FORMOSA PETROCHEMICAL CORPORATION
AND SUBSIDIARIES
Consolidated Financial Statements
For The Years Ended
December 31, 2020 And 2019
Report of Independent Auditors

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Representation letter

The entities that are required to be included in the combined financial statements of Formosa Petrochemical Corporation as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No.10 by the Financial Supervisory Commission, “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Formosa Petrochemical Corporation and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Formosa Petrochemical Corporation

Chairman: Chen, Bao Lang

Date: March 11, 2021

Independent Auditors' Report Translated from Chinese

To the Board of Directors and Stockholders of
Formosa Petrochemical Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Petrochemical Corporation (the "Company") and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Revenue is primarily driven by refining and sales of petroleum. The Company recognized operating revenues of NT$415,281,764 thousand during 2020, which was a significant and material amount in terms of financial performance and earning distribution. Therefore, revenue recognition is determined as a key audit matter.

The audit procedures we performed regarding revenue recognition included but not limited to: evaluate the appropriateness of the revenue recognition policies; understand the transaction process and perform tests of control on the effectiveness of control points; inspect the terms of transaction to ensure obligation of customers contract and the appropriate timing of revenue recognition; obtain confirmation letter on revenue from the Company's and its subsidiaries' top 10 customers that are related parities; understand nature and rationality of transactions with the Company's and its subsidiaries' newly added top 10 customers, inspect the source document and proof of the accounts receivable collection, and confirm that the remitters match the customers; for a period before and after the balance sheet date, select significant sales and sales return transactions and inspect the supporting document to ensure proper cut off.

We also consider the appropriateness of the revenue disclosure included in note 4 and note 6.15 of the notes to the consolidated financial statements.

Valuation of inventories

As of December 31, 2020, the inventories amounted to NT$47,037,406 thousand, representing 13% of total assets, which was significant to the financial statements. Inventories consists of raw materials, finished goods and work in process which were measured at the lower of cost or net realizable value. As the fluctuation of material prices such as crude oil, could lead to value fluctuation of inventories, resulting in complex calculation of measurement of the lower of cost or net realizable value, therefore, valuation of inventories is identified as a key audit matter.

The audit procedures we performed regarding inventories valuation included but not limited to: evaluate the appropriateness of the inventories valuation policies; understand the transaction process and perform tests of control on the effectiveness of control points; inspect year-end inventory counting plan and observe the physical inventory count to verify the accuracy of inventory volume; test inventory pricing correctly used weighted average method; perform tests on the net realizable value used by the management to verify its accuracy.

We also consider the appropriateness of inventories disclosure included in note 4 and note 6.6 of the notes to the consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT$4,359,986 thousand and NT$5,219,534 thousand, both representing 1% of consolidated total assets as of December 31, 2020 and 2019. The related shares of profit or loss of the associates and joint ventures under the equity method amounted to NT$(235,881) thousand and NT$59,072 thousand, representing (3)% and 0% of the consolidated net income before tax for the years ended December 31 2020 and 2019, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT$(12,820) thousand and NT$(107,865) thousand, representing 1% and (8)% of the consolidated other comprehensive income for the years ended December 31, 2020 and 2019, respectively.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 internal control of the Company and its subsidiaries.

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 ability to continue as a going concern of the Company and its subsidiaries. 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 Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, 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 Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 consolidated financial statements 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.

Other

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2020 and 2019.

Lin, Li Huang
Fuh, Wen Fun
Ernst & Young, Taiwan
March 11, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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.
Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Thousands of Dollars)

ASSETS	Notes	December 31, 2020 NTD	December 31, 2019 NTD
CURRENT ASSETS			
Cash and cash equivalents	4 & 6.1 & 12	$42,965,803	$31,678,038
Financial assets at fair value through profit or loss － current	4 & 6.2 & 12	3,888,511	4,043,969
Financial assets at fair value through other comprehensive income － current	4 & 6.3 & 8 & 12	61,996,861	59,429,034
Financial assets for hedging － current	4 & 6.4 & 12	165,093	3,410
Notes receivable, net	4 & 6.5 & 12	1,970	2,843
Notes receivable due from related parties, net	4 & 6.5 & 7 & 12	1,465,976	1,763,612
Accounts receivable, net	4 & 6.5 & 12	11,549,278	22,008,397
Accounts receivable due from related parties, net	4 & 6.5 & 7 & 12	22,401,436	23,479,906
Finance lease receivables, net	4 & 6.17 & 7 & 12	289,403	293,451
Other receivables (including from related parties)	7 & 12 & 13	11,341,808	13,775,919
Inventories	4 & 6.6	47,037,406	60,407,257
Prepayments	6.7	11,633,763	8,941,340
Other current assets	8	572,511	665,461
Total current assets		215,309,819	226,492,637
NONCURRENT ASSETS			
Financial assets at fair value through other comprehensive income － non-current	4 & 6.3 & 12	14,692,966	16,633,662
Investments accounted for using the equity method	4 & 6.8	28,467,719	27,819,090
Property, plant and equipment	4 & 6.9 & 7	99,329,548	102,230,648
Mineral resources	4	1,005,845	1,006,804
Right-of-use assets	4 & 6.17 & 7	5,999,091	6,952,904
Investment property	4 & 6.10	365,564	366,244
Deferred tax assets	4 & 6.21	3,570,537	4,345,606
Long-term finance lease receivable, net	4 & 6.17 & 7 & 12	2,798,329	3,251,152
Other non-current assets, others	4 & 6.10	9,383,698	8,933,046
Total non-current assets		165,613,297	171,539,156
TOTAL ASSETS		$380,923,116	$398,031,793

The accompanying notes are an integral part of the financial statements.

(Forward)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in Thousands of Dollars)

		December 31, 2020	December 31, 2019
LIABILITIES AND EQUITY	**Notes**	**NTD**	**NTD**
CURRENT LIABILITIES			
Short-term loans	6.11 & 8 & 12	$271,781	$307,387
Contract liabilities － current	4 & 6.15	60,401	52,014
Notes payable	12	8,035	12,225
Accounts payable	12	8,434,654	11,519,185
Accounts payable to related parties	7 & 12	2,248,564	1,851,998
Other payables	6.14	15,481,247	14,721,479
Other payables to related parties	7	241,588	267,347
Current tax liabilities	4 & 6.21	945,392	3,490,703
Current lease liabilities	4 & 6.17 & 7 & 12	1,006,308	1,041,408
Current portion of long-term liabilities	6.12	-	3,200,000
Other current liabilities, others	9	189,631	298,497
Total current liabilities		28,887,601	36,762,243
NONCURRENT LIABILITIES			
Bonds payable	6.12	29,200,000	14,700,000
Deferred tax liabilities	4 & 6.21	189,019	159,726
Non-current lease liabilities	4 & 6.17 & 7 & 12	5,186,560	6,123,693
Defined benefit pension liability	4 & 6.13	4,653,038	4,919,997
Other non-current liabilities, others		179,830	1,364,129
Total non-current liabilities		39,408,447	27,267,545
TOTAL LIABILITIES		68,296,048	64,029,788
EQUITY			
Capital stock			
Common stock	4 & 6.14	95,259,597	95,259,597
Capital surplus		31,418,849	31,399,948
Retained earnings			
Legal reserve		72,190,485	68,510,664
Special reserve		3,033,784	3,033,784
Unappropriated earnings		75,841,731	99,680,185
Total retained earnings		151,066,000	171,224,633
Other equity		30,356,913	32,338,883
Non-controlling interests	6.14	4,525,709	3,778,944
TOTAL EQUITY		312,627,068	334,002,005
TOTAL LIABILITIES AND EQUITY		$380,923,116	$398,031,793

The accompanying notes are an integral part of the financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Thousands of Dollars, Except for Earnings per Share)

	Notes	For the Year Ended December 31, 2020 NTD	For the Year Ended December 31, 2019 NTD
OPERATING REVENUES	4 & 6.15 & 7	$415,281,764	$646,022,809
OPERATING COSTS	4 & 6.6 & 6.18 & 7	402,313,818	598,303,798
GROSS PROFIT		12,967,946	47,719,011
OPERATING EXPENSES	4 & 6.13 & 6.16 & 6.18 & 7		
Selling and marketing		5,592,394	6,044,115
General and administrative		4,493,905	4,729,909
Research and development		235,403	223,951
Expected credit losses (gains)		(122,524)	(64,620)
Total operating expenses		10,199,178	10,933,355
OPERATING INCOME		2,768,768	36,785,656
NON-OPERATING INCOME AND EXPENSES			
Interest income	6.19 & 7	439,620	702,037
Other income	6.19 & 7	4,051,917	6,483,556
Other gains and losses	6.19 & 7	316,628	693,164
Financial costs	6.19 & 7	(416,787)	(591,550)
Share of profit or loss of associates and joint ventures accounted for using the equity method	4 & 6.8	1,504,903	825,488
Total non-operating income and expenses		5,896,281	8,112,695
INCOME BEFORE INCOME TAX		8,665,049	44,898,351
INCOME TAX EXPENSE	4 & 6.21	1,292,594	8,150,178
NET INCOME		7,372,455	36,748,173
OTHER COMPREHENSIVE INCOME (LOSS)	6.8 & 6.20		
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		273,072	(215,828)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income		(513,208)	3,022,832
Share of other comprehensive income of associates and joint ventures accounted for using equity method		(311,269)	(767,580)
Income tax (benefit) expense relating to items that will not be reclassified		54,614	(43,166)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		(1,245,770)	(553,112)
Gains (losses) on hedging instrument		161,830	85,529
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(452,947)	(283,201)
Income tax (benefit) expense relating to items that may be reclassified		31,544	17,106
Total other comprehensive income (loss) for the period, net of income tax		(2,174,450)	1,314,700
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		$5,198,005	$38,062,873
NET INCOME ATTRIBUTABLE TO:			
Shareholders of the parent		$7,429,609	$36,798,213
Non-controlling interests		(57,154)	(50,040)
		$7,372,455	$36,748,173
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the parent		$5,502,823	$38,195,509
Non-controlling interests		(304,818)	(132,636)
		$5,198,005	$38,062,873
EARNINGS PER SHARE (NTD)			
Earnings per share — basic/diluted	4 & 6.22		
Continuing operating income before tax		$0.91	$4.71
Net Income		$0.78	$3.86

The accompanying notes are an integral part of the financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Thousands of Dollars)

	Equity Attributable to Shareholders of the Parent										
			Retained Earnings			Other Component of Equity					
New Taiwan Dollars	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized gains (losses) from Equity Instruments Investments measured at Fair Value through Other Comprehensive Income	Gains (losses) on Hedging Instruments	Total Parent Equity	Non-controlling Interests	Total Equity
Balance as of January 1, 2019	$95,259,597	$31,385,997	$62,501,642	$3,033,784	$114,793,328	$672,695	$30,156,859	$(65,694)	$337,738,208	$2,917,972	$340,656,180
Appropriation of 2018 earnings:											
Legal reserve	-	-	6,009,022	-	(6,009,022)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(45,724,607)	-	-	-	(45,724,607)	-	(45,724,607)
Other change in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	13,652	-	-	-	-	-	-	13,652	-	13,652
Other changes in capital surplus	-	299	-	-	-	-	-	-	299	-	299
Net income for the year ended December 31, 2019	-	-	-	-	36,798,213	-	-	-	36,798,213	(50,040)	36,748,173
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(177,727)	(754,224)	2,260,824	68,423	1,397,296	(82,596)	1,314,700
Total comprehensive income	-	-	-	-	36,620,486	(754,224)	2,260,824	68,423	38,195,509	(132,636)	38,062,873
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	993,608	993,608
Balance as of December 31, 2019	$95,259,597	$31,399,948	$68,510,664	$3,033,784	$99,680,185	$(81,529)	$32,417,683	$2,729	$330,223,061	$3,778,944	$334,002,005
Balance as of January 1, 2020	$95,259,597	$31,399,948	$68,510,664	$3,033,784	$99,680,185	$(81,529)	$32,417,683	$2,729	$330,223,061	$3,778,944	$334,002,005
Appropriation of 2019 earnings:											
Legal reserve	-	-	3,679,821	-	(3,679,821)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(27,625,283)	-	-	-	(27,625,283)	-	(27,625,283)
Other change in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	18,845	-	-	-	-	-	-	18,845	-	18,845
Other changes in capital surplus	-	56	-	-	-	-	-	-	56	-	56
Net income for the year ended December 31, 2020	-	-	-	-	7,429,609	-	-	-	7,429,609	(57,154)	7,372,455
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	221,719	(1,450,327)	(828,464)	130,286	(1,926,786)	(247,664)	(2,174,450)
Total comprehensive income	-	-	-	-	7,651,328	(1,450,327)	(828,464)	130,286	5,502,823	(304,818)	5,198,005
Reorganization	-	-	-	-	(18,143)	372,362	(372,362)	-	(18,143)	-	(18,143)
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	1,051,583	1,051,583
Disposal of equity instruments investments designated at fair value through other comprehensive income	-	-	-	-	(166,535)	-	166,535	-	-	-	-
Balance as of December 31, 2020	$95,259,597	$31,418,849	$72,190,485	$3,033,784	$75,841,731	$(1,159,494)	$31,383,392	$133,015	$308,101,359	$4,525,709	$312,627,068

The accompanying notes are an integral part of the financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Thousands of Dollars)

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
	NTD	NTD
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$8,665,049	$44,898,351
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation and depletion	12,602,579	12,092,641
Amortization	1,481,606	1,604,675
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	155,458	(27,105)
Interest expense	416,787	591,550
Interest income	(439,620)	(702,037)
Dividends income	(1,824,717)	(4,464,038)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(1,504,903)	(825,488)
(Gain) loss on disposal of property, plant and equipment	41,073	(44,676)
(Gain) loss on disposal of other assets	(16,348)	-
(Gain) loss on disposal of investments accounted for using equity method	-	(7,043)
Impairment loss on non-financial assets	959	21,009
Other adjustments － (gain) loss on lease modifications	(3,301)	(2,213)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable (including related parties)	298,509	(42,220)
Decrease (increase) in accounts receivable (including related parties)	11,537,589	6,602,545
Decrease (increase) in other receivables (including related parties)	244,045	1,735,449
Decrease (increase) in inventories	13,369,851	471,664
Decrease (increase) in prepayments	(4,448,603)	(2,357,753)
Decrease (increase) in other current assets	88,678	131,241
Increase (decrease) in contract liabilities	8,387	(222,829)
Increase (decrease) in notes payable	(4,190)	(6,969)
Increase (decrease) in accounts payable (including related parties)	(2,687,965)	(6,930,367)
Increase (decrease) in other payables	755,241	2,382,731
Increase (decrease) in other current liabilities	(88,146)	112,993
Increase (decrease) in defined benefit pension liability, net	6,114	43,988
Cash from operating activities	38,654,132	55,056,099
Income taxes received (paid)	(3,119,701)	(11,164,053)
Net cash provided by (used in) operating activities	35,534,431	43,892,046

The accompanying notes are an integral part of the financial statements.

(Forward)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Thousands of Dollars)

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
	NTD	NTD
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(1,801,945)	(18,550)
Proceeds from disposal of financial assets at fair value through other comprehensive income	12,500	-
Acquisition of investments accounted for using the equity method	(266,634)	(2,440,432)
Disposal of investments accounted for using the equity method	15,941	18,160
Proceeds from capital reduction of investments accounted for using the equity method	61,992	-
Acquisition of property, plant and equipment:		
Cost paid	(8,957,716)	(7,686,933)
Interest paid	(819)	(1,663)
Proceeds from disposal of property, plant and equipment	9,792	73,202
Decrease in receipts in advance due to disposal of assets	-	(60,226)
Decrease in other receivables － due from affiliates	2,182,086	-
Acquisition of use-of-right assets	(32,686)	(30,257)
Decrease in long-term lease receivables	456,871	351,352
Increase in other financial assets	-	(27,195)
Decrease in other financial assets	4,272	-
Increase in other non-current assets	(176,078)	(1,243,009)
Interests received	447,600	713,395
Dividends received	2,294,469	4,909,604
Other investing activities	(214,319)	(599,925)
Net cash provided by (used in) investing activities	(5,964,674)	(6,042,477)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(35,606)	(452,484)
Proceeds from issuing bonds (including current portion)	14,500,000	11,100,000
Repayment of bonds (including current portion)	(3,200,000)	(7,650,000)
Decrease in other payables to related parties	(25,759)	(462,316)
Payments of lease liabilities	(1,076,056)	(1,069,557)
Decrease in other non-current liabilities	(1,184,243)	(27,241)
Cash dividends paid	(27,625,058)	(45,724,366)
Interest paid	(397,747)	(604,849)
Change in non-controlling interests	1,051,583	993,608
Net cash provided by (used in) financing activities	(17,992,886)	(43,897,205)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(289,106)	(27,984)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	11,287,765	(6,075,620)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	31,678,038	37,753,658
CASH AND CASH EQUIVALENTS, END OF PERIOD	$42,965,803	$31,678,038

The accompanying notes are an integral part of the financial statements.

