,944	Paid	Formosa Heavy Industries Corporation	Associates	-	-	-	-	Negotiation	Plant expansion	None

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
RELATED-PARTY TRANSACTIONS FOR PURCHASES AND SALES WITH AMOUNTS EXCEEDING THE LOWER OF NTS100 MILLION OR 20% OF THE CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 6

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Notes
			Purchases / (Sales)	Amount	% to total purchase/(sales)	Credit Period	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	Formosa Plastics Corporation	Other related parties	(Sales)	(1,112,844)	(0.64)%	30 days	-	-	60,538	0.29%	Note
The Company	Formosa Chemicals and Fiber Corporation	Other related parties	(Sales)	(7,014,614)	(4.05)%	30 days	-	-	778,053	3.73%	
The Company	Nan Ya PCB Corporation	Subsidiaries	(Sales)	(868,955)	(0.50)%	30 days	-	-	62,328	0.30%	
The Company	Formosa Petrochemical Corporation	Associates	(Sales)	(1,160,264)	(0.67)%	30 days	-	-	103,753	0.50%	
The Company	Formosa Heavy Industries Corporation	Associates	(Sales)	(964,205)	(0.56)%	30 days	-	-	3,612	0.02%	
The Company	Nanya Technology Corporation	Associates	(Sales)	(765,128)	(0.44)%	30 days	-	-	12,289	0.06%	
The Company	Formosa Taffeta Co., Ltd.	Other related parties	(Sales)	(790,453)	(0.46)%	30 days	-	-	73,260	0.35%	
The Company	Nan Chung Petrochemical Corporation	Subsidiaries	(Sales)	(261,982)	(0.15)%	30 days	-	-	79,397	0.38%	
The Company	Nan Ya Plastics corporation USA	Subsidiaries	(Sales)	(294,662)	(0.17)%	O/A 105	-	-	119,664	0.57%	
The Company	Nan Ya Plastics corporation, America	Subsidiaries	(Sales)	(391,319)	(0.23)%	O/A 105	-	-	122,509	0.59%	
The Company	Nan Ya Plastics corporation, Texas	Subsidiaries	(Sales)	(152,015)	(0.09)%	O/A 105	-	-	-	0.00%	
The Company	Nan Ya Electronic Materials (Huizhou) Co., Ltd.	Subsidiaries	(Sales)	(4,011,218)	(2.31)%	O/A 150	-	-	2,111,156	10.12%	
The Company	Nan Ya Plastics (Huizhou) Co., Ltd.	Subsidiaries	(Sales)	(118,576)	(0.07)%	O/A 150	-	-	23,757	0.11%	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	Subsidiaries	(Sales)	(230,564)	(0.13)%	O/A 150	-	-	76,644	0.37%	
The Company	Nan Ya Plastics (Nantong) Co., Ltd.	Subsidiaries	(Sales)	(777,103)	(0.45)%	O/A 150	-	-	187,275	0.90%	
The Company	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Subsidiaries	(Sales)	(4,027,749)	(2.32)%	O/A 150	-	-	1,585,890	7.60%	Note
The Company	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd.	Subsidiaries	(Sales)	(323,123)	(0.19)%	O/A 150	-	-	86,461	0.41%	Note
The Company	Nan Ya Plastics (Ningbo) Co., Ltd.	Subsidiaries	(Sales)	(160,066)	(0.09)%	O/A 150	-	-	1,010	0.00%	Note
The Company	Formosa Industries Corporation	Associates	(Sales)	(3,464,817)	(2.00)%	O/A 150	-	-	691,848	3.31%	
The Company	Formosa Ha Tinh Steel Corporation	Other related parties	(Sales)	(634,577)	(0.37)%	O/A 150	-	-	230,121	1.10%	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Other related parties	(Sales)	(156,174)	(0.09)%	O/A 150	-	-	6,829	0.03%	
The Company	Formosa Plastics Corporation	Other related parties	Purchases	11,702,721	9.76%	30 days	-	-	(1,136,065)	(8.50)%	
The Company	Formosa Chemicals and Fiber Corporation	Other related parties	Purchases	27,606,381	23.01%	30 days	-	-	(3,157,801)	(23.62)%	
The Company	Formosa Petrochemical Corporation	Associates	Purchases	35,148,141	29.30%	30 days	-	-	(3,144,608)	(23.52)%	
The Company	PFG Fiber Glass Corporation	Subsidiaries	Purchases	3,292,938	2.75%	30 days	-	-	(186,393)	(1.39)%	Note