Formosa Petrochemical Corporation
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Audited)

1. HISTORY AND ORGANIZATION

Formosa Petrochemical Corporation (the “Company”) had prepared for incorporation since March 1992 and was incorporated on April 6, 1992. The Company is located in the No.6 Naphtha Cracker Complex in Mailiao of Yunlin County. The major shareholders of the Company are Formosa Plastics Corporation, Nan Ya Plastics Corporation and Formosa Chemicals & Fibre Corporation with equity interests of 28.55%、23.10%及 24.15%, respectively, as of December 31, 2020.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31,2020 and 2019 were authorized for issue in accordance with a resolution of the Board of Directors on March 11, 2021.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)
The Group elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after 1 January 2020, and in accordance with the requirements of the transition. For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. Please refer to Note 6 for disclosure related to the lessee which required by the amendment.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2020

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

(a) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRS").

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

B. The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiaries	Main business	December 31, 2020	December 31, 2019
The Company	Formosa Oil (Asia Pacific) Corp.	Sales Retailer	100%	100%
The Company	Formosa Petrochemical Transportation Corp.	Transportation Service	88%	88%
The Company	FPCC USA, INC.	Oil exploration & production	100%	100%
The Company	FPCC Marine Corporation (Note1)	Leasing on ships	-	100%
The Company	FPCC DILIGENCE Corp. (Note1)	Leasing on ships	100%	-
The Company	FPCC MAJESTY Corp. (Note1)	Leasing on ships	100%	-
The Company	FPCC NATURE Corp. (Note1)	Leasing on ships	100%	-
The Company	Formosa Petrochemical International (Cayman) Limited (Note2)	Investing	-	100%
The Company	FG INC.	Investing	57%	57%
FG INC.	FG LA LLC	Petrochemical products manufacturing and selling	100%	100%

Note 1: FPCC Marine Corporation, the subsidiary of the Company, established FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. at the price of ship assets on March 20, 2020. After the reorganization procedures on April 15, 2020, the subsidiary company FPCC Marine Corporation transferred 100% equity of the three companies FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. to the Company and was entered into dissolution and liquidation process.

Note 2: The Company merged with one of the subsidiaries, Formosa Petrochemical International (Cayman) Limited, on November 19, 2020. The equity investments in Formosa Ha Tinh (Cayman) Limited originally held by Formosa Petrochemical International (Cayman) Limited was directly held by the Company after the combination, and accounted for as financial assets at fair value through other comprehensive income－non-current.

C. Subsidiaries are excluded from the consolidated financial statements and the reason are as follows:

(a)

Investor	Subsidiaries	Main business	Percentage of ownership (%)	
			December 31, 2020	December 31, 2019
Formosa Oil (Asia Pacific) Corp.	Whalehome International Corp., Ltd.	Sales Retailer	53.80%	53.80%
Formosa Petrochemical Transportation Corp.	Whalehome International Corp., Ltd.	Sales Retailer	15.69%	15.69%

Note: The total percentages of ownership of Formosa Oil (Asia Pacific) Corporation and Formosa Petrochemical Transportation Corporation in Whalehome International Corp., Ltd. both were 69.49% as of December 31, 2020 and 2019. Whalehome International Corp., Ltd.'s assets, liabilities and net income only representing 0.09%, 0.04%, 0.14% and 0.09%, 0.05%, 0.02% of the Company's corresponding accounts as of December 31, 2020 and 2019. Whalehome International Corp., Ltd was not significant for the Group, so it was not included in the consolidated financial statement.

(b) Although NKFG was wholly-owned by the Group before September 20, 2019, it is treated as a joint venture rather than a subsidiary based on its economic substance. The Group's ownership of NKFG was reduced from 100% to 50% on September 20, 2019, and further changed to 45% on March 26, 2020. Please refer to Note 6.(8).E.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Group: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
B. The Group holds the asset primarily for the purpose of trading
C. The Group expects to realize the asset within twelve months after the reporting period
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

A. The Group expects to settle the liability in its normal operating cycle
B. The Group holds the liability primarily for the purpose of trading
C. The liability is due to be settled within twelve months after the reporting period
D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and 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 (including time deposits with maturing of less than 12 months, repurchase bonds and commercial papers).

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(a) the Group's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable (including financing lease receivables), financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income should be reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue calculated by using the effective interest method (effective interest rate times the carrying amount of the financial asset) or the method stated below should be recognized in profit or loss.
    (i) For purchased or originated credit-impaired financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
    (ii) For financial assets that are not purchased or originated credit-impaired financial assets but subsequently become credit-impaired financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial assets at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from issuing price.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid is recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include accounts payable and interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through amortization process of the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivatives instrument and hedge accounting

The Group uses derivative instruments to hedge its price risk of products. A derivative is classified in the balance sheet as financial asset or financial liability at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

The Group's purpose of using hedge accounting is to hedge the risk of cash flows. Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or foreign exchange rate risk arising from an unrecognized commitment.

Hedges that meet the hedge accounting requirement should be treated as follows:

Cash flow hedge

Gains or losses arising from the effective portion of cash flow hedges are recognized in equity and gains or losses arising from the ineffective portion are recognized in profit or loss.

When the hedged transaction affected profit or loss, the gains or losses recognized in equity are transferred to profit or loss. When the hedged item is non-financial assets or non-financial liabilities, the gains or losses recognized in equity should be transferred to the book value of the hedged non-financial assets or non-financial liabilities.

When the expected transaction or commitment is not expected to happen, the gains or losses recognized in equity previously should be transferred to profit or loss. If the hedge instrument has expired, terminated or executed and not replaced or extended, or has cancelled the original designated hedge, then the gains or losses recognized in equity previously should remain in equity before the expected transaction or commitment affected profit or loss.

(10) Fair value measurement

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

A. in the principal market for the asset or liability; or
B. in the absence of a principal market, in the most advantageous market for the asset or liability.

The main or the most advantageous market must enter by the group to conduct transaction.

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group adopts the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition is accounted for as follows:

Raw materials – Purchase cost on weighted average cost basis.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. The fix manufacturing cost is allocated based on normal operating capacity. If the actual capacity exceeds the normal capacity, then the fix manufacturing cost is allocated based on the actual capacity. Finished goods and work in progress are based on weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(12) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorate basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings: 25~55 years
Machinery and equipment: 5~40 years
Transportation equipment: 3~15 years
Other equipment: 3~25 years
Leasehold improvements: The shorter of lease terms or economic useful lives

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company changed the depreciation method from the straight-line method to the fixed-percentage-on-declining-base method on January 1, 2008 with respect to the related machines, transportation and other equipment of the Refinery and Oil Products Division (excluding the utilities factory and oil factory), Petrochemical Olefins Division and Maintenance Center in Mailiao plant. PP&E still in use after its service life are further depreciated over the newly estimated remaining useful lives.

(14) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group decides to transfer to or from investment properties based on the actual usage of the assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

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

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Group have applied the practical expedient to all rent concessions that meet the conditions for it.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(16) Exploration and evaluation assets

Mineral resources means acquired mineral interests and the oil and gas wells and related facilities arising from oil and gas development activities. Necessary cost for the acquisition of mineral interest including acquisition, exploration, development and removal or restoration costs are capitalized as mineral resource assets.

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Revenue recognition

The Group's revenue arising from contracts with customers mainly include sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follows:

Sales of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer (meaning that the customer has control over the use of the product and claims almost all of the remaining benefit) and the goods are delivered to the customers. The main product of the Group is petrochemical products and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The Group has not provided any warranty to its products.

The credit period of the Group's sale of goods is from 30 to 60 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. For a small part of the contracts, the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The service provided by the Group is mainly terminal operations which have fixed price or negotiated price based on the number of times the service is provided. The performance obligation is fulfilled at a certain point so the revenue should be recognized when the performance obligation is fulfilled.

Most of the contractual consideration of the Group are claimed after services have been rendered. When services have been performed but the Group does not have the right to the consideration unconditionally, contract assets should be recognized. For part of the contracts where consideration is claimed upon signing the contract, then the Group has the obligation to provide the services subsequently and contract liabilities should be recognized.

The period between the transfers of contract liabilities to revenue is usually within one year, and thus, no significant financing component is arised.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders’ meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss.

Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Financing lease commitment－Group as the lessor/ lessee

The Group has entered into commercial property leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as financing leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, and changes of the future salary etc. Please refer to Note 6 for more details.

C. Revenue recognition － sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. The aforementioned sales returns and allowance is estimated based on the assumption that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group’s domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

E. Accounts receivables – estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

F. Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Cash on hand and petty cash	$5,008	$5,164
Checking accounts	427,073	90,969
Demand deposits	26,010,042	13,193,530
Time deposits	10,679,378	9,000,004
Commercial paper	4,487,138	6,639,783
Repurchase bonds	1,357,164	2,748,588
Total	$42,965,803	$31,678,038

The above cash and cash equivalents were not pledged as collateral or restricted for uses.

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

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Mandatorily measured at fair value through profit or loss:		
Funds	$3,888,511	$4,043,969

The profit (loss) arising from financial assets at fair value through profit or loss were NT$(155,458) thousand and NT$27,105 thousand for the years ended December 31, 2020 and 2019, respectively.

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income － current and non-current

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Equity instruments investments measured at fair value through other comprehensive income:		
Listed companies stocks	$61,996,861	$59,429,034
Unlisted companies stocks	14,692,966	16,633,662
Total	$76,689,827	$76,062,696
Current	$61,996,861	$59,429,034
Non-current	14,692,966	16,633,662
Total	$76,689,827	$76,062,696

The Group classified part of its financial assets as financial assets at fair value through other comprehensive income. Please refer to Note 8 for more details on financial assets at fair value through other comprehensive income under pledge.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 are as follow:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Related to investments held at the end of the reporting period	$1,812,128	$4,464,038
Related to investments derecognized during the period	12,589	-
Dividends recognized during the period	$1,824,717	$4,464,038

In consideration of the Group's investment strategy, the Group disposed and derecognized partial of equity instrument investments measured at fair value through other comprehensive income, details on derecognition of the investments for the years ended December 31, 2020 and 2019 are as follow:

	For the year ended December 31, 2020	For the year ended December 31, 2019
The fair value of the investments at the date of derecognition	$170,151	$-
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	(124,434)	-

(4) Financial assets for hedging － current and non-current

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Financial assets for hedging		
Financial Derivatives		
Energy commodity swap contracts	$165,093	$3,410
Current	$165,093	$3,410
Non-current	-	-
Total	$165,093	$3,410

Note: The Group applied hedge accounting according to IAS 39.

A. As of December 31, 2020 and 2019 there were 55 and 9 energy commodity swap contracts outstanding. The Company used these contracts to hedge the fluctuations of international crude oil, petroleum product and natural gas prices. The swap contracts entered into by the Company are highly correlated with the price movement of the hedged items and periodic reviews are conducted on the swap contracts undertaken. All energy commodity swap contracts currently held by the Company are held for purpose of hedging and hedge effective. Please refer to Note 12 for details of the company's financial risk management objectives and policies, hedging strategies and activities.

B. For hedging fluctuations of international crude oil, petroleum product and natural gas prices, the outstanding energy commodity swap contracts were as follows:

		December 31, 2020		
			Book Value	
		Notional	Asset	Liability
Type of Transaction	Pricing Period	Quantity	NTD	NTD
Singapore gasoline / Dubai Crack Swap	Jan.1, 2021~ Dec.31, 2021	1,200 (1,000 bbls)	$161,127	$-
Henry Hub Natural Gas Asian Swap	Apr.1, 2021~ Oct.31, 2021	460,000 MMBtu	3,966	-
Total			165,093	-
Less: Financial assets (liabilities) for hedging － current			165,093	-
Financial assets (liabilities) for hedging － non-current			$-	$-

			December 31, 2019	
			Book Value	
		Notional	Asset	Liability
Type of Transaction	Pricing Period	Quantity	NTD	NTD
Singapore jet fuel /diesel oil Crack Swap	Apr.1, 2020~ Dec.31, 2020	225 (1,000 bbls)	$3,410	$-
Total			3,410	-
Less: Financial assets (liabilities) for hedging − current			3,410	-
Financial assets (liabilities) for hedging − non-current			$-	$-

(5) Notes and accounts receivable

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
A.Notes receivable	$1,970	$2,843
Less: Loss allowance	-	-
Notes receivable, net	$1,970	$2,843
B. Notes receivable – related parties	$1,465,976	$1,763,612
Less: Loss allowance	-	-
Notes receivable – related parties, net	$1,465,976	$1,763,612
C. Accounts receivable	$11,921,345	$22,502,988
Less: Loss allowance	(372,067)	(494,591)
Accounts receivable, net	$11,549,278	$22,008,397
D.Accounts receivable – related parties	$22,401,436	$23,479,906
Less: Loss allowance	-	-
Accounts receivable – related parties, net	$22,401,436	$23,479,906

Notes receivable and accounts receivable were from operations and were not held as collateral by any financial institution.

Accounts receivable are generally on 30~60 day terms. As of December 31, 2020 and 2019, the book value were NT$35,790,727 thousand and NT$47,749,349 thousand, respectively. Please refer to Note 6.16 for more details on loss allowance of trade receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Raw materials	$21,642,951	$19,111,891
Supplies	4,951,512	5,275,383
Work in process	6,205,385	9,994,943
Finished goods	12,703,418	20,427,052
Goods in transit	1,532,282	5,596,250
By-product	1,858	1,738
Total	$47,037,406	$60,407,257

A. The cost of inventories (operating cost) recognized in expenses amounted to NT$402,313,818 thousand and NT$598,303,798 thousand for the years ended December 31, 2020 and 2019, including the expense (benefit) from inventory diluted to its respective net realizable value of NT$(282,373) thousand and NT$(3,435,721) thousand for the years ended December 31, 2020 and 2019, respectively.

B. COVID-19 vaccination prevented the spread of the epidemic and market was optimistic about the result of the vaccination. Therefore, demand was expected to grow hence led the crude oil and naphtha prices to rise. As a result, the Group had recognized gain from price recovery of inventory in the amount of NT$282,373 thousand for the years ended December 31, 2020.

C. Because of the rising prices of the crude oil and naphtha, the Group had recognized gain from price recovery of inventory in the amount of NT$3,435,721 thousand for the years ended December 31, 2019.

No inventories were pledged as of December 31, 2020 and 2019.

(7) Prepaid expense

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Prepaid expense — Maintenance	$7,710,693	$5,084,726
Prepaid expense — Material	1,676,151	1,620,336
Prepaid taxes — Input VAT	231,697	655,781
Prepaid expense — Insurance	48,079	64,386
Prepaid expense — Others	1,967,143	1,516,111
Total	$11,633,763	$8,941,340

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

	As of			
	December 31, 2020		December 31, 2019	
Investee	NTD	Percentage of Ownership (%)	NTD	Percentage of Ownership (%)
Investments in associates				
Mai-Liao Power Corporation	$12,416,391	24.94	$11,051,494	24.94
Yi-Chi Construction Corporation	28,467	40.55	89,751	40.55
Mailiao Harbor Administration Corporation	2,295,271	44.96	2,452,177	44.96
Formosa Development Corporation	772,318	45.99	759,060	45.99
Formosa Marine Corporation	173,697	20.00	103,296	20.00
Simosa Oil Corporation	541,394	20.00	534,744	20.00
Formosa Environmental Technology Corporation	227,350	24.34	225,692	24.34
Formosa Plastics Synthetic Rubber	-	-	292,606	33.33
Formosa Plastics Synthetic Rubber (HK)	2,163,006	33.33	2,249,179	32.53
Nan Ya Photonics, Incorporation	294,829	22.83	-	-
Whalehome International Corp., Ltd	227,246	69.49	227,566	69.49
TMS Corp.	51,170	49.00	48,288	49.00
Formolight Technologies, Inc.	62,497	39.43	56,765	39.43
Formosa Resources Corporation	6,169,287	25.00	6,615,934	25.00
Formosa Group (Cayman) Limited	649,229	25.00	653,576	25.00
Subtotal	26,072,152		25,360,128	
Investments in jointly controlled entities				
Caltex Taiwan Corporation	55,642	50.00	87,880	50.00
Formosa Kraton Chemical Co., Ltd.	1,240,764	50.00	1,125,698	50.00
Idemitsu Formosa Specialty Chemicals Corp.	423,174	50.00	579,805	50.00
Formosa Falkor Engineering Corporation	-	-	7,516	50.00
NKFG	675,987	45.00	658,063	50.00
Subtotal	2,395,567		2,458,962	
Total	$28,467,719		$27,819,090	

A. Investments in associates

(a) The associates of the Group was not significant. The summary financial information of associates was listed below:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Net income (loss)	$1,699,380	$854,530
Other comprehensive income (loss), net	(764,216)	(1,050,781)
Comprehensive income (loss) for the period	$935,164	$(196,251)

(b) The associates of the Group have no publicly quoted prices.

(c) Formosa Plastics Synthetic Rubber was dissolved in September 2020, and transferred its equity of Formosa Plastics Synthetic Rubber (HK) to other original shareholders. And the Group transferred accumulated share of other comprehensive income accounted for using equity method $(44,168) thousand from other equity to retained earnings. The Group acquired 3,333 thousand shares of Formosa Plastics Synthetic Rubber (HK), and the Group's aggregated shareholding percentage is 33.33%.

B. Investments in joint ventures

(a) The joint ventures of the group was not significant. The summary financial information of joint ventures was listed below:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Net income (loss)	$(194,477)	$(29,042)
Other comprehensive income (loss), net	-	-
Comprehensive income (loss) for the period	$(194,477)	$(29,042)

(b) During March of 2020, NKFG increased capital by issuing new shares. The Group did not acquire the newly issued shares proportionately to its original ownership interest and thus, its ownership interest changes. Therefore, the Group increase capital surplus and investments accounted for using equity method by NT$ 18,845 thousand.

(c) During September of 2019, NKFG increased capital by issuing new shares. The Group did not acquire the newly issued shares proportionately to its original ownership interest and thus, its ownership interest changes. Therefore, the Group increase capital surplus and investments accounted for using equity method by NT$ 13,652 thousand.

C. The associates and joint ventures had no contingent liability, committed capital or provided guarantee on December 31, 2020 and 2019. The joint venture could not distribute profits before obtaining all partners' consent.

The carrying amount of investments accounted for under the equity method in investees whose financial statements were audited by other auditors amounted to NT$4,359,986 thousand and NT$5,219,534 thousand, both representing 1% of the consolidated total assets as of December 31, 2020 and 2019. The share of profit or loss of these associates and joint ventures under the equity method amounted to NT$(235,881) thousand and NT$59,072 thousand, representing (3)% and 0% of the consolidated income before tax for the years ended December 31, 2020 and 2019, respectively. The share of other comprehensive income of these associates and joint ventures under the equity method amounted to NT$(12,820) thousand and NT$(107,865) thousand, representing 1% and (8)% of the consolidated other comprehensive income for the years ended December 31, 2020 and 2019, respectively. The financial statements of Yi-Chi Construction Corporation, Formosa Environmental Technology Corporation, Formosa Plastics Synthetic Rubber(HK), TMS Corp., Formosa Group (Cayman) Limited, and Formosa Kraton Chemical Co., Ltd. were audited by other auditors.

D. Whalehome International Corp., Ltd. was not included in the consolidated financial statements. Please refer to Note 4.(3).C。

E. To develop UVLED business in collaboration with other companies, the Group established NKFG, a joint venture, in July 2018. According to the investment agreement, the Group was the sole owner of NKFG initially, and NKFG received capital injection on September 20, 2019 and March 26, 2020. As of December 31, 2020, The Group's ownership of NKFG was 45%.

F. The Group's associate Mai-Liao Power Corporation was approved to cease public issuing by Financial Supervisory Commission approved document No. 1090347583 dated June 23, 2020.

G. The Group acquired 3,931 thousand shares of Nan Ya Photonics Incorporation on August 31, 2020, and the Group's shareholding percentage was risen from 14.3% to 22.83%. Therefore, the Group reclassified the equity instrument investments measured at fair value through other comprehensive income－non-current to investments accounted for using equity method, which based on the fair value on acquisition date. And the Group transferred related accumulated fair value changes NT$(124,434) thousand from other equity to retained earnings.

H. Yi-Chi Construction Corporation, the associate of the Company, held an extraordinary shareholders' meeting on December 15, 2020. The extraordinary shareholders' meeting adopted a resolution to reduce capital by NT$156,700 thousand to cover losses and refund the amount to shareholders. The base date was December 21, 2020. Therefore, the Company collected back investment in the amount of NT$61,992 thousand.

I. Long-term equity investments are not pledged as collaterals for bank loans as of December 31, 2020 and 2019.

(9) Property, plant and equipment

As of December 31, 2019, the property, plant and equipment for operating leases, representing 0% of total property, plant and equipment. Therefore, it is not intended to separately list Statement of changes in property, plant and equipment for operating leases.

	Land and land improvements	Buildings	Machinery and equipment	Other equipment	Transportation equipment	Leasehold Improvement	Construction in progress	Total
Cost								
2020.1.1	$26,643,779	$44,758,083	$362,524,280	$4,254,619	$882,516	$330,043	$8,849,866	$448,243,186
Additions	57,475	-	91,790	182,127	10,470	944	8,615,729	8,958,535
Transfer	597	125,764	5,882,477	55,451	23,634	57,297	(6,165,940)	(20,720)
Disposals	-	(635)	(3,010,128)	(47,782)	(27,107)	(19,393)	-	(3,105,045)
Exchange differences	(186,250)	-	-	(1,123)	-	-	(265,327)	(452,700)
2020.12.31	$26,515,601	$44,883,212	$365,488,419	$4,443,292	$889,513	$368,891	$11,034,328	$453,623,256
2019.1.1	$26,646,165	$44,362,689	$353,894,819	$4,034,412	$948,689	$325,432	$11,007,482	$441,219,688
Additions	103,009	-	80,248	136,921	23,251	3,000	7,342,167	7,688,596
Transfer	(9,261)	395,394	8,647,368	135,463	33,418	11,452	(9,401,966)	(188,132)
Disposals	(23,161)	-	(98,155)	(51,761)	(122,842)	(9,841)	-	(305,760)
Exchange differences	(72,973)	-	-	(416)	-	-	(97,817)	(171,206)
2019.12.31	$26,643,779	$44,758,083	$362,524,280	$4,254,619	$882,516	$330,043	$8,849,866	$448,243,186
Depreciation and impairment:								
2020.1.1	$-	$28,156,244	$313,633,716	$3,384,659	$569,285	$268,634	$-	$346,012,538
Depreciation	-	1,888,973	9,144,643	233,935	56,197	12,215	-	11,335,963
Disposals	-	(397)	(2,961,382)	(47,588)	(25,444)	(19,369)	-	(3,054,180)
Transfer	-	(517)	188	255	74	-	-	-
Exchange differences	-	-	-	(613)	-	-	-	(613)
2020.12.31	$-	$30,044,303	$319,817,165	$3,570,648	$600,112	$261,480	$-	$354,293,708
2019.1.1	$-	$26,298,330	$305,042,793	$3,206,494	$635,019	$268,142	$-	$335,450,778
Depreciation	-	1,857,948	8,685,236	229,736	55,939	10,326	-	10,839,185
Disposals	-	-	(93,949)	(51,746)	(121,705)	(9,834)	-	(277,234)
Transfer	-	(34)	(364)	366	32	-	-	-
Exchange differences	-	-	-	(191)	-	-	-	(191)
2019.12.31	$-	$28,156,244	$313,633,716	$3,384,659	$569,285	$268,634	$-	$346,012,538
Net carrying amount as of:								
2020.12.31	$26,515,601	$14,838,909	$45,671,254	$872,644	$289,401	$107,411	$11,034,328	$99,329,548
2019.12.31	$26,643,779	$16,601,839	$48,890,564	$869,960	$313,231	$61,409	$8,849,866	$102,230,648

Capitalized borrowing costs of property, plant and equipment are as follows:

Item	For the year ended December 31, 2020	For the year ended December 31, 2019
Construction in progress	$819	$1,663
Capitalization rate of borrowing costs	0.88%~1.88%	1.20%~3.00%

A. The Group's property, plant and equipment was not pledged as collaterals.

B. Interest expenses before capitalization were NT$417,606 thousand and NT$593,213 thousand for the years ended December 31, 2020 and 2019, respectively.

(10) Investment property and other non-current assets

A. Investment property :

	2020.1.1	Additions	Disposals	2020.12.31
Land:				
Cost	$946,818	$-	$-	$946,818

	2020.1.1	Impairment	Disposals	2020.12.31
Land:				
Accumulated impairment	$580,574	$680	$-	$581,254

	2020.1.1	2020.12.31
Land:		
Net carrying amount as of	$366,244	$365,564

	2019.1.1	Additions	Disposals	2019.12.31
Land:				
Cost	$946,818	$-	$-	$946,818

	2019.1.1	Impairment	Disposals	2019.12.31
Land:				
Accumulated impairment	$572,737	$7,837	$-	$580,574

	2019.1.1	2019.12.31
Land:		
Net carrying amount as of	$374,081	$366,244

(a) The Group's investment property was not pledged as collaterals.

(b) The Group measures its investment property not by the fair value, however it discloses its information by the fair value, and it is belong to level 3. The fair value of the investment property held by the Group amounted to NT$365,564 thousand and NT$366,244 thousand as of December 31, 2020 and December 31, 2019, respectively. The fair value of investment property was valued by an independent external appraisal expert - Cushman & Wakefield Appraisers Firm and Euro-Asia Real Estate Appraisers Firm. The fair value was determined based on the market evidence, and the evaluation method was the comparison method, which input is estimated by the price of square meters.

B. Other non-current assets :

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Refundable deposits	$384,448	$406,713
Prepaid expense － land and equipment	4,141,628	4,074,965
Advance	116,401	110,766
Unamortized expense	1,068,510	1,237,563
Other assets － land	9,823	9,823
Prepaid expense － Maintenance	2,426,121	1,859,106
Other assets － Others	1,236,767	1,234,110
Total	$9,383,698	$8,933,046

As of December 31, 2020 and 2019, the above land was temporarily registered under a third party’s name, both at cost amounting to NT$9,823 thousand. A lien has been created on the land through the land administration authority of the government, and the registered amounts of the lien were all NT$90,360 thousand in order to protect the interest of the Company. The land was accounted for as the other non-current asset.

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

	As of		
		December 31, 2020	December 31, 2019
	Interest Rate	NTD	NTD
Purchase loans	0.850%~1.200%	$-	$68,255
Others	0.79%~1.07%	271,781	239,132
Total		$271,781	$307,387

A. The Group’s unused short-term lines of credits amounted to NT$19,584,034 thousand, and NT$28,381,915 thousand as of December 31, 2020 and 2019, respectively.

B. Please refer to Note 8 for more details on Stock of Nan Ya Plastics Corporation pledged as security for purchase loans.

(12) Bonds payable

	As of December 31, 2020	As of December 31, 2019
	NTD	NTD
Domestic unsecured unconvertible bonds	$29,200,000	$17,900,000
Less: current portion	-	(3,200,000)
Long-term bonds payable	$29,200,000	$14,700,000

As of December 31, 2020, the terms of the domestic bonds were as follows:

Domestic unsecured unconvertible bonds

Item	Unsecured Bonds No.35		Unsecured Bonds No.36			Unsecured Bonds No.37		
Type of bonds	Bond B	Bond C	Bond A	Bond B	Bond C	Bond A	Bond B	Bond C
Issue date	2014.9.12	2014.9.12	2019.7.24	2019.7.24	2019.7.24	2019.8.6	2019.8.6	2019.8.6
Principal amount	2,200,000	1,400,000	4,500,000	4,500,000	2,100,000	4,600,000	7,800,000	2,100,000
Ending balance	2,200,000	1,400,000	4,500,000	4,500,000	2,100,000	4,600,000	7,800,000	2,100,000
Face value	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Issue price	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value
Maturity	10 years	12 years	5 years	7 years	10 years	5 years	7 years	10 years
Coupon rate	Fixed rate 1.90%	Fixed rate 1.99%	Fixed rate 0.72%	Fixed rate 0.78%	Fixed rate 0.87%	Fixed rate 0.55%	Fixed rate 0.64%	Fixed rate 0.68%
Interest payment	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually
Repayment	Repay 50% of the principal at the end of the 9th and 10th year	Repay 50% of the principal at the end of the 11th and 12th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 6th and 7th year	Repay 50% of the principal at the end of the 9th and 10th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 6th and 7th year	Repay 50% of the principal at the end of the 9th and 10th year
Conversion exchange or stock warrants	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Securities and Futures Bureau approved document number	Financial Supervisory Commission approved document No. 1030029158, July 31, 2014	Financial Supervisory Commission approved document No. 1030029158, July 31, 2014	Taipei Exchange approved document No.10800082232, July 22, 2019	Taipei Exchange approved document No.10800082232, July 22, 2019	Taipei Exchange approved document No.10800082232, July 22, 2019	Taipei Exchange approved document No.10900087591, July 28, 2020	Taipei Exchange approved document No.10900087591, July 28, 2020	Taipei Exchange approved document No.10900087591, July 28, 2020

(13) Post-employment benefits

A. Defined contribution plan

The defined contribution plan of the Company's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, The Company makes 6% contributions of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.

For the years ended December 31, 2020 and 2019, the expenses related to defined contribution plan amounted to NT$274,877 thousand and NT$269,547 thousand respectively.

B. Defined benefits plan

The defined benefit plan of the Company's Employee Retirement Plan is regulated according to the Labor Standards Act. 2. Retirement benefits are based on such factors as the employee's length of service and final pensionable salary. In accordance with the Act, 2 bases are given for each full year on the first 15 years of service and 1 base is given for each full year after 15 years of service. The total bases given shall not exceed 45. Under the retirement plan, the Company contributes monthly an amount equal to 2% of gross salary to the pension reserve fund, which is deposited into a designated depository account with the Bank of Taiwan. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Company should make up the difference in 1 appropriation before the end of March in the following year.

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Company is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31, 2020, the amount of contribution expected to be made in the following accounting year is NT$65,696 thousand.

As at December 31, 2020 and 2019, the defined benefit plan of the Group was expected to be expired in 2035.

Amounts to be recognized in profit or loss for the years ended December 31, 2020 and 2019 are summarized as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Current period service cost	$47,760	$47,132
Net interest on the net defined benefit liability (asset)	48,932	57,747
Subtotal	$96,692	$104,879

Reconciliation of the present value of the defined benefit obligation and fair value of plan assets of the defined benefit plan is as follows:

	As of	
	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	$5,601,063	$5,821,512
Fair value of plan assets	(948,025)	(901,515)
Other non-current liabilities －Accrued pension liabilities recognized on the balance sheets	$4,653,038	$4,919,997

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2019.1.1	$5,487,330	$(827,152)	$4,660,178
Current service cost	47,132	-	47,132
Interest expense (income)	68,591	(10,844)	57,747
Subtotal	5,603,053	(837,996)	4,765,057
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	203,352	-	203,352
Experience adjustment	38,753	-	38,753
Reture on plan assets	-	(26,277)	(26,277)
Subtotal	242,105	(26,277)	215,828
Payments from the plan	(25,804)	16,376	(9,428)
Contributions by employer	-	(53,618)	(53,618)
Net liabilities (assets) transferred from associates	2,158	-	2,158
2019.12.31	5,821,512	(901,515)	4,919,997
Current service cost	47,760	-	47,760
Interest expense (income)	58,215	(9,283)	48,932
Subtotal	5,927,487	(910,798)	5,016,689
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustment	(245,677)	-	(245,677)
Reture on plan assets	-	(27,395)	(27,395)
Subtotal	(245,677)	(27,395)	(273,072)
Payments from the plan	(95,279)	55,864	(39,415)
Contributions by employer	-	(65,696)	(65,696)
Net liabilities (assets) transferred from associates	14,532	-	14,532
2020.12.31	$5,601,063	$(948,025)	$4,653,038

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2020	December 31, 2019
Discount rate	1.00%	1.00%
Expected rate of salary increases	2.85%	2.85%

A sensitivity analysis for significant assumption as at December 31, 2020 and 2019 is, as shown below:

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$(169,420)	$-	$(196,858)
Discount rate decrease by 0.25%	176,614	-	205,950	-
Future salary increase by 1.0%	736,461	-	862,812	-
Future salary decrease by 1.0%	-	(637,109)	-	(735,827)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equities

A. Common stock

The Company’s authorized and issued capital was both amounted to NT$95,259,597 thousand and consisted of 9,525,960 thousand shares at $10 par value each as of December 31, 2020 and 2019, respectively. Each share has one vote and the right to receive dividends.