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Notes
			Purchases / (Sales)	Amount	% to total purchase/(sales)	Credit Period	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	PFG Fiber Glass (Kunshan) Co., Ltd.	Subsidiaries	Purchases	338,147	0.28%	O/A 150	-	-	(37,909)	(0.28)%	Note
The Company	Nan Chung Petrochemical Corporation	Subsidiaries	Purchases	3,976,387	3.31%	30 days	-	-	(474,131)	(3.55)%	Note
Nan Ya PCB Corporation	Formosa Taffeta Co., Ltd.	Other related parties	(Sales)	(130,824)	(0.61)%	70 days	-	-	11,398	0.23%	
Nan Ya PCB Corporation	The Company	Parent	Purchases	868,955	5.72%	30 days	-	-	(62,328)	(3.89)%	Note
Nan Ya PCB Corporation	Nan Ya PCB (Kunshan) Corporation	Subsidiaries	Purchases	8,427,454	55.44%	30 days	-	-	(988,752)	(61.68)%	Note
Nan Ya PCB (Kunshan) Corporation	Nan Ya PCB Corporation	Parent	(Sales)	(8,427,454)	(62.23)%	30 days	-	-	988,752	48.14%	Note
Nan Ya PCB (Kunshan) Corporation	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Same chairman	Purchases	2,224,629	26.64%	60 days	-	-	(445,585)	(29.76)%	Note
Nan Chung Petrochemical Corporation	The Company	Parent	(Sales)	(3,976,387)	(49.50)%	30 days	-	-	474,131	50.28%	Note
Nan Chung Petrochemical Corporation	China Man-made Fiber Corporation	Other related parties	(Sales)	(4,015,284)	(49.98)%	15th day of next month	-	-	465,754	49.39%	
Nan Chung Petrochemical Corporation	Formosa Petrochemical Corporation	Associates	Purchases	6,170,668	94.87%	15th day of next month	-	-	(721,247)	(99.05)%	
PFG Fiber Glass Corporation	The Company	Parent	(Sales)	(3,292,938)	(71.90)%	30 days	-	-	186,393	48.40%	Note
PFG Fiber Glass Corporation	Formosa Chemicals and Fiber Corporation	Other related parties	Purchases	445,033	22.76%	30 days	-	-	(36,881)	(38.54)%	
PFG Fiber Glass Corporation	Formosa Petrochemical Corporation	Other related parties	Purchases	191,997	9.82%	30 days	-	-	(18,452)	(19.28)%	
Nan Ya Plastics corporation, America	Formosa Plastics Corporation U.S.A.	Other related parties	(Sales)	(310,282)	(0.90)%	payment within one month	-	-	-	0.00%	
Nan Ya Plastics corporation, America	Nan Ya Plastics corporation USA	Subsidiaries	(Sales)	(127,208)	(0.37)%	payment within one month	-	-	4,851	0.10%	Note
Nan Ya Plastics corporation, America	The Company	Parent	Purchases	391,319	1.24%	O/A 105	-	-	(122,509)	(12.66)%	Note
Nan Ya Plastics corporation, America	Formosa Plastics Corporation U.S.A.	Other related parties	Purchases	197,104	0.63%	payment within one month	-	-	(16,564)	(1.71)%	
Nan Ya Plastics corporation, America	Formosa Chemicals and Fiber Corporation	Other related parties	Purchases	290,151	0.92%	O/A 105	-	-	(42,742)	(4.42)%	
Nan Ya Plastics corporation USA	The Company	Parent	Purchases	294,662	12.66%	O/A 105	-	-	(119,664)	(45.20)%	Note
Nan Ya Plastics corporation USA	Nan Ya Plastics corporation, America	Subsidiaries	Purchases	127,208	5.46%	payment within one month	-	-	(4,851)	(1.83)%	Note
Nan Ya Plastics corporation USA	Formosa Plastics Corporation U.S.A.	Other related parties	Purchases	793,410	34.09%	payment within one month	-	-	(67,785)	(25.61)%	
PFG Fiber Glass (Kunshan) Co., Ltd.	The Company	Parent	(Sales)	(338,147)	(5.36)%	O/A 150	-	-	37,909	2.86%	Note
PFG Fiber Glass (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Subsidiaries	(Sales)	(4,209,675)	(66.74)%	60 days	-	-	414,120	31.26%	Note
PFG Fiber Glass (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Subsidiaries	Purchases	340,047	23.05%	60 days	-	-	(37,101)	(12.17)%	Note
Nan Ya Plastics (Guangzhou) Co., Ltd.	The Company	Parent	Purchases	230,564	12.33%	O/A 150	-	-	(76,644)	(26.76)%	Note
Nan Ya Plastics (Guangzhou) Co., Ltd.	Formosa Plastics Corporation	Other related parties	Purchases	449,089	24.02%	O/A 150	-	-	(106,432)	(37.16)%	
Nan Ya Plastics (Guangzhou) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other related parties	Purchases	409,778	21.92%	60 days	-	-	(54,260)	(18.95)%	
Nan Ya Electronic Materials (Huizhou) Co., Ltd.	The Company	Parent	Purchases	4,011,218	45.60%	O/A 150	-	-	(2,111,156)	(43.86)%	Note