B. Capital surplus

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Additional paid-in capital-premium in excess of the par value of shares issued	$24,864,000	$24,864,000
Additional paid-in capital-bond conversion	6,379,284	6,379,284
Joint venture and associates change in equity under equity method	171,986	153,141
Subsidiary change in equity	2,994	2,994
Others	585	529
Total	$31,418,849	$31,399,948

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them. Also, the capital reserve arisen from equity investment cannot be use for any purpose.

C. Retained earnings and dividend policies

Pursuant to the Company's Articles of Incorporation, current year's earnings, if any, shall be appropriated in the following order:

(a) Payments of all taxes, if any
(b) To offset prior year's deficit, if any
(c) To set aside 10% of the remaining amount as legal reserve after deducting items (a) and (b)
(d) To set aside special reserve, if required
(e) To set aside an amount for dividends
(f) The remaining amount (the "appropriable after-dividend earnings"), if any, combination with prior year's accumulated unappropriated earnings is appropriated based on the appropriation of shareholders' bonuses plan recommended by the board of directors and resloved in the shareholders' meeting.

The above special reserve includes:

(a) Reserve recorded for special purposes
(b) Investment income recognized under equity method
(c) Net assessment income arising from financial transactions, however, when the cumulative decreases, the special reserve should be reduced accordingly to the extent that has been set aside;
(d) The special reserve required by other laws and regulations.

The Company's business is in its maturity stage. As a result, the dividends can be distributed in a combination of cash and capital increase out of earnings and paid-in capital. The total amount distributed should be at least 50% of the earnings available after setting aside legal reserve and special reserve, provided that cash dividends take precedence and capital increase out of earnings and paid-in capital do not exceed 50% of the total distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

After the adoption of International Financial Reporting Standards, in accordance with Letter FSC No. 1010012865 issued by FSC on April 6, 2012, at the first-time adoption of IFRSs, an entity shall appropriate a corresponding amount to special reserve same as the IFRS adjustment, in which case an entity elects to use exemption application specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences under shareholders' equity to zero, and its retained earnings is being increased accordingly. However, if the retained earnings' arising from IFRS adjustment at the first-time adoption is insufficient, special reserve shall be appropriated by the amount that retained earnings increase from the IFRS adjustment. The provision of the letter has no impact on the Company.

For the years ended December 31, 2020 and 2019, the details of earnings distribution and dividends per share as proposed by the board meeting on March 11, 2021 and resolved by the shareholder's meeting on May 29, 2020, were as follows:

	Appropriation of earnings		Dividend per share	
	2020	2019	2020	2019
Legal reserve	$746,665	$3,679,821		
Common stock － cash dividend	5,620,316	27,625,283	$0.59	$2.90
Total	$6,366,981	$31,305,104		

Please refer to Note 6.18 for details on employee's compensation.

D. Non-controlling interests

	For the year ended December 31,2020	For the year ended December 31,2019
	NTD	NTD
Beginning balance	$3,778,944	$2,917,972
Cash dividends from subsidiaries	(5,826)	(2,143)
Net loss attributed to the non-controlling interest	(57,154)	(50,040)
Other comprehensive income attributed to the non-controlling interest:		
Remeasurements of defined benefit plans	908	(634)
Exchange differences resulting from translating the financial statements of a foreign operation	(248,390)	(82,088)
Income tax (expense) benefit relating to items that will not be reclassified	(182)	126
Acquisition of new shares in a subsidiary in proportionate to ownership interest	1,057,409	995,751
Ending balance	$4,525,709	$3,778,944

(15) Operating revenues

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Revenue form contracts with customer		
Sale of goods		
Gasoline	$57,912,324	$93,059,541
Petrochemical products (ethylene and propylene, etc.)	130,117,048	172,076,920
Diesel oil	85,114,499	171,679,505
Jet fuel	15,683,769	41,842,167
Electricity	22,416,884	23,501,938
Steam	10,363,463	13,814,597
Others	92,788,300	129,097,482
Subtotal	414,396,287	645,072,150
Service revenues	885,477	950,659
Total	$415,281,764	$646,022,809

Analysis of revenue from contracts with customers during the years ended December 31, 2020 and 2019 are as follows:

(1) Disaggregation of revenue

For the year ended December 31, 2020

	Petrochemical Division	Utility Division	Others	Total
Sale of goods				
Gasoline	$48,030,374	$-	$9,881,950	$57,912,324
Petrochemical products (ethylene and propylene, etc.)	130,117,048	-	-	130,117,048
Diesel oil	81,766,610	-	3,347,889	85,114,499
Jet fuel	15,683,769	-	-	15,683,769
Electricity	-	22,416,884	-	22,416,884
Steam	-	10,363,463	-	10,363,463
Others	91,100,015	1,251,906	436,379	92,788,300
Subtotal	366,697,816	34,032,253	13,666,218	414,396,287
Service revenues	-	-	885,477	885,477
Total	$366,697,816	$34,032,253	$14,551,695	$415,281,764
Revenue recognition point:				
At a point in time	$366,697,816	$34,032,253	$14,551,695	$415,281,764

For the year ended December 31, 2019

	Petrochemical Division	Utility Division	Others	Total
Sale of goods				
Gasoline	$80,849,762	$-	$12,209,779	$93,059,541
Petrochemical products (ethylene and propylene, etc.)	172,076,920	-	-	172,076,920
Diesel oil	171,253,662	-	425,843	171,679,505
Jet fuel	41,842,167	-	-	41,842,167
Electricity	-	23,501,938	-	23,501,938
Steam	-	13,814,597	-	13,814,597
Others	123,523,450	1,215,135	4,358,897	129,097,482
Subtotal	589,545,961	38,531,670	16,994,519	645,072,150
Service revenues	-	-	950,659	950,659
Total	$589,545,961	$38,531,670	$17,945,178	$646,022,809

Revenue recognition point:				
At a point in time	$589,545,961	$38,531,670	$17,945,178	$646,022,809

(2) Contract balances

Contract liabilities － current

	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Sales of goods	$60,401	$52,014	$274,843

The significant changes in the Group’s balances of contract liabilities for the years ended December 31, 2020 and 2019 are as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Revenue recognized during the year that was included in the balance at the beginning of the year	$52,014	$274,843

(3) Transaction price allocated to unsatisfied performance obligations

The Group's contracts are all shorter than one year, there is no need to provide information on outstanding performance obligations.

(4) Assets recognized from costs to fulfil a contract

None.

(16) Expected credit losses/ (gains)

	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating expenses－Expected credit losses/ (gains)		
Accounts receivable	$(122,524)	$(64,620)

The Group does not expect that any significant losses will incur because the counterparty fail to fulfill the agreement. Please refer to Note 12 for information of credit risks.

The Group measures the loss allowance of receivables (including notes and accounts receivable) at an amount equal to lifetime expected credit losses. The explanation of the loss allowance measured for the year ended December 31, 2020 and 2019 are as follows:

A. By expected credit losses approximately 1% (including historical and forward-looking information, which refers to chemical material, petroleum and coal product price index) as of December 31, 2020 and 2019.

B. The Group needs to consider the grouping of receivables by past experiences and its loss allowance is measured by using a provision matrix, details as follows:

As at December 31, 2020		Past due				
	Neither past due	Within 30 days	31-60 days	61-90 days	Over 90 days	Total
Gross carrying amount	$35,535,531	$255,196	$-	$-	$-	$35,790,727
Loss ratio	1%	1%	-	-	-	
Lifetime expected credit losses	369,515	2,552	-	-	-	372,067
Total	$35,166,016	$252,644	$-	$-	$-	$35,418,660

As at December 31, 2019		Past due				
	Neither past due	Within 30 days	31-60 days	61-90 days	Over 90 days	Total
Gross carrying amount	$47,148,787	$600,562	$-	$-	$-	$47,749,349
Loss ratio	1%	1%	-	-	-	
Lifetime expected credit losses	488,585	6,006	-	-	-	494,591
Total	$46,660,202	$594,556	$-	$-	$-	$47,254,758

For the year ended December 31, 2020 and 2019, the movement in the provision for impairment of notes receivable and accounts receivable are as follows:

	Receivables
Balance as at January 1, 2020	$494,591
Addition/(reversal) for the current period	(122,524)
Balance as at December 31, 2020	$372,067
Balance as at January 1, 2019	$604,912
Addition/(reversal) for the current period	(64,620)
Write off	(45,701)
Balance as at December 31, 2019	$494,591

(17) Lease

(1) Group as lessee

The Group has entered into commercial leases on land and buildings. These leases have an average life of more than one to twenty years with no restrictions placed upon the Group in the contracts.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use asset

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Land	$29,873	$40,072
Buildings	81,546	99,067
Machinery and equipment	-	2,666
Transportation equipment	2,703,012	3,308,736
Gas station	3,184,660	3,502,363
Total	$5,999,091	$6,952,904

For the years ended December 31, 2020 and 2019, the additions to right-of-use assets of the Group amounting to NT$508,637 thousand and NT$486,868 thousand.

(b) Lease liability

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Lease liability	$6,192,868	$7,165,101
Current	$1,006,308	$1,041,408
Non-current	$5,186,560	$6,123,693

Please refer to Note 6 (19)D. for the interest on lease liability recognized for the year ended December 31, 2020 and 2019, and besides, refer to Note 12 (5) for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the year ended December 31, 2020	For the year ended December 31, 2019
Land	$10,199	$10,199
Buildings	26,941	27,152
Machinery and equipment	2,666	2,666
Transportation equipment	446,084	466,549
Gas station	604,771	609,239
Total	$1,090,661	$1,115,805

C. Income and costs relating to leasing activities

	For the year ended December 31, 2020	For the year ended December 31, 2019
The expense relating to short-term leases	$182,062	$248,083

As at December 31, 2020 and 2019, the Group has no committed short-term lease portfolio.

D. Cash outflow relating to leasing activities

For the year ended December 31, 2020, the Group's total cash outflow for lease liabilities amounting to NT$1,076,056 thousand and short-term leases NT$182,062 thousand.

For the year ended December 31, 2019, the Group's total cash outflow for lease liabilities amounting to NT$1,069,557 thousand and short-term leases NT$248,083 thousand.

E. Other information relating to leasing activities

None.

(2) Group as lessor

The Group has entered into leases on certain equipment of vessel equipment and automated storage and retrieval systems. These leases have terms of between ten years and fifteen years, respectively. These leases are classified as finance leases as they do transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the year ended December 31, 2020	For the year ended December 31, 2019
Lease income for finance leases		
Finance income on the net investment in the lease	$138,431	$153,384

For finance leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2020 and 2019 are as follow:

	As of	
	December 31, 2020	December 31, 2019
Not later than one year	$410,457	$433,765
Later than one year but not later than two years	410,457	432,621
Later than two years but not later than three years	410,457	432,620
Later than three years but not later than four years	411,540	432,620
Later than four years but not later than five years	1,770,430	433,765
Later than five years	127,929	1,996,757
Total undiscounted lease payments	3,541,270	4,162,148
Less: Unearned finance income to finance leases	(453,538)	(617,545)
Net investment in the lease (Finance lease receivables)	$3,087,732	$3,544,603
Current	$289,403	$293,451
Non-current	$2,798,329	$3,251,152

(18) Summary statement of employee benefits, depreciation and amortization expenses by function is as follows:

Function / Description	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)
Employee benefits expense	$5,025,824	$3,541,231	$8,567,055	$5,086,787	$3,510,649	$8,597,436
Salaries and wages	4,341,752	3,100,828	7,442,580	4,399,622	3,083,574	7,483,196
Labor and health insurance	322,888	218,487	541,375	324,015	218,300	542,315
Pension	233,274	138,295	371,569	235,424	139,002	374,426
Other employee benefits expense	127,910	83,621	211,531	127,726	69,773	197,499
Depreciation and depletion	11,571,243	1,031,336	12,602,579	11,057,968	1,034,673	12,092,641
Amortization	1,475,819	331	1,476,150	1,494,702	105,114	1,599,816

The amortization recognized as non-operating income and expenses are NT$5,456 thousand and NT$4,859 thousand for the years ended December 31, 2020 and 2019, respectively.

According to the Company's Articles of Incorporation, 0.02% to 0.1% of the profit of the period should be distributed as employee's compensation. However, if there is accumulated deficit, the deficit should be covered first. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employee compensation can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company's employee compensation was NT$1,733 thousand, estimated as 0.02% of the Company's net profit and recognized as employee's compensation for the year ended December 31, 2020.

The Company's the board of director's meeting on March 11, 2020, resolved to distribute NT$8,982 thousand of employee compensation in cash, which was reported at the shareholders' meeting on May 29, 2020. No difference existed between the employee compensation distributed and disclosed in the financial statements of 2019.

(19) Non-operating income and expenses

A. Interest income

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Bank interest income	$127,304	$288,053
Interest income － due from affiliates	152,371	225,424
Interest income － financial leasing	138,431	153,384
Other interest income	21,514	35,176
Total	$439,620	$702,037

B. Other income

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Rental income	$1,191,574	$1,153,994
Others	1,035,626	865,524
Dividends income	1,824,717	4,464,038
Total	$4,051,917	$6,483,556

C. Other gains and losses

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Gains (losses) on disposal and abandon of property, plant and equipment	$(41,073)	$44,676
Gains (losses) on disposal of other assets	16,348	-
Gains (losses) on disposal of investment	-	7,043
Foreign exchange gains (losses), net	686,504	818,983
Impairment loss		
Investment property	(680)	(7,837)
Exploration and evaluation assets	(279)	(13,172)
Other gains (losses) － others	(188,734)	(183,634)
Gains (losses) on financial assets at fair value through profit or loss (Note)	(155,458)	27,105
Total	$316,628	$693,164

Note: Balance in current period arose from financial assets mandatorily measured at fair value through profit or loss.

D. Financial costs

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Interest on borrowings from bank	$64	$5,865
Interest on bonds payable	209,016	206,147
Interbank loans with interest	11,666	52,506
Interest for lease liabilities	138,167	160,803
Other interest expenses	57,874	166,229
Total financial costs	$416,787	$591,550

(20) Components of other comprehensive income

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	$273,072	$-	$273,072	$54,614	$218,458
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(513,208)	-	(513,208)	-	(513,208)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(311,269)	-	(311,269)	-	(311,269)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	(1,245,770)	-	(1,245,770)	-	(1,245,770)
Gains (losses) on hedging instrument	295,379	(133,549)	161,830	31,544	130,286
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(452,947)	-	(452,947)	-	(452,947)
Total of other comprehensive income	$(1,954,743)	$(133,549)	$(2,088,292)	$86,158	$(2,174,450)

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	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	$(215,828)	$-	$(215,828)	$(43,166)	$(172,662)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	3,022,832	-	3,022,832	-	3,022,832
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(767,580)	-	(767,580)	-	(767,580)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	(553,112)	-	(553,112)	-	(553,112)
Gains (losses) on hedging instrument	95,703	(10,174)	85,529	17,106	68,423
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(283,201)	-	(283,201)	-	(283,201)
Total of other comprehensive income	$1,298,814	$(10,174)	$1,288,640	$(26,060)	$1,314,700

(21) Income taxes

The major components of income tax expense (income) were as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,2020	For the year ended December 31,2019
	NTD	NTD
Current income tax expense (income):		
Current income tax charge	$965,532	$6,826,626
Adjustments in respect of current income tax of prior periods	(411,419)	44,534
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	758,493	1,522,542
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	(39,527)	(222,754)
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(4,813)	(20,770)
Others	24,328	-
Total income tax expense (income)	$1,292,594	$8,150,178

Income tax relating to components of other comprehensive income

	For the year ended December 31,2020	For the year ended December 31,2019
	NTD	NTD
Deferred tax expense (income):		
Cash flow hedge in an effective hedge interest hedging instruments	$31,544	$17,106
Remeasurements of defined benefit plans	54,614	(43,166)
Total	$86,158	$(26,060)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Accounting profit (loss) before tax from continuing operations	$8,665,049	$44,898,351
Tax at the parent company statutory income tax rate	1,733,010	8,979,670
Tax rate difference of foreign jurisdiction	20,155	(20,613)
Dividend Income	(363,968)	(892,079)
Income (loss) from equity investments	(379,695)	(163,365)
Tax effect of revenues exempt from taxation	27,778	(12,413)
Tax effect of non-deductible expense	1,228	1,270
Others	23,796	9,140
Tax effect of deferred tax assets/liabilities －others	-	(199,449)
Tax effect of deferred tax assets/liabilities－tax loss	(44,193)	(10,082)
Surtax on undistributed retain earnings	685,902	413,565
Adjustments in respect of current income tax of prior periods	(411,419)	44,534
Total income tax expense (income) recognized in profit or loss	$1,292,594	$8,150,178

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

	Beginning balance as at January 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange rate change	Ending balance as at December 31, 2020
Temporary differences					
Depreciation difference for tax purpose	$2,347,323	$(719,977)	$-	$-	$1,627,346
Useful life difference of automated equipment	(159,044)	27,831	-	-	(131,213)
Foreign currency assets / liabilities losses (gains)	35,315	(60,895)	-	-	(25,580)
Non-current － defined benefit liability, net	899,411	(703)	(54,614)	-	844,094
Inventory evaluation	285,041	(56,475)	-	-	228,566
Hedging derivative financial instruments sharing the same period(gains)	(682)	-	(31,544)	-	(32,226)
Others	731,459	56,686	-	(142)	788,003
Unused tax credits	47,057	39,380	-	(3,909)	82,528
Deferred tax income (expense)		$(714,153)	$(86,158)	$(4,051)	
Net deferred tax assets (liabilities)	$4,185,880				$3,381,518
Reflected in balance sheet as follows:					
Deferred tax assets	$4,345,606				$3,570,537
Deferred tax liabilities	$(159,726)				$(189,019)

For the year ended December 31, 2019

	Beginning balance as at January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange rate change	Ending balance as at December 31, 2019
Temporary differences					
Depreciation difference for tax purpose	$3,116,749	$(769,426)	$-	$-	$2,347,323
Useful life difference of automated equipment	(200,676)	41,632	-	-	(159,044)
Foreign currency assets / liabilities losses (gains)	(22,360)	57,675	-	-	35,315
Non-current － defined benefit liability, net	846,897	9,348	43,166	-	899,411
Inventory evaluation	972,185	(687,144)	-	-	285,041
Hedging derivative financial instruments sharing the same period(gains)	(2,671)	-	1,989	-	(682)
Hedging derivative financial instruments sharing the same period(loss)	19,095	-	(19,095)	-	-
Others	696,559	34,955	-	(55)	731,459
Unused tax credits	14,305	33,942	-	(1,190)	47,057
Deferred tax income (expense)		$(1,279,018)	$26,060	$(1,245)	
Net deferred tax assets (liabilities)	$5,440,083				$4,185,880
Reflected in balance sheet as follows:					
Deferred tax assets	$5,665,790				$4,345,606
Deferred tax liabilities	$(225,707)				$(159,726)

The following table contains information of the unused tax losses of the Group:

Year	Tax losses for the period	Unused tax losses as of December 31, 2020 NTD	Unused tax losses as of December 31, 2019 NTD	Expiration year
FPCC USA, INC.				
2007	$7,336	$7,336	$7,336	2027
2008	62,886	62,886	62,886	2028
2009	157,166	157,166	157,166	2029
2010	85,587	85,587	85,587	2030
2011	44,409	44,409	44,409	2031
2012	99,250	99,250	99,250	2033
2014	20,301	20,301	20,301	2034
2015	66,355	66,355	66,355	2035
2016	133,535	133,535	133,535	2036
2017	42,553	42,553	42,553	2037
2018	36,595	36,595	36,595	indefinite
2019	260,140	260,140	-	indefinite
FG INC.				
2018	68,406	68,406	68,406	indefinite
2019	154,371	154,371	-	indefinite
		$1,238,890	$824,379	

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2020 and 2019, the Group didn't have the taxable temporary differences associated with unrecognized deferred tax liabilities relating to the investment in subsidiaries.

The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company and its subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2017
Subsidiary- Formosa Oil (Asia Pacific) Corporation	Assessed and approved up to 2018
Subsidiary- Formosa Petrochemical Transportation Corporation	Assessed and approved up to 2018

(22) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Basic/Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$7,429,609	$36,798,213
Weighted average number of ordinary shares outstanding for basic/diluted earnings per share (in thousands)	9,525,960	9,525,960
Basic/Diluted earnings per share	$0.78	$3.86

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(23) Subsidiaries that have material non-controlling interests

The group does not have subsidiaries that have material non-controlling interests.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Formosa Plastics Corporation	Significant influence over the Company
Formosa Chemicals & Fibre Corporation	Significant influence over the Company
Nan Ya Plastics Corporation	Significant influence over the Company
Whalehome International Corp., Ltd.	Associate
Mai-Liao Power Corporation	Associate
Mailiao Harbor Administration Corporation	Associate
Formosa Marine Corporation	Associate
Simosa Oil Corporation	Associate
Formosa Environmental Technology Corporation	Associate
TMS Corp.	Associate
Formosa Group (Cayman) Limited	Associate

Name of the related parties	Nature of relationship of the related parties
Formosa Resources Corporation	Associate
Nan Ya Photonics Incorporation	Associate
NKFG	Joint venture
Caltex Taiwan Corporation	Joint venture
Formosa Kraton Chemical Co., Ltd.	Joint venture
Idemitsu Formosa Specialty Chemicals Corporation	Joint venture
Formosa FCFC Carpet Corporation	Other
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Other
Formosa Biomedical Technology Corp.	Other
Formosa BP Chemicals Corporation	Other
Formosa Taffeta Co., Ltd	Other
Formosa Ha tinh (Cayman) Limited	Other
Hong Jing Resource Co., Ltd	Other
Nan Ya Printed Circuit Board Corporation	Other
Nan Chung Petrochemical Corp.	Other
Formosa Heavy Industries Corporation	Other
Hwa Ya Power Corporation	Other
National Petroleum Co., Ltd.	Other
Formosa Plastics Maritime Corporation	Other
Chang Gung Medical Foundation	Other
Simosa Shipping Co., Ltd.	Other

Significant transactions with the related parties

(1) Sales

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Entity with joint control or significant influence over the Company		
Formosa Chemicals & Fibre Corporation	$84,047,613	$100,365,621
Formosa Plastics Corporation	66,304,020	89,392,189
Nan Ya Plastics Corporation	30,729,888	36,668,046
Subtotal	181,081,521	226,425,856
Associate	4,812,253	7,105,439
Joint venture	3,100,803	9,314,011
Others	30,033,172	42,002,281
Total	$219,027,749	$284,847,587

The terms and conditions of sales (including prices) to related parties are similar to those with non-related parties. The credit term is 30 days from the day the related party confirms the sale.

(2) Purchase

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Entity with joint control or significant influence over the Company	$19,470,182	$24,032,183
Joint venture	11,064	208
Others	524,596	697,295
Total	$20,005,842	$24,729,686

The Company and subsidiaries did not receive special discounts when purchasing from the related parties. Payment term is 30 days after receiving the goods.

(3) Notes receivable – related parties

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Others		
National Petroleum Co., Ltd.	$1,465,976	$1,763,612
Total	1,465,976	1,763,612
Less: loss allowance	-	-
Net	$1,465,976	$1,763,612

(4) Accounts receivable – related parties

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Entity with joint control or significant influence over the Company		
Formosa Chemicals & Fibre Corporation	$8,902,181	$8,539,956
Formosa Plastics Corporation	7,302,521	7,535,639
Nan Ya Plastics Corporation	3,258,578	2,831,620
Subtotal	19,463,280	18,907,215
Associate	180,353	457,005
Joint venture	197,717	731,708
Others	2,560,086	3,383,978
Total	22,401,436	23,479,906
Less: loss allowance	-	-
Net	$22,401,436	$23,479,906

(5) Accounts payable – related parties

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Entity with joint control or significant influence over the Company		
Formosa Chemicals & Fibre Corporation	$1,684,297	$1,187,616
Others	488,421	587,891
Subtotal	2,172,718	1,775,507
Associate	10,079	7,264
Joint venture	4,464	5,658
Others	61,303	63,569
Total	$2,248,564	$1,851,998

(6) Transaction of property, plant and equipment

Commissioned construction

The Company commissioned the following related parties to construct items of property, plant and equipment:

	Items	For the year ended December 31, 2020 NTD	For the year ended December 31, 2019 NTD
Entity with joint control or significant influence over the Company	Maintenance	$167,698	$233,604
Entity with joint control or significant influence over the Company	Expansion of facilities	253,577	39,532
Others	Maintenance	295,266	291,412
Others	Expansion of facilities	423,767	999,809
Total		$1,140,308	$1,564,357

The Company followed the general procedures to commission Formosa Heavy Industries Corporation and Nan Ya Plastics Corporation to expand its facilities and the maintenance of them. The payment period is one month after the acceptance of the construction work.

(7) Financing

Other receivables – due from affiliates

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Associate	$100	$501,700
Others		
Formosa Heavy Industries Corporation	3,810,000	4,000,000
Total	$3,810,100	$4,501,700

The lending of funds condition to the associates was charged in accordance with the contract schedule after loan received. For the years ended December 31, 2020 and 2019, interest receivables from related parties were NT$51,568 thousand and NT$63,142 thousand, respectively. And interest charged at the rate of 1.230%~1.418% and 1.414%~1.418%, respectively.

(8) Other receivables, other payables

Receivables from/payables to related parties (bear no interest) are as follows:

A. Other receivables – sale of raw materials, etc.

	As of			
	December 31, 2020		December 31, 2019	
	Amount		Amount	
	NTD	%	NTD	%
Entity with joint control or significant influence over the Company	$5,987	0.05	$22,621	0.16
Associate	12,084	0.11	36,851	0.27
Joint venture	4,664	0.04	13,531	0.10
Others	52,113	0.46	50,431	0.37
Total	$74,848	0.66	$123,434	0.90

They are payments received from selling raw material. The payment term is within 30 days following confirmation with the counterparty.

B. Other payables

	As of			
	December 31, 2020		December 31, 2019	
	Amount		Amount	
	NTD	%	NTD	%
Associate	$8,562	0.06	$21,086	0.14
Others	233,026	1.48	246,261	1.64
Total	$241,588	1.54	$267,347	1.78

Other payables are purchases of raw material for construction. The payment term is within 30 days after inspection and approval of accepting the materials.

(9) Lease

A. Group as a lessee

(a) Right-of-use asset

The carrying amount of right-of-use asset

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Entity with joint control or significant influence over the Company	$750	$3,791
Associate	187,833	231,504
Others	2,703,012	3,308,736
Total	$2,891,595	$3,544,031

(b) Lease liability

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Entity with joint control or significant influence over the Company	$763	$3,823
Associate	191,301	233,628
Others	2,912,734	3,531,061
Total	$3,104,798	$3,768,512
Current	$482,326	$500,443
Non-current	$2,622,472	$3,268,069

(c) Interest for lease liabilities

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Entity with joint control or significant influence over the Company	$41	$90
Associate	6,091	4,778
Others	69,820	82,900
Total	$75,952	$87,768

(d) The expense relating to short-term leases

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Entity with joint control or significant influence over the Company	$54,350	$53,279

B. Group as a lessor

(a) The revenue relating to short-term leases

The Group derived the following rental income from leasing oil storage facilities and land to related parties:

	As of	
	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Entity with joint control or significant influence over the Company	$175,877	$164,835
Associate	12,529	16,387
Joint venture	32,603	32,485
Others	33,014	1,875
Total	$254,023	$215,582

(b) The income relating to finance leases

The Group derived the following rental income from leasing automated storage and retrieval systems to related parties:

	As of	
	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Joint venture	$4,448	$2,322

(10) Other related party transactions

A. Use of labor

The details of use of the related parties’ labor force are as follows:

	Items	For the year ended December 31, 2020 NTD	For the year ended December 31, 2019 NTD
Associates	Harbor labor force	$1,357,420	$1,665,479
Joint venture	Refuel, labor force	41,768	80,095
Others	Labor force	1,626	1,623
Total		$1,400,814	$1,747,197

The payments include harbor usage, towage, and fuel delivery. The payment is mutually agreed to be made one month after the monthly closing.

B. Notes endorsements and guarantees

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Associates	$10,191,610	$10,762,895
Joint venture	741,000	1,235,000
Others	18,967,581	20,753,559
Total	$29,900,191	$32,751,454

C. Property transactions

Details of the Company disposing equipment and land to related parties are as follows:

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Consideration	Gain / Loss	Consideration	Gain / Loss
Associates	$-	$-	60,225	30,493

(11) Key management personnel compensation

	For the year ended December 31, 2020	For the year ended December 31, 2019
	NTD	NTD
Short-term employee benefits	$104,129	$113,611

8. PLEDGED ASSETS

The following assets were pledged to banks as collaterals for bank loans:

		As of	
		December 31, 2020	December 31, 2019
Pledged Assets	Contents	NTD	NTD
Financial assets at fair value through other comprehensive income – current	Stock of Nan Ya Plastics Corporation	$-	$5,904,080
Other current assets	Certificates of time deposit	222,133	226,404
Total		$222,133	$6,130,484

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2020, the Company and subsidiaries' commitments and contingent liabilities were as follows:

(1) Finance lease commitments: Simosa Shipping Co. Ltd. leased vessel and equipment to the Group. The lease term is from January 2012 to December 2026 at US$33,500 per day. When the lease expires, the ownership of the shipping equipment will transfer to the Group.

(2) Guarantee notes received from counterparties as collateral for payment, construction completion commitment and others for operational needs were NT$224,503 thousand.

(3) Guarantee notes issued for borrowings (financing) were NT$168,229,820 thousand.

(4) The unutilized portion of letters of credit issued by banks for importing raw materials was NT$1,167,475 thousand.

(5) Due to the funding demand of the investments in Formosa Ha Tinh Steel Corporation, Formosa Group (Cayman) limited, an investee of the Company, issues one billion corporate bonds on April 14, 2015. The Company provides a guarantee of payment obligation with 25% of the bonds.

(6) The Group invested in Formosa Ha Tinh (Cayman) Limited with an equity interest of 11.432%. Due to the funding demand of Formosa Ha Tinh (Cayman) Limited's investee Formosa Ha Tinh Steel Corporation, Formosa Ha Tinh (Cayman) Limited plans to apply a 5-year syndicated credit line led by Sumitomo Mitsui Banking Corporation. Also, to cover the capital expenditure of investing in Formosa Ha Tinh (Cayman) Limited and repay the loans for Formosa Ha Tinh (Cayman) Limited, the Group plans to apply a 7-year syndicated credit line led by Hua Nan Bank. To support the above credit line, the Group provides loan guarantee according to equity interest. Formosa Ha Tinh (Cayman) Limited applied a 5-year credit line from Bank of China (Hong-Kong) where the Group provides loan guarantee according to equity interest.

(7) To expand the investment in mineral resources and increase the level of working capital, the Group through its joint venture, Formosa Resources Corporation applied a credit line of amount US$430 million led by Crédit Agricole Corporate & Investment Bank. To support the above credit line, the Group provides loan guarantee according to equity interest.

(8) Idemitsu Formosa Specialty Chemicals Corp., a joint venture of the Group, borrowed NT$3.3 billion from Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd.. To secure the rights of its shareholders, the Company is required to issue a letter of support to ensure the borrower has fulfilled its obligation for repayment.