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Notes
			Purchases / (Sales)	Amount	% to total purchase/(sales)	Credit Period	Unit Price	Payment Term	Ending Balance	% to Total	
Nan Ya Electronic Materials (Huizhou) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Subsidiaries	Purchases	4,070,948	46.28%	180 days	-	-	(2,605,347)	(54.12)%	Note
Nan Ya Plastics (Huizhou) Co., Ltd.	The Company	Parent	Purchases	118,576	7.18%	O/A 150	-	-	(23,757)	(12.92)%	Note
Nan Ya Plastics (Xiamen) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other related parties	Purchases	213,234	22.55%	60 days	-	-	(19,533)	(25.20)%	
Nan Ya Plastics (Nantong) Co., Ltd.	Nanya Kyowa Plastics (Nantong) Co., Ltd.	Joint ventures	(Sales)	(199,812)	(3.85)%	60 days	-	-	8,998	0.44%	
Nan Ya Plastics (Nantong) Co., Ltd.	The Company	Parent	Purchases	777,103	17.60%	O/A 150	-	-	(187,275)	(31.42)%	Note
Nan Ya Plastics (Nantong) Co., Ltd.	Formosa Plastics Corporation	Other related parties	Purchases	113,261	2.56%	O/A 150	-	-	(51,839)	(8.70)%	
Nan Ya Plastics (Nantong) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other related parties	Purchases	570,540	12.92%	60 days	-	-	(61,788)	(10.37)%	
Nan Ya Plastics Film (Nantong) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other related parties	Purchases	287,450	23.55%	60 days	-	-	(43,591)	(38.37)%	
Nan Ya Plastics (Ningbo) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Subsidiaries	(Sales)	(3,168,112)	(32.16)%	60 days	-	-	398,929	38.03%	Note
Nan Ya Plastics (Ningbo) Co., Ltd.	The Company	Parent	Purchases	160,066	1.90%	O/A 150	-	-	(1,010)	(0.09)%	Note
Nan Ya Plastics (Ningbo) Co., Ltd.	Formosa Chemicals and Fiber Corporation	Other related parties	Purchases	320,782	3.82%	O/A 150	-	-	(61,188)	(5.66)%	
Nan Ya Plastics (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Other related parties	Purchases	731,701	8.70%	60 days	-	-	(112,568)	(10.40)%	
Nan Ya Plastics (Ningbo) Co., Ltd.	Formosa Phenol (Ningbo) Limited Company	Other related parties	Purchases	4,828,933	57.45%	60 days	-	-	(709,398)	(65.57)%	
Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Subsidiaries	(Sales)	(270,061)	(11.62)%	60 days	-	-	31,412	10.28%	Note
Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd.	The Company	Parent	Purchases	323,123	18.61%	O/A 150	-	-	(86,461)	(35.65)%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	PFG Fiber Glass (Kunshan) Co., Ltd.	Subsidiaries	(Sales)	(340,047)	(0.70)%	60 days	-	-	37,101	0.18%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd.	Subsidiaries	(Sales)	(4,070,948)	(8.41)%	180 days	-	-	2,605,347	12.45%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya PCB (Kunshan) Corporation	Same chairman	(Sales)	(2,224,629)	(4.60)%	60 days	-	-	445,585	2.13%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	The Company	Parent	Purchases	4,027,749	11.23%	O/A 150	-	-	(1,585,890)	(39.64)%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Plastics Corporation	Other related parties	Purchases	232,625	0.65%	O/A 150	-	-	(87,834)	(2.20)%	
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Phenol (Ningbo) Limited Company	Other related parties	Purchases	133,800	0.37%	60 days	-	-	(20,213)	(0.51)%	
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	PFG Fiber Glass (Kunshan) Co., Ltd.	Subsidiaries	Purchases	4,209,675	11.73%	60 days	-	-	(414,120)	(10.35)%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd.	Subsidiaries	Purchases	270,061	0.75%	60 days	-	-	(31,412)	(0.79)%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd.	Subsidiaries	Purchases	3,168,112	8.83%	60 days	-	-	(398,929)	(9.97)%	Note

Note : The transaction has been written off during the consolidation process.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES WITH AMOUNTS EXCEEDING THE LOWER OF NTS100 MILLION OR 20% OF THE CAPITAL STOCK
DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 7

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Periods	Allowance for Bad Debts
					Amount	Action Taken		
The Company	Formosa Chemicals and Fiber Corporation	Other related parties	Receivables from related parties : 778,053	9.66	-	-	751,917	-
The Company	Formosa Petrochemical Corporation	Associates	Receivables from related parties : 103,753	13.49	-	-	97,003	-
The Company	Nan Ya Plastics corporation USA (Note 1)	Subsidiaries	Receivables from related parties : 119,664	2.31	-	-	-	-
The Company	Nan Ya Plastics corporation, America (Note 1)	Subsidiaries	Receivables from related parties : 122,509	5.52	-	-	27,655	-
The Company	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties : 2,111,156	2.92	-	-	18,684	-
The Company	Nan Ya Plastics (Nantong) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties : 187,275	3.70	-	-	46,521	-
The Company	Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties : 1,585,890	3.26	-	-	611,894	-
The Company	Formosa Industries Corporation	Associates	Receivables from related parties : 691,848	7.16	-	-	439,419	-
The Company	Formosa Ha Tinh Steel Corporation	Other related parties	Receivables from related parties : 230,121	3.29	-	-	498	-
Nan Ya PCB (Kunshan) Corporation	Nan Ya PCB Corporation (Note 1)	Parent	Receivables from related parties : 988,752	8.99	-	-	807,087	-
Nan Chung Petrochemical Corporation	The Company (Note 1)	Parent	Receivables from related parties : 474,131	9.67	-	-	474,131	-
Nan Chung Petrochemical Corporation	China Man-made Fiber Corporation	Other related parties	Receivables from related parties : 465,754	9.95	-	-	465,754	-
PFG Fiber Glass Corporation	The Company (Note 1)	Parent	Receivables from related parties : 186,393	18.81	-	-	186,393	-
PFG Fiber Glass (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties : 414,120	9.71	-	-	404,983	-
Nan Ya Plastics (Ningbo) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties : 398,929	8.94	-	-	398,929	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties : 2,605,347	1.86	-	-	378,131	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya PCB (Kunshan) Corporation (Note 1)	Same chairman	Receivables from related parties : 445,585	6.69	-	-	277,642	-
The Company	Formosa Plastics Marine Corporation	Other related parties	Other receivables from related parties : 4,176,922	Note	-	-	-	-
The Company	Formosa Ha Tinh (Cayman) Ltd.	Other related parties	Other receivables from related parties : 3,040,500	Note	-	-	-	-
The Company	Formosa Group (Cayman) Limited	Associates	Other receivables from related parties : 4,259,500	Note	-	-	-	-
Nan Ya Plastics (Guangzhou) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 1,099,958	Note	-	-	-	-
Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 479,633	Note	-	-	-	-
Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 440,805	Note	-	-	-	-
Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 196,421	Note	-	-	-	-
Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 262,656	Note	-	-	-	-
China Nantong Huafeng Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 164,446	Note	-	-	-	-
Nan Ya Plastics (Xiamen) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 228,397	Note	-	-	-	-
Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 187,285	Note	-	-	-	-
Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 3,294,392	Note	-	-	-	-

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Periods	Allowance for Bad Debts
					Amount	Action Taken		
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 114,198	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 1,302,774	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics (Zhengzhou) Co., Ltd.	Joint ventures	Other receivables from related parties : 173,581	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Associates	Other receivables from related parties : 344,879	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya PCB (Kunshan) Corporation (Note 1)	Subsidiaries	Other receivables from related parties : 159,878	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	PFG Fiber Glass (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 2,891,501	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 1,232,428	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 937,796	Note	-	-	-	-
Nan Ya Electric (Nantong) Corporation	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 287,780	Note	-	-	-	-
Nan Ya Plastics Film (Nantong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 511,608	Note	-	-	-	-
Nan Ya PCB Corporation	Formosa Heavy Industries Corporation	Associates	Other receivables from related parties : 1,000,000	Note	-	-	-	-
Nan Ya PCB Corporation	Formosa Plastics Transport Corporation	Associates	Other receivables from related parties : 180,000	Note	-	-	-	-
Nan Ya PCB Corporation	Hwa Ya Power Corporation	Other related parties	Other receivables from related parties : 1,000,000	Note	-	-	-	-
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 5,210,458	Note	-	-	-	-
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties : 3,189,399	Note	-	-	-	-

Note : The turnover rate of other receivables from related parties can not be calculated.

Note 1 : The transaction has been written off during the consolidation process.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 8