(9) Formosa Ha Tinh (Cayman) Limited and Formosa Ha Tinh Steel Corporation, the investee of the Group, borrowed credit line of US$1.485 billion and credit line of US$0.5 billion from different banks. To secure the rights of its shareholders, the Company is required to issue a commitment letter to ensure the borrower has fulfilled its obligation for repayment.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

	As of	
Financial Assets	December 31, 2020	December 31, 2019
	NTD	NTD
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$3,888,511	$4,043,969
Financial assets at fair value through other comprehensive income	76,689,827	76,062,696
Cash and cash equivalents (excluding cash on hand)	42,960,795	31,672,874
Notes and accounts receivable, net (including related party)	35,418,660	47,254,758
Financing lease receivables	3,087,732	3,544,603
Other receivables	11,341,808	13,775,919
Subtotal	92,808,995	96,248,154
Financial assets for hedging	165,093	3,410
Total	$173,552,426	$176,358,229

	As of	
Financial Liabilities	December 31, 2020	December 31, 2019
	NTD	NTD
Financial liabilities at amortized cost:		
Short-term borrowings	$271,781	$307,387
Notes and accounts payables (including related party)	10,691,253	13,383,408
Bonds payable (including current portion)	29,200,000	17,900,000
Lease liabilities	6,192,868	7,165,101
Total	$46,355,902	$38,755,896

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the above mentioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Company's board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market risk. Market risk comprises currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, and there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

To avoid the risk of foreign currency assets impairment and future cash flow changes, the Company uses forward contracts and foreign currency loans to hedge the foreign currency risk. However, the abovementioned method can reduce the risk arise from changes of foreign currency exchange rate, it cannot completely eliminate the risk.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for a foreign currency: US dollars. The information of the sensitivity analysis is as follows:

When NTD appreciate/depreciate against US dollars by US$1, the profit decreases/ increases by NT$146,566 thousand and NT$336,854 thousand for the years ended December 31, 2020 and 2019, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments with variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 25 basis points of interest rate in a reporting period could cause the profit to decrease/increase by NT$0 thousand and NT$172 thousand for the years ended December 31, 2020 and 2019, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

The Group did not hold any listed and OTC equity securities classified under fair value through profit or loss.

When the price of the listed equity securities at fair value through other comprehensive income increases/ decreases 1%, it could have impacts of NT$619,969 thousand and NT$594,290 thousand for the years ended December 31, 2020 and 2019, on the equity attributable to the Group.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group’s internal rating criteria etc. Certain counter parties’ credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2020 and 2019, accounts receivable from top ten customers represented 77.27% and 66.38% of the total accounts receivable of the Group, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group’s treasury in accordance with the Group’s policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

The Group did not hold any debt instrument investments which were measured at fair value through profit or loss for the year ended December 31, 2020.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
December 31, 2020							
Borrowings	$274,716	$-	$-	$-	$-	$-	$274,716
Accounts payable	10,691,253	-	-	-	-	-	10,691,253
Bonds payable	-	-	3,382,495	5,704,805	5,300,925	15,095,015	29,483,240
Lease liabilities	1,126,775	1,096,082	1,046,290	934,253	865,934	1,617,950	6,687,284
December 31, 2019							
Borrowings	$312,121	$-	$-	$-	$-	$-	$312,121
Accounts payable	13,383,408	-	-	-	-	-	13,383,408
Bonds payable	3,242,240	-	-	3,394,220	3,394,220	8,105,600	18,136,280
Lease liabilities	1,190,636	1,135,393	1,105,825	1,054,886	945,126	2,425,435	7,857,301

Derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2020					
Inflows	$165,093	$-	$-	$-	$165,093
Outflows	-	-	-	-	-
Net	$165,093	$-	$-	$-	$165,093
December 31, 2019					
Inflows	$3,410	$-	$-	$-	$3,410
Outflows	-	-	-	-	-
Net	$3,410	$-	$-	$-	$3,410

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Reconciliations of the liabilities from financing activities

Reconciliations of the liabilities for the year ended December 31, 2020:

	Short-term loans	Other payable to related parties (including due to affiliates)	Bonds payable (including current portion)	Lease liabilities (current and non-current)	Increase (decrease) in other non-current liabilities	Total liabilities from financing activities
2020.1.1	$307,387	$267,347	$17,900,000	$7,165,101	$1,364,129	$27,003,964
Cash flows	(35,606)	(25,759)	11,300,000	(1,076,056)	(1,184,243)	8,978,336
Non-cash changes	-	-	-	275,693	(56)	275,637
Exchange rate changes	-	-	-	(171,870)	-	(171,870)
2020.12.31	$271,781	$241,588	$29,200,000	$6,192,868	$179,830	$36,086,067

Reconciliations of the liabilities for the year ended December 31, 2019:

	Short-term loans	Other payable to related parties (including due to affiliates)	Bonds payable (including current portion)	Lease liabilities (current and non-current)	Increase (decrease) in other non-current liabilities	Total liabilities from financing activities
2019.1.1	$759,871	$729,663	$14,450,000	$8,131,266	$1,391,669	$25,462,469
Cash flows	(452,484)	(462,316)	3,450,000	(1,069,557)	(27,241)	1,438,402
Non-cash changes	-	-	-	174,157	(299)	173,858
Exchange rate changes	-	-	-	(70,765)	-	(70,765)
2019.12.31	$307,387	$267,347	$17,900,000	$7,165,101	$1,364,129	$27,003,964

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair value because of its shorter maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities and unquoted public company) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) The fair value of bank loans, corporate bonds and lease liabilities is determined by the counterparty's quotation or valuation technique. The valuation technique is discounted cash flow analysis with interest and discount rate selected with reference to those of similar financial instruments (E.g. the yield curve reference of Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivative financial instrument is based on market quotations.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets (including held-to-maturity financial assets, loans and receivables) and liabilities (including loan, bonds payable and lease payable) measured at amortized cost approximate their fair value:

C. Information about financial instrument fair value level

For the information of fair value hierarchy please refer to related Note 12(9).

(8) Derivatives financial instruments the Group holds for trading are mainly energy commodity contracts. Please refer to Note 6 (4) for related information.

(9) Fair value hierarchy

A. Definition

For the assets and liabilities measured and disclosed under fair value, the fair value hierarchy is categorized on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The inputs of each level are as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liabilities.

At the end of each reporting period, the fair value hierarchy for each financial instrument is revaluated to decide if there is any transfer into or out of any hierarchy.

B. The fair value at each fair value hierarchy for financial instruments of the Group is as follows:

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$-	$3,888,511	$-	$3,888,511
Financial assets at fair value through other comprehensive income				
Investments in equity instruments measured at fair value through other comprehensive income	61,996,861	-	14,692,966	76,689,827
Financial assets for hedging				
Energy commodity swap contracts	165,093	-	-	165,093

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$-	$4,043,969	$-	$4,043,969
Financial assets at fair value through other comprehensive income				
Investments in equity instruments measured at fair value through other comprehensive income	59,429,034	-	16,633,662	76,062,696
Financial assets for hedging				
Energy commodity swap contracts	3,410	-	-	3,410

Fair value hierarchy transfer between level 1input and level 2 input

The group had no recurring assets and liabilities transfer between level 1 input and level 2 input for the years ended December 31, 2020 and 2019.

Movements of fair value measurements in Level 3 of the fair value hierarchy

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Asset
	At fair value through other comprehensive income
	Stocks
2020.1.1	$16,633,662
Acquisition	49,363
Disposal	(182,651)
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(1,328,453)
Effects of exchange rates	(478,955)
2020.12.31	$14,692,966

	Asset
	At fair value through other comprehensive income
	Stocks
2019.1.1	$22,051,740
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(5,083,127)
Effects of exchange rates	(334,951)
2019.12.31	$16,633,662

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2020：

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	20%~20.90%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$1,804,603 thousand
Stocks	Assets approach	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$45,382 thousand

As at December 31, 2019:

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	8.42%~20%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$1,820,708 thousand
Stocks	Assets approach	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT$41,267 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's accounting department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

C. Not measure by the fair value but have to disclose by the fair value hierarchy information

December 31, 2020

	Level 1	Level 2	Level 3	Total
Only disclose fair value of assets:				
Investment property				
(please refer to Note 6(10))	$-	$-	$365,564	$365,564

December 31, 2019

	Level 1	Level 2	Level 3	Total
Only disclose fair value of assets:				
Investment property				
(please refer to Note 6(10))	$-	$-	$366,244	$366,244

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$429,124	28.508	$12,233,467	$702,102	30.106	$21,137,483
EUR	105	34.560	3,629	202	33.690	6,805
YEN	9,643	0.272	2,627	12,946	0.276	3,573
Long-term equity Investments － equity method						
USD	$98,647	28.508	$2,812,235	$96,418	30.106	$2,902,760
Financial liabilities						
Monetary items:						
USD	$282,558	28.508	$8,055,163	$365,248	30.106	10,996,156
EUR	181	34.560	6,255	431	33.690	14,520
YEN	79,007	0.272	21,490	82,383	0.276	22,738

The above information is disclosed based on book value transferred to functional currency.

The foreign exchange gains (losses) that was material and recognized are NT$686,504 thousand and NT$818,983 thousand for the years ended December 31, 2020 and 2019, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURE

(1) Significant transaction information

A. Financings provided to others

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (Approved by the Board) (Note 3)	Ending Balance (Approved by the Board) (Note 8)	Amount Actually Drawn	Interest Rate%	Nature of Financing (Note 4)	Reason for Financing (Note 6)	Loss allowance	Collateral		Limit of Financing Amount for Individual Counterparty (Note 7)	Limit of Total Financial Amount for Financing Company (Note 7)
												Item	Value		
0	The Company	Formosa Plastics Corporation	Other receivables from related parties	Yes	$8,000,000	$4,500,000	$-	-	(2)	Need for operating	N/A	N/A	N/A	Financing to individual entity is limited to 10% of the Company's net asset 30,810,136 thousand; financing to related party and party with business transaction is limited to 25% of the Company's net asset 77,025,340 thousand; financing to others is limited to 20% of the Company's net asset 61,620,272 thousand.	Financing to others is limited to 50% of the Company's net asset 154,050,680 thousand; financing to nonbusiness but in need for capital is limited to 40% of the Company's net asset 123,240,544 thousand.
0	The Company	Nan Ya Plastics Corporation	Other receivables from related parties	Yes	8,000,000	4,500,000	-	-	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Chemicals & Fibre Corporation	Other receivables from related parties	Yes	8,000,000	4,500,000	-	-	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Marine Corporation	Other receivables from related parties	Yes	410,000	-	-	1.230~1.418	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Plastics Marine Corporation	Other receivables from related parties	No	8,333,726	5,310,190	4,240,190	1.230~1.418	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Group Ocean Investment Corporation	Other receivables from related parties	No	2,413,901	1,953,730	1,533,730	1.230~1.418	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Heavy Industries Corporation	Other receivables from related parties	Yes	11,520,000	8,910,000	3,810,000	1.230~1.418	(2)	Need for operating	N/A	N/A	N/A		

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No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (Approved by the Board) (Note 3)	Ending Balance (Approved by the Board) (Note 8)	Amount Actually Drawn	Interest Rate%	Nature of Financing (Note 4)	Reason for Financing (Note 6)	Loss allowance	Collateral		Limit of Financing Amount for Individual Counterparty (Note 7)	Limit of Total Financial Amount for Financing Company (Note 7)
												Item	Value		
0	The Company	Formosa Oil (Asia Pacific) Corporation (Note 9)	Other receivables from related parties	Yes	1,000,000	500,000	-	-	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Petrochemical Transportation Corporation (Note 9)	Other receivables from related parties	Yes	250,000	250,000	-	-	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	FPCC Marine Corporation (Note 10)	Other receivables from related parties	Yes	5,000,000	-	-	1.230~1.418	(2)	Need for operating	N/A	N/A	N/A		
					Total	$30,423,920	$9,583,920								

Note 1: The Company and its subsidiaries are coded as follows:
(1)The Company is coded "0".
(2)The subsidiaries are coded starting from "1" in the order.

Note 2: Total amount of the financing is disclosed herein if the financing related to business transactions.

Note 3: Maximum financing balance provided to others for the period.

Note 4: Nature of financing is coded as follows:
(1)The financing occurred due to business transactions is coded "1" .
(2)The financing occurred due to short-term financing is coded "2".

Note 5: Total amount of the business transactions between financing company and counterparty should be disclosed herein if the financing occurred due to business transactions.

Note 6: The necessity and rationality of the loan application should be specifically illustrated herein if the financing occurred due to short-term financing.

Note 7: The limits and the calculation methods of financing amount for individual counterparty and total financing amount for financing company are disclosed in accordance with company's operating procedure of financing.

Note 8: According to Paragraph 1, Article 14 of Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies, each financing should be approved by the board of directors. To fairly expose the company's risk, even if the fund doesn't be utilized, the financing amount approved by the board of directors still includes in the financing balance. To reflect the adjustment of the company's risk, while the counterparty repay the fund, it should disclose the balance after the repayment. Although the chairman is authorized to handle the financing in installment or revolver under the specific amount approved by the board of directors within one year, according to Paragraph 2, Article 14 of Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies, it still uses the financing amount approved by the board of directors as the reporting balance. While the counterparty repay the fund, considering the possibility of another utilization, it still uses the financing amount approved by the board of directors as the reporting balance.

Note 9: All transactions listed above are eliminated in the consolidated financial statements.

Note10: The subsidiary FPCC Marine Corporation was dissolved and liquidated due to the reorganization of the Group.

B. Endorsement/guarantee provided to others

No. (Note1)	Endorser/ Guarantor	Receiving Party: Company Name	Receiving Party: Relationship (Note2)	Limit of the Endorsement / Guarantee Amount for Receiving Party (Note3)	Maximum Balance for the Period (Note4)	Ending Balance (Note5)	Actual Amount Borrowed (Note6)	Amount of Collateral	Percentage	Limit on the Endorsement/Guarantee Amount (Note3)	Parent Company Endorsed / Guaranteed for the Subsidiaries (Note7)	Subsidiaries Endorsed/Guaranteed for the Parent Company (Note7)	Endorsement or Guarantee for Entities in China (Note7)
0	The Company	FPCC USA, INC.	(2)	$200,265,883	$288,240	$285,080	$285,080	N/A	0.09	The Company may provide endorsement/guarantee to others but shall not exceed 130% of its net assets. The limit is 400,531,767 thousand. For endorsement/ guarantee to individual entity, the amount is limited to 50% of the limit.	Y	N	N
0	The Company	Formosa Kraton Chemical Co., Ltd.	(6)	200,265,883	988,000	741,000	741,000	N/A	0.24	〃	N	N	N
0	The Company	Formosa Resources Corporation	(6)	200,265,883	3,260,475	3,064,610	3,064,610	N/A	0.99	〃	N	N	N
0	The Company	Formosa Group (Cayman) Limited	(6)	200,265,883	7,582,500	7,127,000	7,127,000	N/A	2.31	〃	N	N	N
0	The Company	Formosa Ha Tinh (Cayman) Limited	(6)	200,265,883	20,907,973	18,967,581	18,967,581	N/A	6.16	〃	N	N	N

Note1: The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded starting from "1" in the order.

Note2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4) The endorser/guarantor company and endorsed/guaranteed company both are owned directly or indirectly more than 90% voting shares by the company.
(5) Mutual guarantee of the trade as required by the construction contract.
(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed guaranteed company in proportion to its ownership.

(7) Jointly guarantee of the pre-construction real estate sales contract in accordance with Consumer Protection Law.

Note3: The limits and the calculation methods of endorsement/guarantee amount for individual counterparty and maximum balance are disclosed in accordance with company's operating procedure of endorsement/guarantee.

Note4: Maximum balance of endorsement/guarantee provided to others for the period.

Note5: It should be filled in the amount which approved by the board of directors. However, it should be filled in the amount which utilized by the chairman, whom authorized by the board of directors in accordance with Subparagraph 8, Article 12 of Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies.

Note6: It should be filled in the amount which is actual utilized by the endorsed/guaranteed company within the limit of endorsement/guarantee amount.

Note7: It should be filled in "Y", if it is the public parent company endorsed/guaranteed for the subsidiaries, subsidiaries endorsed/guaranteed for the public parent company, or endorsement or guarantee for entities in china.