No. (Note 1)	Company Name	Counter-party	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
0	The Company	Nan Ya PCB Corporation and its subsidiaries	1	Sales	957,318	30-150 days	0.31%
0	The Company	Nan Chung Petrochemical Corporation	1	Sales	261,982	30 days	0.09%
0	The Company	PFG Fiber Glass Corporation	1	Sales	75,805	30 days	0.02%
0	The Company	Nan Ya Plastics Corporation U.S.A	1	Sales	294,662	O/A 105	0.10%
0	The Company	Nan Ya Plastics Corporation America	1	Sales	391,319	O/A 105	0.13%
0	The Company	Nan Ya Plastics Corporation Texas	1	Sales	152,015	O/A 105	0.05%
0	The Company	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	1	Sales	9,814,215	O/A 150	3.21%
0	The Company	PFG Fiber Glass (Hong Kong) Corporation Limited and its subsidiaries	1	Sales	41,065	O/A 150	0.01%
1	Nan Chung Petrochemical Corporation	The Company	2	Sales	3,976,387	30 days	1.30%
2	Wen Fung Industrials Co., Ltd. and its subsidiaries	Nan Ya PCB Corporation and its subsidiaries	3	Sales	133,747	30 days	0.04%
3	PFG Fiber Glass Corporation	The Company	2	Sales	3,292,938	30 days	1.08%
4	Nan Ya Plastics Corporation America	Nan Ya Plastics Corporation U.S.A	3	Sales	127,208	payment within one month	0.04%
5	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	The Company	2	Sales	120,102	60 days	0.04%
5	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	Nan Ya PCB Corporation and its subsidiaries	3	Sales	2,734,530	60 days	0.89%
5	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	PFG Fiber Glass (Hong Kong) Corporation Limited and its subsidiaries	3	Sales	357,177	60 days	0.12%
6	PFG Fiber Glass (Hong Kong) Corporation Limited and its subsidiaries	The Company	2	Sales	338,147	60 days	0.11%
6	PFG Fiber Glass (Hong Kong) Corporation Limited and its subsidiaries	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	3	Sales	4,245,967	60 days	1.39%
0	The Company	Nan Ya PCB Corporation and its subsidiaries	1	Accounts receivable	102,821	30-150 days	0.02%
0	The Company	Nan Ya Plastics Corporation U.S.A	1	Accounts receivable	119,664	O/A 105	0.02%
0	The Company	Nan Ya Plastics Corporation America	1	Accounts receivable	122,509	O/A 105	0.02%
0	The Company	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	1	Accounts receivable	4,107,648	O/A 150	0.75%
1	Nan Chung Petrochemical Corporation	The Company	2	Accounts receivable	474,131	30 days	0.09%
3	PFG Fiber Glass Corporation	The Company	2	Accounts receivable	186,393	30 days	0.03%
5	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	Nan Ya PCB Corporation and its subsidiaries	3	Accounts receivable	506,908	60 days	0.09%
6	PFG Fiber Glass (Hong Kong) Corporation Limited and its subsidiaries	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	3	Accounts receivable	419,048	60 days	0.08%
0	The Company	Nan Ya PCB Corporation and its subsidiaries	1	Rent revenue	193,272	30-150 days	0.06%

Note 1: The appointed numbers represent:

1. 0 refers to the Parent Company.
2. Subsidiaries are numbered and organized in a ascending chronological order in an ascending chronological order.

Note 2: Transactions are categorized as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: Disclosure of information on significant transactions and business relationship between the parent company and its subsidiaries regarding sales and accounts receivable, excluding their related purchases and accounts payable.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTEEES (EXCLUDING THOSE IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 9

Investor Company	Investee Company	Location	Major Operations	Original Investment Amount		Balance as of December 31, 2017			Highest percentage of ownership during the year	Net Income of Investee	Investment Income (Loss) Recognized by the Investor Company	Notes
				December 31, 2017	December 31, 2016	Shares (in thousands)	%	Carrying Value				
The Company	Nan Ya Plastics corporation USA (Note)	U.S.A.	production of plastic products	313,920	313,920	2	100.00%	1,822,786	100.00%	61,893	61,893	Note 5.6
The Company	Nan Ya Plastics corporation, America (Note)	U.S.A.	production of plastic, polyester and chemical	7,853,605	7,853,605	60	100.00%	35,377,964	100.00%	3,176,171	3,176,171	Note 5.6
The Company	Nan Ya Plastics (Hong Kong) Co., Ltd. (Note 1)	Hong Kong	plastics and electronic products trading, investment	34,858,082	34,858,082	844,053	100.00%	75,366,354	100.00%	7,392,993	7,392,993	Note 5.6
The Company	Superior World Wide Trading Co., Ltd. (Note 1)	Hong Kong	plastics trading, investment holding	33,677	33,677	14	100.00%	682,549	100.00%	91,538	91,538	Note 5.6
The Company	Formosa Synthetic Rubber (Hong Kong) Corporation Limited (Note)	Hong Kong	production of synthetic rubber products	2,151,560	2,151,560	70,000	31.82%	812,323	31.82%	(1,229,617)	(391,242)	Note 5
The Company	PFG Fiber Glass (Hong Kong) Corporation Limited (Note 1)	Hong Kong	glass fiber trading	4,495,987	4,495,987	76	100.00%	7,157,005	100.00%	914,815	894,792	Note 5.6
The Company	Formosa Industries Corporation (Note 2)	Vietnam	chemical fiber, dying and finishing and electric power	8,435,875	8,435,875	-	42.50%	7,841,531	42.50%	806,911	342,937	Note 5
The Company	Nan Ya PCB Corporation	Taiwan	production of printed circuit board	4,480,417	4,480,417	432,745	66.97%	20,539,084	66.97%	(1,958,113)	(1,311,372)	Note 5.6
The Company	Formosa Plastics Group Investment Corp.	Taiwan	investment	76,859	76,859	5,000	100.00%	67,073	100.00%	1,982	1,982	Note 5.6
The Company	Nanya Technology Corporation	Taiwan	semiconductor production and marketing	52,438,472	52,438,471	907,304	30.38%	40,104,014	30.31%	40,281,928	12,981,956	Note 5
The Company	Formosa Environmental Technology Corporation	Taiwan	environmental protection	672,370	672,370	46,257	26.99%	251,065	26.99%	(119,695)	(32,303)	Note 5
The Company	Formosa Petrochemical Corporation	Taiwan	production of chemical products	24,647,480	24,647,480	2,201,306	23.11%	78,833,954	23.11%	80,170,146	18,525,508	Note 5
The Company	PFG Fiber Glass Corporation	Taiwan	production of glass fiber	2,648,131	2,648,131	100,000	100.00%	4,689,206	100.00%	659,445	486,323	Note 5.6
The Company	Nan Chung Petrochemical Corporation	Taiwan	production of chemical products	1,000,002	1,000,002	100,000	50.00%	1,216,084	50.00%	169,141	84,620	Note 5.6
The Company	Wen Fung Industrial Co., Ltd.	Taiwan	production of electronic components	214,236	214,236	18,738	100.00%	241,659	100.00%	(5,629)	(5,629)	Note 5.6
The Company	Formosa Automobile Sales Corporation (Note 3.4)	Taiwan	production of automobile	945,028	945,028	27,046	45.00%	-	45.00%	85,408	38,435	Note 5
The Company	Ya Tai Development Corporation	Taiwan	development industry	53,941	53,941	1,304	44.96%	23,402	44.96%	(6,920)	(3,111)	Note 5
The Company	Formosa Heavy Industries Corporation	Taiwan	machinery industry	2,497,721	2,497,721	651,706	32.91%	7,731,191	32.91%	342,788	112,814	Note 5
The Company	Formosa Fairway Corporation	Taiwan	transportation business	33,340	33,340	4,699	33.34%	100,982	33.34%	(15,393)	(5,132)	Note 5
The Company	Formosa Plastics Transport Corporation	Taiwan	transportation business	17,254	17,254	4,771	33.33%	735,800	33.33%	14,979	4,993	Note 5

Investor Company	Investee Company	Location	Major Operations	Original Investment Amount		Balance as of December 31, 2017			Highest percentage of ownership during the year	Net Income of Investee	Investment Income (Loss) Recognized by the Investor Company	Notes
				December 31, 2017	December 31, 2016	Shares (in thousands)	%	Carrying Value				
The Company	Hwa Ya Science Park Management Consulting Co., Ltd.	Taiwan	service business	359	359	34	34.00%	1,424	34.00%	327	111	Note 5
The Company	Yi Jih Development Corporation	Taiwan	construction business	58,000	58,000	5,800	29.22%	64,124	29.22%	929	272	Note 5
The Company	Mai Liao Power Corporation	Taiwan	electricity generation business	5,985,465	5,985,465	547,025	24.94%	10,846,662	24.94%	855,329	213,335	Note 5
The Company	Su Hua Transport Corporation	Taiwan	transportation business	50,000	50,000	10,495	25.00%	275,864	25.00%	104,601	26,150	Note 5
The Company	Formosa Synthetic Rubber Corporation	Taiwan	production of synthetic rubber products	400,000	400,000	40,000	33.33%	283,707	33.33%	(96,263)	(32,088)	Note 5
The Company	Formosa Resources Corporation	Taiwan	mining industry	5,845,940	4,162,500	584,594	25.00%	5,361,771	25.00%	(543,427)	(135,857)	Note 5
The Company	Formosa Group (Cayman) Limited (Note)	Cayman Islands	investment	377	377	13	25.00%	348,135	25.00%	(652,580)	(163,145)	Note 5
The Company	Formosa Plastics Construction Corporation	Taiwan	construction business	100,000	100,000	10,000	33.33%	87,773	33.33%	(12,454)	(4,151)	Note 5
The Company	Nan Ya International (Cayman) Limited (Note)	Cayman Islands	investment	17,108,550	15,370,112	51	100.00%	15,984,458	100.00%	147	147	Note 5.6
The Company	FG Inc. (Note)	U.S.A.	investment	660,176	-	2	10.00%	655,907	10.00%	(7,634)	(763)	Note 5
Nan Ya Plastics corporation, America (Note)	Formosa Utility Venture, Ltd. (Note)	U.S.A.	electricity generation and trading	238,784	238,784	-	12.10%	2,149,363	12.10%	561,412	67,506	Note 5
Nan Ya Plastics corporation, America (Note)	Nan Ya Plastics corporation, Texas (Note)	U.S.A.	sale of chemical materials	9,849,840	9,849,840	3	100.00%	9,580,627	100.00%	(245,262)	(245,262)	Note 5.6
Nan Ya Plastics corporation, Texas (Note)	Formosa Olefins, L.L.C. (Note)	U.S.A.	production of chemical products	1,817,743	1,817,743	-	21.00%	1,661,621	21.00%	(420,264)	(88,255)	Note 5
Nan Ya PCB Corporation	Nan Ya PCB (HK) Corporation	Hong Kong	electricity generation and trading	5,020,900	5,020,900	1,223,820	100.00%	10,470,833	100.00%	(168,147)	(168,147)	Note 5.6
Nan Ya PCB Corporation	Nan Ya PCB (U.S.A.) Corporation	U.S.A.	retargeting	3,479	3,479	1,000	100.00%	12,298	100.00%	1,336	1,336	Note 5.6
Nan Ya PCB (HK) Corporation	Nan Ya PCB (Kunshan) Corporation	China	production of printed circuit board	5,017,721	5,017,721	-	100.00%	10,457,804	100.00%	(168,254)	(168,254)	Note 5.6
Wen Fung Industrial Co., Ltd.	Wellink Technology Corporation	Taiwan	production of electronic components	212,017	212,017	12,739	100.00%	131,286	100.00%	(5,453)	(5,453)	Note 5.6
Superior World Wide Trading Co., Ltd. (Note 1)	P.T.Indonesia Nanya Indah Plastics Co.	Indonesia	production of plastic products	120,794	120,794	5	50.00%	249,259	50.00%	181,588	90,794	Note 5