C. Securities held as of December 31, 2020 (not including subsidiaries, associates and joint ventures)

Shares: In thousand

Company	Type and Name of the Securities (Note 1)	Relationship (Note 2)	Financial Statement Account	As of December 31, 2020				Note
				Shares	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value (Note 4)	
The Company	Stock －Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	Financial assets at fair value through other comprehensive income–current	131,460	$12,672,779	2.07%	96.40	
The Company	Stock －Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	Financial assets at fair value through other comprehensive income–current	179,214	12,885,517	2.26%	71.90	
The Company	Stock －Formosa Chemicals & Fibre Corporation	Entity with joint control or significant influence over the Company	Financial assets at fair value through other comprehensive income–current	48,568	4,113,674	0.83%	84.70	
The Company	Stock －National Petroleum Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–current	60,082	3,040,143	19.44%	50.60	
The Company	Stock －Nan Ya Technology Corporation	-	Financial assets at fair value through other comprehensive income–current	334,815	29,061,977	10.82%	86.80	
The Company	Fund－Mega USD Fend-Shou Private Market Fund	-	Financial assets at fair value through profit or loss–current	12,478	3,888,511	-	311.63	
The Company	Stock －Asia Pacific Investment Corporation	-	Financial assets at fair value through other comprehensive income–non-current	8,950	342,606	2.11%	38.28	
The Company	Stock －Formosa Network Technology Corporation	-	Financial assets at fair value through other comprehensive income–non-current	2,925	93,747	12.50%	32.05	
The Company	Stock －Formosa Heavy Industries Corporation	Others	Financial assets at fair value through other comprehensive income–non-current	24,981	302,441	1.26%	12.11	
The Company	Stock －Formosa Ocean Group Marine Investment Corporation	-	Financial assets at fair value through other comprehensive income–non-current	3	5,685,107	19.00%	2,168,233	
The Company	Stock －Amtrust Capital Corporation	-	Financial assets at fair value through other comprehensive income–non-current	3,750	21,442	3.91%	5.72	
The Company	Stock －Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income–non-current	2,500	20,450	1.97%	8.18	
The Company	Stock －Formosa Ha Tinh (Cayman) Limited	Others	Financial assets at fair value through other comprehensive income–non-current	621,178	8,145,932	11.43%	13.11	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IFRS 9 “Financial Instruments”.

Note 2: If the securities listed above are issued by related parties, the column is specified with further information.

Note 3: For securities measured at fair value, fill in the book value column with fair value of the securities less accumulated impairment. For securities not measured at fair value, fill in the book value column with the original cost or amortized cost less accumulated impairment.

Note 4: Fill in the fair value in the following ways:

(1) For securities with quoted prices in active markets, fair value is the closing price at the balance sheet date. However, for open-end funds, fair value is the net asset value of the fund.

(2) For securities without quoted prices in an active market, doesn’t have be filled unless the security is stock. Fill in the book value column with book value per share if it is stock.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 percent of the capital stock:

Company	Securities Category (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	As January 1, 2020		Purchase (Note 3)		Sell (Note 3)				As December 31, 2020	
					Shares (In thousand)	Amount	Shares (In thousand)	Amount	Shares (In thousand)	Price	Book Cost	Gain / Loss	Shares (In thousand)	Amount
The Company	Stock	Investments accounted for using the equity method	FG INC. (Note 7)	Subsidiary	11	$5,105,174 (Note 5)	-	$1,401,682	-	$-	$-	$-	11	$6,506,856 (Note 5)
The Company	Stock	Investments accounted for using the equity method	FPCC DILIGENCE Corp. (Note 6、7)	Subsidiary	-	-	-	894,723	-	-	-	-	-	894,723 (Note 5)
The Company	Stock	Investments accounted for using the equity method	FPCC MAJESTY Corp. (Note 6、7)	Subsidiary	-	-	-	1,092,467	-	-	-	-	-	1,092,467 (Note 5)
The Company	Stock	Investments accounted for using the equity method	FPCC NATURE Corp.(Note 6、7)	Subsidiary	-	-	-	1,126,902	-	-	-	-	-	1,126,902 (Note 5)
The Company	Stock	Financial assets at fair value through other comprehensive income–current	National Petroleum Co., Ltd.	Others	20,000	458,300 (Note 5)	40,082	1,743,866	-	-	-	-	60,082	2,202,166 (Note5)
The Company	Stock	Financial assets at fair value through other comprehensive income–non-current	Formosa Ha Tinh (Cayman) Limited	Others	-	-	621,178	19,232,265	-	-	-	-	621,178	19,232,265 (Note5)

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: If the securities listed above are investments accounted for using the equity method, fill in the second column.

Note 3: The accumulated consideration of acquisition or sale should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: The Company’s paid-in capital means the parent’s paid-in capital. If the stock has no par value or the par value do not equal to NT$10, according to the regulation of 20% paid-in capital transaction amount, the par value will be calculated by 10% of the total parent equity.

Note 5: Beginning balance and ending balance herein is disclosed in original cost.

Note 6: FPCC Marine Corporation, the subsidiary of the Company, established FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. at the price of ship assets on March 20, 2020. After the reorganization procedures on April 15, 2020, the subsidiary company FPCC Marine Corporation transferred 100% equity of the three companies FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. to the Company and was entered into dissolution and liquidation process.

Note 7: All transactions are eliminated in the consolidated financial statements.

E. Acquisition of property with the amount exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

F. Disposal of property with amount exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more:

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	$66,304,020 3,798,833	15.97 1.11	30 days after receiving the goods	N/A	N/A	$7,302,521 421,072	21.51 3.94	
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	30,729,888 731,722	7.40 0.21	30 days after receiving the goods	N/A	N/A	3,258,578 67,349	9.60 0.63	
The Company	Formosa Chemicals & Fibre Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	84,047,613 14,939,627	20.24 4.35	30 days after receiving the goods	N/A	N/A	8,902,181 1,684,297	26.22 15.77	
The Company	National Petroleum Co., Ltd.	Others	Sales Purchases	15,691,945 -	3.78 -	60 days after receiving the goods	N/A	N/A	1,652,544 1,465,976 (Note Receivable) -	4.87 99.87 -	
The Company	Formosa Oil (Asia Pacific) Corporation	Subsidiary	Sales Purchases	11,426,987 -	2.75 -	30 days after receiving the goods	N/A	N/A	1,117,481 -	3.29 -	(Note)
The Company	Formosa Taffeta Co., Ltd	Others	Sales Purchases	8,144,370 3,751	1.96 -	30 days after receiving the goods	N/A	N/A	401,483 -	1.18 -	
The Company	Nan Chung Petrochemical Corp.	Others	Sales Purchases	3,543,458 -	0.85 -	30 days after receiving the goods	N/A	N/A	266 -	- -	
The Company	Caltex Taiwan Corporation	Joint venture	Sales Purchases	2,461,759 -	0.59 -	30 days after receiving the goods	N/A	N/A	142,846 4,288	0.42 -	
The Company	Simosa Oil Corporation	Associate	Sales Purchases	3,123,697 -	0.75 -	30 days after receiving the goods	N/A	N/A	164,135 -	0.48 -	
The Company	Formosa BP Chemicals Corporation	Others	Sales Purchases	1,602,339 400,427	0.39 0.12	30 days after receiving the goods	N/A	N/A	157,103 51,671	0.46 0.48	

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Others	Sales Purchases	974,789 -	0.23 -	30 days after receiving the goods	N/A	N/A	343,741 -	1.01 -	
The Company	TMS Corp.	Associate	Sales Purchases	1,309,170 -	0.32 -	30 days after receiving the goods	N/A	N/A	7,544 -	0.02 -	
The Company	Formosa Kraton Chemical Co., Ltd.	Joint venture	Sales Purchases	525,108 -	0.13 -	30 days after receiving the goods	N/A	N/A	45,706 -	0.13 -	
The Company	Mai-Liao Power Corporation	Associate	Sales Purchases	165,450 -	0.04 -	30 days after receiving the goods	N/A	N/A	4,426 -	0.01 -	
The Company	Idemitsu Formosa Specialty Chemicals Corp.	Joint venture	Sales Purchases	113,936 9,453	0.03 -	30 days after receiving the goods	N/A	N/A	9,165 83	0.03 -	
The Company	Mailiao Harbor Administration Corporation	Associate	Sales Purchases	117,996 -	0.03 -	30 days after receiving the goods	N/A	N/A	3,128 9,645	0.01 -	

Note: All transactions are eliminated in the consolidated financial statements.

H. Receivables from related parties with amounts exceeding NT$100 million or 20 percent of capital stock

Creditor	Counterparty	Relationship with the counterparty	Balance	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Loss Allowance	Note
					Amount	Action taken			
	Accounts receivable								
The Company	Formosa Chemicals & Fibre Corporation	Entity with joint control or significant influence over the Company	$8,902,181	11.37	-	-	$8,902,181	N/A	
The Company	Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	7,302,521	11.59	-	-	7,302,521	N/A	
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	3,258,578	11.00	-	-	3,258,578	N/A	
The Company	National Petroleum Co., Ltd.	Others	3,118,520	5.36	-	-	3,118,520	N/A	
The Company	Formosa Oil (Asia Pacific) Corporation	Subsidiary	1,117,481	11.37	-	-	1,117,481	N/A	(Note)
The Company	Formosa Taffeta Co., Ltd	Others	401,483	28.79	-	-	401,483	N/A	
The Company	Formosa BP Chemicals Corporation	Others	157,103	11.21	-	-	157,103	N/A	
The Company	Simosa Oil Corporation	Associate	164,135	13.04	-	-	164,135	N/A	

Creditor	Counterparty	Relationship with the counterparty	Balance	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Loss Allowance	Note
					Amount	Action taken			
The Company	Caltex Taiwan Corporation	Joint venture	142,846	16.72	-	-	142,846	N/A	
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Others	343,741	8.62	-	-	343,741	N/A	
	Other receivables from related parties								
The Company	Formosa Heavy Industries Corporation	Others	3,810,000	-	-	-	-	N/A	

Note : All transactions are eliminated in the consolidated financial Statements.

I. Derivative financial instruments undertaken: Please refer to Notes 6(4) and 12.

J. Significant intercompany transactions between consolidated entities

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note3)
0	The Company	Formosa Oil (Asia Pacific) Corporation	1	Sales revenue	$11,426,987	Prices similar to those with non-related parties	2.75%
				Accounts receivable	1,117,481	Receive in the following month	0.29%
1	Formosa Oil (Asia Pacific) Corporation	The Company	2	Labor force revenue	56,249	Receive in the following month	0.01%
2	Formosa Petrochemical Transportation Corporation	The Company	2	Labor force revenue	403,646	Receive in the following month	0.10%
				Accounts receivable	15,383	-	-
3	FPCC Marine Corporation (Note 5)	The Company	2	Labor force revenue	259,439	Receive in the following month	0.06%
4	FPCC DILIGENCE Corp. (Note 5)	The Company	2	Labor force revenue	429,598	Receive in the following month	0.10%
5	FG INC.	FPCC USA, INC.	3	Other receivable	156,794	-	0.04%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent Company is coded "0".
(2) The subsidiaries are coded starting from "1" in the order.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Whether the Company discloses the significant transaction in this sheet is according to materiality principle.

Note 5: FPCC Marine Corporation, the subsidiary of the Company, established FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. at the price of ship assets on March 20, 2020. After the reorganization procedures on April 15, 2020, the subsidiary company FPCC Marine Corporation transferred 100% equity of the three companies FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. to the Company and was entered into dissolution and liquidation process.

(2) Investee information

A. Names, locations and related information of investee companies as of December 31, 2020 (excluding Mainland China)

Investor	Investee (Note1、2)	Region	Main Business	Original cost		At the end of period			Investees company net income (Note2(2))	Share of Profits/Losses (Note2(3))	Note
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares (in thousand)	Percentage	Amount			
The Company	Formosa Oil (Asia Pacific) Corporation	ROC	Retail of petrochemical	$1,097,992	$1,097,992	100,000	100.00	1,575,381	348,894	348,894	
The Company	Formosa Petrochemical Transportation Corporation	ROC	Transportation	176,019	176,019	19,378	88.00	317,650	58,891	51,824	
The Company	FPCC USA, INC.	US	Oil drilling	1,637,968	1,493,738	10	100.00	972,227	24,067	24,067	
The Company	FPCC Marine Corporation(Note3)	BVI	Ship chartering	-	100,440	-	-	-	18,673	18,673	
The Company	FPCC DILIGENCE Corp.(Note3)	Liberia	Ship chartering	894,723	-	-	100.00	(161,309)	12,165	12,165	
The Company	FPCC MAJESTY Corp. (Note3)	Liberia	Ship chartering	1,092,467	-	-	100.00	1,581,426	37,066	37,066	
The Company	FPCC NATURE Corp.(Note3)	Liberia	Ship chartering	1,126,902	-	-	100.00	1,631,887	38,870	38,870	
The Company	Formosa Petrochemical International (Cayman) Limited	Cayman	Investing	-	19,232,310	-	-	-	(13)	(13)	
The Company	FG INC.	US	Investing	6,506,856	5,105,174	11	57.00	5,941,777	(149,352)	(85,131)	
The Company	Mai-Liao Power Corporation	ROC	Electricity generation	5,985,979	5,985,979	601,777	24.94	12,416,391	6,702,012	1,671,747	
The Company	Yi-Chi Construction Corporation	ROC	Construction	18,508	80,500	1,695	40.55	28,467	1,730	708	
The Company	Mailiao Harbor Administration Corporation	ROC	Harbor manage	1,348,137	1,348,137	98,907	44.96	2,295,271	444,722	199,935	

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Investor	Investee (Note1、2)	Region	Main Business	Original cost		At the end of period			Investees company net income (Note2(2))	Share of Profits/Losses (Note2(3))	Note
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares (in thousand)	Percentage	Amount			
The Company	Formosa Development Corporation	ROC	Development of land	229,970	229,970	46,641	45.99	772,318	51,351	23,617	
The Company	Formosa Marine Corporation	ROC	Transportation	20,000	20,000	3,238	20.00	173,697	382,037	76,407	
The Company	Simosa Oil Corporation	ROC	Retail of other oil products and manufacturing	54,000	54,000	41,748	20.00	541,394	23,909	47,582	
The Company	Caltex Taiwan Corporation	ROC	Retail of petrochemical products and airport refueling	21,501	21,501	2,400	50.00	55,642	28,414	14,207	
The Company	Formosa Environmental Technology Corporation	ROC	Crop cultivating, Disposals of waste and sewage	417,145	417,145	41,714	24.34	227,350	5,812	1,415	
The Company	Formosa Plastics Synthetic Rubber	ROC	Synthetic Rubber Manufacturing	-	446,000	-	-	-	(686,042)	(228,658)	
The Company	Formosa Plastics Synthetic Rubber(HK)	HK	Investing	4,244,059	4,192,221	138,333	33.33	2,163,006	(500,708)	(164,281)	
The Company	Formosa Kraton Chemical Co., Ltd.	ROC	Synthetic Rubber Manufacturing	1,237,500	1,237,500	123,750	50.00	1,240,764	230,133	115,066	
The Company	Formolight Technologies, Inc.	ROC	LED	80,361	80,361	8,036	39.43	62,497	(7,699)	(3,035)	
The Company	Formosa Resources Corporation	ROC	Mining	7,415,940	7,415,940	741,594	25.00	6,169,287	74,886	18,722	
The Company	Formosa Group (Cayman) Limited	Cayman	Investing	377	377	13	25.00	649,229	125,886	31,472	
The Company	Idemitsu Formosa Specialty Chemicals Corp.	ROC	Retail of petrochemical products	750,000	750,000	75,000	50.00	423,174	(313,263)	(156,631)	
The Company	NKFG	ROC	Electronic components manufacturing & selling	997,200	831,000	99,720	45.00	675,987	(367,932)	(167,121)	
The Company	Nan Ya Photonics Incorporation	ROC	Lighting equipment manufacting	270,584	294,583	10,522	22.83	294,829	90,298	10,229	
Formosa Oil (Asia Pacific) Corporation	Formosa Falkor Engineering Corporation	ROC	Piping component	-	11,500	-	-	-	3	2	
Formosa Oil (Asia Pacific) Corporation	TMS Corp.	ROC	Vehicle and parts export and import	40,000	40,000	3,430	49.00	51,170	17,139	8,397	
Formosa Oil (Asia Pacific) Corporation	Whalehome International Corp., Ltd	ROC	Retail of petrochemical	167,323	167,323	16,463	53.80	175,940	7,380	3,970	
Formosa Petrochemical Transportation Corporation	Whalehome International Corp., Ltd	ROC	Retail of petrochemical	48,209	48,209	4,801	15.69	51,306	7,380	1,153	
FG INC.	FG LA LLC	US	Petrochemical products manufacturing & selling	10,232,843	8,197,065	-	100.00	9,355,746	(173,665)	(173,665)	
FPCC Marine Corporation (Note 3)	Formosa Petrochemical Marine Company Limited (Note 4)	HK	Transportation	-	-	-	-	-	-	-	

Note 1: If a public company has holding company in other country and had issued consolidated financial statement under local regulations, about these investee could disclosed their holding company's relevant information.