Note : The reporting currency of Nan Ya Plastics corporation, America, Nan Ya Plastics corporation USA, FG Inc., Formosa Utility Venture, Ltd, Nan Ya Plastics corporation, Texas, Formosa Olefins, L.L.C, Formosa Synthetic Rubber (Hong Kong) Corporation Limited, Formosa Group (Cayman) Limited and Nan Ya International (Cayman) Limited is denominated in USD, and the exchange rate of TWD to USD as of December 31, 2017 (in average) is 29.848(30.421) : 1.

Note 1 : The reporting currency of Nan Ya Plastics (Hong Kong) Co., Ltd., Superior World Wide Trading Co., Ltd. and PFG Fiber Glass (Hong Kong) Corporation Limited is denominated in HKD, and the exchange rate of NTD to HKD as of December 31, 2017 (in average) is 3.8267(3.9002) : 1.

Note 2 : The reporting currency of Formosa Industries Corporation is denominated in VND, and the exchange rate of NTD to VND as of December 31, 2017 (in average) is 1 : 0.001314(0.001339).

Note 3 : Due to the fact that cumulative losses from investments under equity method have already exceeded the long term investment book value of NTD 29,473, and the excess is reclassified to other non current liabilities.

Note 4 : Formosa Automobile Corporation merged with Formosa Automobile Sales Corporation on May 8, 2017, and Formosa Automobile Sales Corporation is the surviving company.

Note 5 : Investment income of the current period does not include cumulative translation adjustment and capital surplus adjustment.

Note 6 : The transaction has been written off during the consolidation process.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

TABLE 10

(a) Information regarding investments in Mainland China :

Name of the PRC Investee Company	Primary Business Scope	Amount of Paid-in Capital	Method of Investment	Investment Transferred from Taiwan as of January 1, 2017	For The Year Ended December 31, 2017		Investment Transferred from Taiwan as of December 31, 2017	Current Income of Investees	Direct and Indirect Shareholding Percentage by the Company	Highest Shareholding Percentage or Investment in this Period	Investment Gain (Loss)	Carrying Value of Investment as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow							
Nan Ya Plastics (Guangzhou) Co., Ltd. (Note 1)	production of polyester products	1,998,681	Indirect investment	1,998,681	-	-	1,998,681	15,521	100.00%	100.00%	15,521	2,401,103	611,825
Nan Ya Plastics (Xiamen) Co., Ltd. (Note 1)	production of plastic products	775,457	Indirect investment	738,752	-	-	738,752	105,867	85.00%	85.00%	89,987	1,075,739	72,820
Nan Ya Plastics (Huizhou) Co., Ltd. (Note 1)	production of polyester products	1,679,527	Indirect investment	1,679,527	-	-	1,679,527	98,526	100.00%	100.00%	98,526	3,269,402	-
Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 1)	production of polyester products	847,935	Indirect investment	738,870	-	-	738,870	(59,091)	100.00%	100.00%	(59,091)	5,071	-
Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	production of electronic materials	1,180,918	Indirect investment	1,180,918	-	-	1,180,918	552,123	100.00%	100.00%	552,123	1,943,566	-
Nan Ya Trading (Huizhou) Co., Ltd. (Note 1)	trading	32,267	Indirect investment	32,267	-	-	32,267	5,463	100.00%	100.00%	5,463	58,158	-
Nan Ya Plastics (Nantong) Co., Ltd. (Note 1)	production of plastic products, production of steam and electricity	3,219,604	Indirect investment	1,973,292	-	-	1,973,292	482,251	100.00%	100.00%	482,251	7,428,165	103,612
China Nantong Huafeng Co., Ltd. (Note 1)	trading	93,004	Indirect investment	99,636	-	-	99,636	6,359	100.00%	100.00%	6,359	336,530	-
Nantong Huafu Plastics Co., Ltd. (Note 1)	trading	79,111	Indirect investment	71,503	-	-	71,503	2,376	100.00%	100.00%	2,376	93,966	-
Nan Ya Electric (Nantong) Corporation (Note 1)	production of switch gear and control panel	339,275	Indirect investment	339,275	-	-	339,275	21,010	100.00%	100.00%	21,010	1,083,892	-
Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 1)	production of plastic products	1,321,132	Indirect investment	1,035,626	-	-	1,035,626	68,791	100.00%	100.00%	68,791	2,019,934	-
Nanya Kyowa Plastics (Nantong) Co., Ltd.	interior decorating business	200,988	Indirect investment	100,494	-	-	100,494	63,290	50.00%	50.00%	31,645	163,761	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 1)	production of electronic materials	15,159,216	Indirect investment	15,159,216	-	-	15,159,216	6,396,757	100.00%	100.00%	6,396,757	52,245,252	-
Nan Ya Draw Textured Yarn (Kunshan) Co., Ltd. (Note 1)	production of polyester products	7,035,085	Indirect investment	7,035,085	-	-	7,035,085	(541,064)	100.00%	100.00%	(541,064)	1,337,716	-
Nan Ya Plastics (Zhengzhou) Co., Ltd.	production of plastic products	261,737	Indirect investment	130,869	-	-	130,869	4,011	50.00%	50.00%	2,005	64,919	-
Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	production of plastic products and plasticizer	2,188,834	Indirect investment	1,989,308	-	-	1,989,308	79,021	100.00%	100.00%	79,021	373,321	-
PFG Fiber Glass (Kunshan) Co., Ltd. (Note 1)	glass fiber trading	4,668,263	Indirect investment	4,487,409	-	-	4,487,409	1,083,362	100.00%	100.00%	1,083,362	6,999,445	149,416

Name of the PRC Investee Company	Primary Business Scope	Amount of Paid-in Capital	Method of Investment	Investment Transferred from Taiwan as of January 1, 2017	For The Year Ended December 31, 2017		Investment Transferred from Taiwan as of December 31, 2017	Current Income of Investees	Direct and Indirect Shareholding Percentage by the Company	Highest Shareholding Percentage or Investment in this Period	Investment Gain (Loss)	Carrying Value of Investment as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow							
Hua Ya (Dong Ying) Plastics Corp.	production of plastic products	254,190	Indirect investment	34,591	-	-	34,591	-	15.00%	15.00%	-	39,046	23,020
Hua Ya (Wu Hu) Plastics Corp.	production of plastic products	624,948	Indirect investment	34,591	-	-	34,591	-	15.00%	15.00%	-	39,046	12,687
Formosa Synthetic Rubber (Ningbo) Limited Corporation	synthetic rubber	6,746,240	Indirect investment	2,151,560	-	-	2,151,560	(1,229,617)	31.82%	31.82%	(391,242)	812,323	-

Note: All companies disclosed within the investment income of the current year column are recognized according to the audited financial statements of the Company, except for PFG Fiber Glass (Kunshan) Co. Ltd. and Formosa Synthetic Rubber (Ningbo) Co., Ltd., which are recognized according to the financial statements audited by an international accounting firm.

Note 1: The transaction has been written-off during the consolidation process.

(b) Quota for investments in Mainland China :

Accumulative Remittance from Taiwan to Mainland China as of December 31, 2017 (Note 1)	Amount of Investment Approved by Investment Commission, Ministry of Economic Affairs (Note 2)	Limit on the Amount of Investment in Mainland China (Note 3)
41,271,928	44,762,406	-

Note 1 : Reporting currency of Chinese subsidiaries is RMB, and the monetary amount is first translated to HKD using the exchange rate as of December 31, 2017 (in average) of 1 : 1.1937(1.1557), and translated to NTD using the exchange rate as of December 31, 2017 (in average) of 1 : 3.8267(3.9002).

Note 2 : It includes the amount of NTD 3,010,315 from approved capital increase, capital increase out of earnings and capital increase out of capital surplus.

Note 3 : 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.

Note 4 : The accumulative remittance from Taiwan to Mainland China, end of the period includes the amount of Nan Ya Plastics (Anshan) Co., Ltd.

(c) Information on significant transactions :

For more information concerning the direct or indirect significant transactions, which has already been written off during the consolidation process, between the Company and its Chinese investees for the year ended December 31, 2017, please refer to the attachement of note 13 for "Information on material transaction items".