Note 2: If not belong to Note 1, filled in by the following rules

(1) In "Investee", "Region", "Main Business", "Original cost" and "At the end of period" columns should filled in in order follow the company invest directly or invest indirectly and explain each relationship in "Note" column.

(2) In "Investees company net income" column should fill in each investee net income.

(3) In "Share of Profits/Losses" column only need to fill in the Company recognized profit or loss of each subsidiary and the company under equity method. Regarding to the profit or loss of each subsidiary should contain the share of profit or loss of its investee.

Note 3: FPCC Marine Corporation, the subsidiary of the Company, established FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. at the price of ship assets on March 20, 2020. After the reorganization procedures on April 15, 2020, the subsidiary company FPCC Marine Corporation transferred 100% equity of the three companies FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. to the Company and was entered into dissolution and liquidation process.

Note 4: Formosa Petrochemical Marine Company Limited has been dissolved on September 20, 2019.

B. The company has controlling power over Formosa Petrochemical Transportation Corporation, Formosa Oil (Asia Pacific) Corporation, FPCC USA, INC., FPCC Marine Corporation (Note1), Formosa Petrochemical International (Cayman) Limited (Note3), FG INC., FG LA LLC, Formosa Petrochemical Marine Company Limited (Note2), FPCC DILIGENCE Corp. (Note1), FPCC MAJESTY Corp. (Note1) and FPCC NATURE Corp. (Note1). Although the total assets and total operating revenue has not reached 10% of the company's account, but the significant transaction should be disclosed.

Note1: FPCC Marine Corporation, the subsidiary of the Company, established FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. at the price of ship assets on March 20, 2020. After the reorganization procedures on April 15, 2020, the subsidiary company FPCC Marine Corporation transferred 100% equity of the three companies FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. to the Company and was entered into dissolution and liquidation process.

Note2: Formosa Petrochemical Marine Company Limited was dissolved on September 20, 2019.

Note3: The Company merged with one of the subsidiaries, Formosa Petrochemical International (Cayman) Limited, on November 19, 2020. The equity investments in Formosa Ha Tinh (Cayman) Limited originally held by Formosa Petrochemical International (Cayman) Limited was directly held by the Company after the combination, and accounted for as financial assets at fair value through other comprehensive income－non-current.

(a) Financing provided to others

No (Note1)	Creditor	Borrower	General Leger account (Note2)	Related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020 (Credits approved by the Boards) (Note 8)	Actual amount	Interest rate%	Nature for Financing (Note 4)	Reason for Financing (Note 6)	Loss Allowance	Collateral		Financing Limits for Each Borrowing Company (Note 7)	Financing Company's Total Financing Amount Limits (Note 7)
												Item	Value		
1	Formosa Oil (Asia Pacific) Corporation	Whalehome International Corp., Ltd	Other receivables from related parties	yes	$50,000	$100	$100	1.23~1.418	(2)	Need for operating	N/A	N/A	N/A	$787,690	$1,575,381
2	FG INC. (Note 9)	FPCC USA, INC.	Other receivables from related parties	yes	363,960	156,794	156,794	0.72~2.339	(2)	Need for operating	N/A	N/A	N/A	1,042,417	31,272,507

Note 1: The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded starting from "1" in the order.

Note 2: Total amount of the financing is disclosed herein if the financing related to business transactions.

Note 3: Maximum financing balance provided to others for the period.

Note 4: Nature of financing is coded as follows:
(1) The financing occurred due to business transactions is coded "1" .
(2) The financing occurred due to short-term financing is coded "2".

Note 5: Total amount of the business transactions between financing company and counterparty should be disclosed herein if the financing occurred due to business transactions.

Note 6: The necessity and rationality of the loan application should be specifically illustrated herein if the financing occurred due to short-term financing.

Note 7: The limits and the calculation methods of financing amount for individual counterparty and total financing amount for financing company are disclosed in accordance with company's operating procedure of financing.

Note 8: According to Paragraph 1, Article 14 of Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies, each financing should be approved by the board of directors. To fairly expose the company's risk, even if the fund doesn't be utilized, the financing amount approved by the board of directors still includes in the financing balance. To reflect the adjustment of the company's risk, while the counterparty repays the fund, it should disclose the balance after the repayment. Although the chairman is authorized to handle the financing in installment or revolver under the specific amount approved by the board of directors within one year, according to Paragraph 2, Article 14 of Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies, it still uses the financing amount approved by the board of directors as the reporting balance. While the counterparty repays the fund, considering the possibility of another utilization, it still uses the financing amount approved by the board of directors as the reporting balance.

Note 9: All transactions listed above are eliminated in the consolidated financial statements.

(b) Endorsement/guarantee provided to others for the year ended December 31, 2020: None.

(c) Securities held as of December 31, 2020

Holding Company	Type and Name of the Securities	Relationship	Financial Statement Account	As of December 31, 2020			
				Shares (In thousand)	Carrying Value	Percentage of Ownership (%)	Market Value
Formosa Oil (Asia Pacific) Corporation	Stock－National Petroleum Co., Ltd.	Others	Financial assets at fair value through other comprehensive income – current	717	$36,271	0.23%	$50.60
Formosa Oil (Asia Pacific) Corporation	Stock－North-Star Petroleum Co., Ltd.	-	Financial assets at fair value through other comprehensive income – current	10,000	186,500	5.21%	18.65
Formosa Oil (Asia Pacific) Corporation	Stock－Tai Yi Feng Corporation	-	Financial assets at fair value through other comprehensive income – non-current	1,500	30,788	5.00%	20.53
FPCC USA, INC.	Stock－Cross Lake Gathering, LLC	-	Financial assets at fair value through other comprehensive income – non-current	-	50,453	12.50%	50,453,292

(d) Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 percent of the capital stock:

Company	Securities Category (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	As of January 1, 2020		Purchase (Note 3)		Sell (Note 3)				As of December 31, 2020	
					Shares (In thousand)	Amount	Shares (In thousand)	Amount	Shares (In thousand)	Price	Book Cost	Gain / Loss	Shares (In thousand)	Amount
FG INC.	Stock	Investments accounted for using the equity method	FG LA LLC	Subsidiary	-	$8,197,065 (Note 5)	-	$2,035,778	-	$-	$-	$-	-	$10,232,843 (Note 5)
FPCC Marine Corporation (Note 6)	Stock	Investments accounted for using the equity method	FPCC DILIGENCE Corp.(Note 6)	Subsidiary	-	-	-	1,345,571	-	894,723	1,345,571	(450,848)	-	-
FPCC Marine Corporation (Note 6)	Stock	Investments accounted for using the equity method	FPCC MAJESTY Corp.(Note 6)	Subsidiary	-	-	-	1,642,958	-	1,092,467	1,642,958	(550,491)	-	-
FPCC Marine Corporation (Note 6)	Stock	Investments accounted for using the equity method	FPCC NATURE Corp.(Note 6)	Subsidiary	-	-	-	1,694,746	-	1,126,902	1,694,746	(567,844)	-	-
Formosa Petrochemical International (Cayman) Limited	Stock	Financial assets at fair value through other comprehensive income–non-current	Formosa Ha Tinh (Cayman) Limited	Others	621,178	19,232,265 (Note 5)	-	-	621,178	19,232,265	19,232,265 (Note 5)	-	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: If the securities listed above are long-term investments, fill in the second column.

Note 3: The accumulated consideration of acquisition or sale should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: It's the parent's paid-in capital. If the stock has no par value or the par value do not equal to NT$10, according to the regulation of 20% paid-in capital transaction amount, the par value will be calculated by 10% of the total parent equity.

Note 5: Beginning balance and ending balance herein is disclosed in original cost.

Note 6: FPCC Marine Corporation, the subsidiary of the Company, established FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. at the price of ship assets on March 20, 2020. After the reorganization procedures on April 15, 2020, the subsidiary company FPCC Marine Corporation transferred 100% equity of the three companies FPCC DILIGENCE Corp., FPCC MAJESTY Corp. and FPCC NATURE Corp. to the Company and was entered into dissolution and liquidation process.

(e) Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

(f) Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

(g) Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

(h) Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

(I) Derivative financial instruments undertaken: Please refer to Note 6(4) and 12.

(j) Significant inter-company transactions: None.

C. Investment in Mainland China as of December 31, 2020

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Investees company net income (Note2)	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Formosa Plastics Synthetic Rubber (Ningbo)	Synthetic Rubber Manufacturing	US$415,000 NT$11,830,820	(2)	US$135,000 NT$4,192,221	US$3,333 NT$51,838	- -	US$138,333 NT$4,244,059	NT$(500,708)	33.33%	NT$(164,281)	NT$2,163,006	$-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note3)
US$138,333 NT$4,244,059	US$138,333 NT$4,244,059	NT$184,860,815

Note1: The methods for engaging in investment in Mainland China include the following:

(1) Directly invested in China

(2) Investment in Mainland China companies through a company invested and established in a third region (The third region company is Formosa Plastics Synthetic Rubber (HK))

(3) Other method

Note2: Recognized based on valuation in financial statements audited by investee companies' independent accountants.

Note3: According to MOEA's regulation, the company set its upper limit on investment is based on 60% of equity.

D. Information on major shareholders

Major shareholders \ Shares	Shares	Percentage of Ownership
Formosa Plastics Corporation	2,720,549,010	28.55%
Formosa Chemicals & Fibred Corporation	2,300,799,801	24.15%
Nan Ya Plastics Corporation	2,201,306,014	23.10%
Chang Gung Medical Foundation	551,360,791	5.78%

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

14. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments as follows:

A. Petrochemical segment: Producing and selling petroleum, and petrochemical products.

B. Public utility segment: Producing and selling water, electricity and steam.

For information regarding the segment reporting and operating activities, please refer to "Other" section of the Note.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group finance costs, finance income and income taxes are managed on a group basis and are not allocated to operating segments.

The transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(1) Information about reportable segment profit or loss, assets and liabilities

Information for the years ended December 31, 2020

	Petrochemical Division	Utility Division	Others	Adjustment and eliminations	Consolidated Amount
Revenue					
External customer	$366,697,816	$34,032,253	$14,551,695	$-	$415,281,764
Inter-segment	11,426,987	10,530,269	1,375,650	(23,332,906)	-
Total revenue	$378,124,803	$44,562,522	$15,927,345	$(23,332,906)	$415,281,764
Interest revenue	-	-	439,620	-	439,620
Rent revenue	1,052,596	-	138,978	-	1,191,574
Interest expense	192,734	65,577	158,476	-	416,787
Depreciation and depletion	7,204,073	3,534,061	1,864,445	-	12,602,579
Amortization	1,434,645	-	46,961	-	1,481,606
Other material non-cash items:					
Impairment of assets	-	-	959	-	959
Segment profit	$(9,192,829)	$12,596,876	$561,276	$4,699,726	$8,665,049
Assets					
Investments accounted for using the equity method	-	-	40,326,757	(11,859,038)	28,467,719
Segment assets	$151,835,020	$46,435,961	$196,402,188	$(13,750,053)	$380,923,116
Segment liabilities	$45,877,771	$6,266,991	$18,042,302	$(1,891,016)	$68,296,048

Information for the years ended December 31, 2019

	Petrochemical Division	Utility Division	Others	Adjustment and eliminations	Consolidated Amount
Revenue					
External customer	$589,545,961	$38,531,670	$17,945,178	$-	$646,022,809
Inter-segment	14,801,796	11,707,924	1,548,599	(28,058,319)	-
Total revenue	$604,347,757	$50,239,594	$19,493,777	$(28,058,319)	$646,022,809
Interest revenue	-	-	702,037	-	702,037
Rent revenue	1,041,308	-	112,686	-	1,153,994
Interest expense	286,726	85,487	219,337	-	591,550
Depreciation and depletion	7,184,008	3,073,712	1,834,921	-	12,092,641
Amortization	1,484,147	-	120,528	-	1,604,675
Other material non-cash items:					
Impairment of assets	-	-	21,009	-	21,009
Segment profit	$22,875,631	$10,827,156	$726,509	$10,469,055	$44,898,351
Assets					
Investments accounted for using the equity method	-	-	46,985,466	(19,166,376)	27,819,090
Segment assets	$178,787,351	$44,538,744	$199,231,211	$(24,525,513)	$398,031,793
Segment liabilities	$49,118,946	$6,139,493	$14,130,486	$(5,359,137)	$64,029,788

Note1: Revenues were from segments below the quantitative thresholds, such as load and unload process, transportation services and sales of petroleum products. None of those segments has ever met the quantitative thresholds for determining reportable segments assets.

Note2: Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' section. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Note3: Profit or loss of each reportable segment does not include the share of profits of associates and joint venture and the foreign currency exchange gains and losses.

(2) Information on reconciliations of revenue, profit or loss, assets, liabilities and other material items of reportable segments:

A. Revenue:

	For the year ended December 31,2020	For the year ended December 31,2019
	NTD	NTD
Total revenue from reportable segments	$422,687,325	$654,587,351
Other revenue	15,927,345	19,493,777
Elimination of inter-segment revenue	(23,332,906)	(28,058,319)
Total revenue	$415,281,764	$646,022,809

B. Profit or loss:

	For the year ended December 31,2020	For the year ended December 31,2019
	NTD	NTD
Net income from reportable segments	$3,404,047	$33,702,787
Net income from other segments	561,276	726,509
Adjustment	4,699,726	10,469,055
Net income from continuing operations	$8,665,049	$44,898,351

C. Assets:

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Total assets of reportable segments	$198,270,981	$223,326,095
Other assets	196,402,188	199,231,211
Adjustment	(13,750,053)	(24,525,513)
Segment assets	$380,923,116	$398,031,793

D. Liabilities:

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Total liabilities of reportable segments	$52,144,762	$55,258,439
Unallocated defined benefit pension liabilities	18,042,302	14,130,486
Adjustment	(1,891,016)	(5,359,137)
Segment liabilities	$68,296,048	$64,029,788

E. Other material items:

For the year ended December 31, 2020

	Reportable segments	Adjustments	Consolidated
Interest revenue	$-	$439,620	$439,620
Rent revenue	1,052,596	138,978	1,191,574
Interest expense	258,311	158,476	416,787
Depreciation and depletion	10,738,134	1,864,445	12,602,579
Amortization	1,434,645	46,961	1,481,606
Impairment	-	959	959
Equity accounted investments	-	28,467,719	28,467,719

For the year ended December 31, 2019

	Reportable segments	Adjustments	Consolidated
Interest revenue	$-	$702,037	$702,037
Rent revenue	1,041,308	112,686	1,153,994
Interest expense	372,213	219,337	591,550
Depreciation and depletion	10,257,720	1,834,921	12,092,641
Amortization	1,484,147	120,528	1,604,675
Impairment	-	21,009	21,009
Equity accounted investments	-	27,819,090	27,819,090

The reconciling item to adjust other material items are mainly generated by non-operating segment.

(3) Geographical information

Revenue from external customers

	For the year ended December 31,2020	For the year ended December 31,2019
	NTD	NTD
Taiwan	$282,450,047	$354,313,235
Korea	29,447,476	103,758,808
Philippines	21,272,415	28,185,231
Singapore	16,445,212	40,326,965
Malaysia	12,335,840	11,914,531
Mainland China	10,953,887	18,106,960
Other countries	42,376,887	89,417,079
Total	$415,281,764	$646,022,809

The revenue information above is based on the location of the customer.

Non-current assets

	As of	
	December 31, 2020	December 31, 2019
	NTD	NTD
Taiwan	$99,780,737	$103,665,643
Other countries	10,303,918	8,871,099
Total	$110,084,655	$112,536,742

The non-current assets are including property, plant and equipment, mineral resources, investments property and other assets, but financial instruments and deferred tax assets are excluded.

(4) Information about major customers

For the year ended December 31, 2020

Customer	Sales Amount	Division
Formosa Chemicals & Fibre Corporation	$84,047,613	Petrochemical and utility divisions
Formosa Plastics Corporation	66,304,020	Petrochemical and utility divisions
	$150,351,633	

For the year ended December 31, 2019

Customer	Sales Amount	Division
Formosa Chemicals & Fibre Corporation	$100,365,621	Petrochemical and utility divisions
Formosa Plastics Corporation	89,392,189	Petrochemical and utility divisions
	$189,757,810	